

ORIGINAL

Decision No. 71318

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of)
 THE PULLMAN COMPANY for authority,)
 under Sections 454 and 491 of the)
 Public Utilities Code, to revise)
 rates for rooms having multiple)
 sleeping accommodations for one-way)
 trips at berth rates for California)
 intrastate trips in night service.)

Application No. 48350
 (Filed March 28, 1966)

Clair W. MacLeod, Martin J. Rock and
Robert Edmundson, for applicant.
Eric A. Mohr, for the Commission staff.

O P I N I O N

The Pullman Company is a common carrier engaged in the operation of sleeping cars over various lines. By this application it seeks authority to increase certain of its fares for intrastate trips in night service.

Public hearing of the application was held before Examiner Bishop at San Francisco, on July 27, 1966. Evidence was presented by applicant's auditor of receipts and by an assistant transportation engineer of the Commission's staff.

The fare increases herein sought relate to occupancy of bedrooms, compartments and drawing rooms in sleeping cars operated by applicant. Presently, the carrier provides a lower pullman fare when one of these accommodations is occupied by one person than applies when occupied by two or more persons. Applicant proposes to increase the single occupancy fares to be the same as the corresponding present fares for multiple occupancy. Additionally, it is proposed to increase the charge for the use of bedroom suites from

the present level to the sum of the fares for one single occupancy bedroom and one double occupancy bedroom. No increases are proposed in fares for upper or lower berths, sections, roomettes, duplex roomettes, or for occupancy by two or more passengers of bedrooms, compartments or drawing rooms. Also, no increases are proposed for merely daytime use (seat space) of Pullman cars.

The record shows that the bases of increased fares herein sought for California intrastate traffic are part of a nationwide adjustment. On interstate traffic the increased fares took effect on May 1, 1966. According to the record, said fare bases had, at the time of hearing, taken effect on intrastate traffic in all states served by Pullman except in Arizona and California.^{1/}

It is pointed out in the application that, since the proposed increases relate exclusively to night occupancy of Pullman accommodations, practically the only users of applicant's services who would be affected by said increases are certain of the sleeping car passengers on the "Lark" trains of Southern Pacific Company, operating overnight between San Francisco and Los Angeles via the coast route. These are the only intrastate trains providing overnight sleeping car service between California points.^{2/} The application shows moreover, that compartment and drawing room sleeping cars are no longer regularly carried on the Lark. Thus, the scope of the application is, in effect, limited to proposed increases in fares for bedroom accommodations on that train. In Appendix A hereof are set forth present and proposed fares between Los Angeles and San Francisco.

1/ In Arizona the matter was under submission.

2/ Pullman's witness pointed out that an intrastate passenger, boarding the A.T. & S.F. Railway's interstate train "San Francisco Chief" at Needles, California and destined to points north of Bakersfield would be affected under certain circumstances. Such instances are negligible, since that train leaves Needles, California (adjacent to the Arizona State line) at 1:05 a.m., and only occasional use of Pullman service under such a schedule is likely.

The proposals here under consideration, the record shows, are designed to promote improved occupancy of bedroom cars with a consequent increase in operating revenues. Each bedroom, compartment and drawing room has sleeping accommodations for at least two people. A study made by applicant disclosed that 23 percent of the available bedrooms on the Lark, during the period selected, were occupied by single revenue passengers.^{3/} The study also disclosed that when all bedrooms had been sold, single passengers have occupied bedrooms, although roomettes were available.^{4/} By increasing the fare for single occupancy of bedrooms, applicant believes that its revenues from those accommodations will be increased either by the single rider paying the higher fare, or if the single rider elects to occupy a roomette, a cheaper accommodation, by making more bedrooms available to parties of two or more persons, who might be otherwise turned away because of the lack of available bedrooms.

On the occasions when all bedrooms but not all roomettes have been sold, applicant's witness stated, the carrier has no way of ascertaining how many prospective patrons may have been turned away because of the unbalanced loading. The witness pointed out that the sale of sleeping car space on the Lark is handled entirely by employees of Southern Pacific, which apparently keeps no record of prospective passengers who are unable to secure bedroom space. Nevertheless, comments from the passenger public, which occasionally filter back to Pullman, indicate that such space is not always available for patrons seeking such facilities. Moreover, the witness

^{3/} Each Lark train normally carries three Pullmans, having a total complement of 32 roomettes (which are designed for single occupancy) and 18 bedrooms. The period studied was the week of January 14-20, 1966. Also, the sleeping car diagrams for other days, selected at random, were reviewed.

^{4/} The record shows that during the calendar year 1965, only 35 percent of the available roomette space on the Lark was occupied.

pointed out that an empty bedroom does not necessarily indicate that all persons seeking such facility were accommodated. A last minute cancellation or "no show" may have been the reason for the unoccupied space.

