

ORIGINALDecision No. 70536

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of
 CALIFORNIA WESTERN RAILROAD for
 authority under Sections 454 and 491
 of the Public Utilities Code to
 increase passenger fares between
 Fort Bragg and Willits, California,
 and intermediate points.)

) Application No. 48189
) Filed January 19, 1966

O P I N I O N

California Western Railroad operates as a common carrier of freight and passengers over a line of railroad extending from Fort Bragg to Willits (both located in Mendocino County), a distance of approximately 40 miles. At Willits connection is made with the Northwestern Pacific Railroad Company. By this application California Western seeks authority to increase most of its passengers' fares and to make certain other modifications in its passenger fare structure.¹

Specifically, applicant proposes to increase all adult one-way and round-trip fares by 30 percent, rounding off the increased fares to the nearest "0" or "5". Children's half-fares would be correspondingly increased under the existing tariff rule. The minimum adult one-way and children's fares would be increased from 25 to 35 cents. The carrier seeks no increases in its commutation fares but it proposes to cancel said fares applicable between the two termini, Fort Bragg and Willits, since there have been no sales of commutation tickets applicable between those two points in over 15 years.

¹ The fares in issue are set forth in California Western Railroad Local Passenger Tariff No. 3-E, Cal. P.U.C. No. 9.

The present one-way and round-trip adult fares between Fort Bragg and Willits are \$2.30 and \$3.45, respectively. The corresponding proposed fares are \$3.00 and \$4.50, respectively. Present and proposed fares for shorter distances are proportionately less.

The line of railroad here under consideration, the application shows, is very scenic, operating over the coast range, through redwood forests and along the Noyo River, which it crosses repeatedly. There are many curves, cuts, fills, bridges and tunnels. Because of its scenic attractions, which have been well advertised by the company in recent years, there is a heavy tourist patronage during the summer months. According to the application very few people live at intermediate points along the line. Most persons who get on and off trains at those points have summer cabins, which they occupy only during the vacation months. Moreover, the overwhelming majority of passengers handled by the carrier are sight-seeing summer tourists who make the round trip between Fort Bragg and Willits.²

One passenger train, consisting of a single unit motor car, is operated daily throughout the year. Additional single unit motor cars are operated when necessary during the summer months to accommodate overflow summer passengers. The retirement of one motor car, and the increasing popularity of the ride, made it necessary, in the summer of 1965, for the carrier to augment its passenger rolling stock by purchasing a steam locomotive and four passenger coaches.³

² The application shows, for example, that the total number of passengers transported by applicant in January 1965 was 192, while the total for August, the peak month, was 31,950 passengers.

³ Passenger revenues of applicant increased from \$69,349 in 1961 to approximately \$164,400 (December estimated) in 1965. There is a small amount of revenue from mail and express.

The addition of this steam train in itself further increased the number of passengers and applicant anticipates the acquisition of a second steam engine and train of cars, in 1966 or 1967, to take care of those prospective passengers who, based on the 1965 experience, would otherwise be turned away.

The upward adjustment in fares now sought by the carrier is made necessary, the application states, by the steadily mounting increases in operating expenses. In addition to the assertedly normal increase in cost of operating a passenger service a reservation system had to be set up in order properly to handle the increased volume of tourist traffic. It also became necessary to intensify the company's advertising campaign in 1965 in order to insure that the steam train should be properly publicized and that the public be given the opportunity to make inquiries and to make necessary reservations. The increase in passenger traffic has resulted in a substantial increase in public liability and property damage insurance premiums and the purchase of the steam engine and passenger cars will result in a substantial increase in the carrier's equipment insurance costs in 1966, as compared with 1965.

Staff members of the Commission's Transportation Division and Finance and Accounts Division have reviewed applicant's records and operations. The results of the Transportation Division study have been incorporated in a document which is hereby received as Exhibit No. 1.

In that exhibit are set forth estimated results of passenger operations for the year 1966, both under a continuation of present fares and under the proposed fares. These estimates are predicated on the basis of out-of-pocket costs, only. These are defined as the costs which would not be incurred if the passenger

trains were not operated. Total passenger train revenues are estimated at \$203,800 and \$260,200 under present and proposed fares, respectively. Passenger operating expenses for the year are estimated at \$223,100.

Thus, the staff estimates a loss of \$19,300 and an operating ratio of 109.5 percent for 1966 under a continuation of present fares. On the basis of the proposed fares, net income after provision for income taxes is estimated at \$18,200, with an operating ratio of 92.7 percent. The Commission's Transportation Division staff has recommended that the application be granted.

The results of a study by the Finance and Accounts Division have been incorporated in a document which is hereby received as Exhibit No. 2. This exhibit sets forth the recorded financial condition and operating results of the company and supports the conclusion of the Transportation Division that the proposed increase in fares is justified and also recommends that the application be granted.

The proposal of applicant to increase its passenger fares has been publicized locally, and civic bodies in Fort Bragg and Willits have gone on record in support of the sought increases.

The application and staff studies clearly show that applicant is operating its passenger service at a substantial loss and that the proposed increased rates are necessary to assure the continuance of the quality of service which applicant has heretofore provided for its passengers.

We find that:

1. Applicant's present passenger fares are insufficient to offset the costs incurred by it in the rendition of passenger service.
2. The proposed increases in passenger fares are justified.

We conclude that the application should be granted. A public hearing is not necessary.

Applicant seeks authority to make the increased fares effective on less than statutory notice, since reservations, accompanied by remittance, may be made as early as 90 days in advance of the date on which passengers plan to travel over the carrier's rails. Consequently, reservations are received all through the spring months for summer trips. The request appears reasonable. The order which follows will so provide.

ORDER

IT IS ORDERED that:

1. California Western Railroad is authorized to establish the increased fares proposed in Application No. 48189 and set forth in Exhibit A thereof. Tariff publications authorized to be made as a result of the order herein may be made effective not earlier than five days after the effective date hereof on not less than five days' notice to the Commission and to the public.

2. The authority herein granted shall expire unless exercised within ninety days after the effective date of this order.

The effective date of this order shall be ten days after the date hereof.

Dated at ^{San Francisco} _____, California, this 5th day of APRIL, 1966.

Frederick P. Holbrook
President

George T. Trover

Auguston

William W. Bennett
Commissioners

Commissioner Peter E. Mitchell, being necessarily absent, did not participate in the disposition of this proceeding.