Cross-examination of the Pullman witness brought out the fact that during the week's traffic which he analyzed, on only one of 14 runs (seven in each direction) were there no empty bedrooms. On two of the trips there was just one unused bedroom. A check of occupancy of bedrooms for a more recent period disclosed that on three trips of the Lark in July 1966 all bedrooms were occupied and on one other night there was only one unused bedroom.^{5/}

The staff engineer had analyzed the sleeping car diagrams on file at the Southern Pacific offices for seven days in each of seven months during the year ended April 30, 1966. In this 49-day sample of southbound trips, he found that on nine days all bedrooms were occupied and on five other days all but one of the bedroom accommodations were occupied.^{6/}

According to an exhibit introduced by the auditor, applicant received total revenues of \$231,097 from the sleeping car service on the Lark trains for the calendar year 1965. The corresponding operating expenses amounted to \$380,648 (exclusive of

^{5/} The witness stated that an airline strike, in effect at the time, may have influenced the volume of sleeping car traffic between San Francisco and Los Angeles.

^{6/} The record shows that dining and sleeping car employees regularly utilize 9 beds in the train and that there are usually some non-revenue passengers. In the January week studied by applicant's witness, there was a total of 252 available bedrooms; 164 of these were occupied (65% occupancy), 127 by revenue passengers and 37 by nonrevenue riders.

yard electrical maintenance) reflecting a deficit of \$149,551 and an operating ratio of 164.7 percent.^{7/} It is obvious, the witness testified, that a deficit of such magnitude cannot be overcome simply by increasing rates to that extent, and any attempt to do so would be suicidal. Pullman, he said, must maintain a competitive position with other types of passenger carriers; applicant feels that basic Pullman rates have reached the saturation point and should not be increased in spite of the large deficit.

It is applicant's view, however, that the operating picture can be improved by better loadings and by greater utilization of multiple sleeping facilities by multiple passengers. Pullman's main items of expense are the same whether a bedroom is occupied by one or more passengers. Thus, the witness stated, if single passengers are encouraged to use roomettes and passengers seeking rooms with multiple sleeping facilities are attracted to travel Pullman, the additional revenue gained by this shift in loading will directly reduce the present deficits.

In the opinion of the auditor, the proposed fare revision would not discourage Pullman travel by the single passenger, especially for the short intrastate trips. If such a passenger, who had previously used bedrooms, should not desire to pay the additional amount of \$3.60 proposed herein, he could still avail himself of the roomette at a saving of \$8.65 under the proposed fare. The witness pointed out that any estimates of the amount of increased revenues to be expected under the proposed fares would be purely conjectural. He had calculated that if full occupancy of the bedroom accommodations

^{7/} In another exhibit applicant's system operating results for the same period were set forth. They are summarized as follows: operating revenues, \$35,138,446; operating expenses, \$51,951,762; deficit, \$16,813,316; operating ratio, 147.8 percent.

were to be experienced, excluding the facilities used by dining car crews, the increase would be about \$40,000 per year. This estimate took into account also extra sleeping cars to be hauled on the Lark trains, based on the 1965 experience.

The staff engineer presented an exhibit showing the total usage, and revenues derived therefrom, of the different sleeping car facilities on the Lark. During the 12-month period ended April 30, 1966, 6,620 Lark roomettes were occupied, 3,890 single-passenger bedrooms and 3,710 multiple-passenger bedrooms.

This witness directed attention to the differentials in the present and proposed single occupancy bedroom fares. He was of the view that the present differential is justified. He pointed out that if the application is granted the prospective single occupancy rider has three choices: (1) he may decide not to ride the train; (2) he may elect to use a roomette instead; or (3) he may decide to pay the increased charge and ride in the bedroom. These options would result in (1) complete loss of revenue, (2) reduction in revenue, and (3) an increase in revenue, respectively. The witness admitted that his analysis did not take into account additional revenue which would be derived from more efficient use of the facilities, under the proposed fares, as anticipated by applicant.

The staff witness advanced the view that on those days on which there is a shortage of bedroom facilities additional sleeping cars could be put in the train to remedy the deficiency. However, applicant's witness testified that under the terms of the uniform service contract which applicant has with all railroads over which it operates the railroad decides the kind and number of sleeping cars that it requires for a particular train. In this respect, Pullman is purely a service organization, with no power to influence passenger traffic policy of the contracting railroads.

In his closing statement a representative of the staff set forth the staff position that the sought fare increases had not been justified and that the application should be denied. The staff recognizes that applicant has a problem, but believes that the remedy proposed is not the correct one. If there is a bedroom shortage and passengers are turned away the proper solution should be worked out between applicant and Southern Pacific. A fare increase in this situation is a very negative solution to the problem. The basic idea of a differential in fares, as now prevails, between single and multiple occupancy of bedroom accommodations is sound and reasonable. Finally, the staff questions whether the proposed fare increase would result in any over-all increase in revenue.

Notices of the hearing in this matter were sent out in advance to numerous organizations and officials throughout the State and were posted in all sleeping cars on the Lark trains. No one other than representatives of the Commission staff appeared at the hearing in support of or opposition to the proposals.

The fare revisions here under consideration are in California intrastate portion of an adjustment which The Pullman Company is attempting to accomplish on a nationwide scale. Admittedly, the proposal is experimental, and has been formulated without regard to the circumstances which may prevail in particular states or areas. Within California, as a practical matter the proposal concerns only the sleeping car traffic on the Southern Pacific's Lark trains operating in overnight service between San Francisco and Los Angeles.

From a nationwide standpoint, the problem confronted by Pullman is how to better balance its sleeping car loads; that is, how to induce single riders in bedrooms to switch to roomettes, thus making more bedrooms available for multiple riders, or at least to

collect from the single user of a bedroom the same fare the company would receive when two or more persons occupy the bedroom.

The situation with respect to the Lark trains, according to the record, is not the same as is alleged for the Pullman service as a whole. As hereinbefore pointed out, the staff's analysis of the southbound Lark sleeping car diagrams for 49 trips, over a 12-month period, disclosed only nine nights on which all the bedrooms were occupied. Thus, during the recent past there does not appear to have been a chronic problem with respect to adequate bedroom space on the Lark.^{8/} On the other hand, the record indicates also that occupancy of roomette accommodations on the trains could be substantially increased without requiring additional equipment. Perhaps the answer to that part of the problem would be to reduce roomette fares in order to attract more roomette riders.

Even if it is conceded, however, that single occupants of Lark bedrooms should be induced to use roomettes, the record is not persuasive that such result will be accomplished by increasing the bedroom fare as herein proposed. Some travelers, who do not find roomettes acceptable and who will be discouraged from using bedrooms because of the increased fare, will use other means of transportation, resulting in loss of revenue, rather than gain, to applicant. Other single riders may be expected to switch to roomettes, and still others to occupy bedrooms, even though required to pay an increased fare. There is no basis in this record upon which to determine whether load distribution will be improved and whether the net effect

^{8/} Disregarding, of course, the temporary circumstances resulting from the aforementioned airline strike. Also, Decision No. 70939, in Application No. 48219, et al., hereinafter mentioned, points out that in various other instances Southern Pacific has failed to provide sufficient Pullman space to meet the public demand.

will be an increase or a reduction in revenue for applicant, if the sought increases are authorized.

We take official notice of the fact that the Lark Pullman traffic is subject to strong competition from the airlines, as well as from rail coach service, highway buses and private automobiles, and that the total cost to the Lark Pullman passenger is substantially more than by use of the other for-hire means of travel between the same points. These facts are brought out in Decision No. 70939, dated July 1, 1966 in Application No. 48219, and related matters, in which decision the Commission denied the application of Southern Pacific Company to discontinue operation of the Lark trains. That decision also shows, as does the record herein,^{9/} that there has been a steady decline, through the years, in the volume of traffic handled by those trains.

In view of these facts, it appears that to increase any sleeping car fares on the Lark would simply result in a further decline in the number of Pullman passengers riding that train. Such action would widen the already great discrepancy between the cost of traveling by Pullman on the Lark and the cost of competing forms of transportation. Correlatively, there is no assurance on this record that such increased fares would result in increased revenues for applicant.

The record shows that applicant has no direct dealings with the public in the making of reservations for Pullman space and no contacts with it in the sale of space except the occasional instances

^{9/} An exhibit shows that as of January 1, 1956 the Lark regularly carried 14 sleeping cars with a complement of 70 roomettes, 90 bedrooms, 13 compartments and 7 drawing rooms. By 1966 the figures had shrunk to three sleeping cars with 32 roomettes and 18 bedrooms.

in which space is sold by Pullman conductors on the trains. Such arrangements, with the exception noted, are made by railroad employees. Moreover, applicant has no control over the number and kind of sleeping cars to be supplied. In view of the authority which lies with the underlying railroad in these matters, and the apparent rigidity in the provisions of the aforementioned standard contract, it is clear that the responsibility for the solution of these problems affecting the Lark trains, the better distribution of loads, the adequacy of all types of sleeping facilities and the development of increased traffic, lies primarily with Southern Pacific Company. Its duties in these respects have been spelled out in Decision No. 70939, above. This proceeding further highlights the need for Southern Pacific to take positive action to improve "Lark" service.

We find that the proposed increased sleeping car fares have not been justified.

We conclude that the application should be denied.

O R D E R

IT IS ORDERED that Application No. 48350 is denied.

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

Dated at San Francisco, California, this 27th day of SEPTEMBER, 1966.

Arthur E. Mitchell President
George T. Grover
Frederick B. Holst
Myzatan
 Commissioners

-1- Commissioner William M. Bennett, being necessarily absent, did not participate in the disposition of this proceeding.

APPENDIX A

Pullman Sleeping Car Fares
Between
San Francisco and Los Angeles

<u>Accommodation</u>	<u>No. of Persons Occupying</u>	<u>Fare</u>	
		<u>Present</u>	<u>Proposed</u>
Bedroom	1	\$16.25	\$19.85
Bedroom	2 or more	19.85	No change
Compartment	1	17.10	21.40
Compartment	2 or more	21.40	No change
Drawing Room	1	23.15	29.00
		29.00	No change
Roomette	1	11.20	No change

NOTE: The Pullman fares are in addition to the first-class railroad fares between the same points.