

ORIGINALDecision No. 72224

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of THE ATCHISON, TOPEKA }
 AND SANTA FE RAILWAY COMPANY and }
 SANTA FE TRANSPORTATION COMPANY for }
 authority to increase California }
 intrastate passenger fares. }

Application No. 49047
 Filed December 22, 1966

OPINION AND ORDER

Applicants, The Atchison, Topeka and Santa Fe Railway Company (Santa Fe), a common carrier of passengers by railroad, and the Santa Fe Transportation Company (Transportation),¹ operating as a passenger stage corporation, seek authority to increase their intrastate passenger coach fares. Santa Fe operates passenger train service between various points in California. Transportation provides train connecting bus service between Los Angeles and Bakersfield, connecting with Santa Fe Trains Nos. 7 and 8 and, pursuant to Decision No. 68686 (64 Cal. P.U.C. 114), Southern Pacific Company Trains Nos. 51 and 52 at Bakersfield.

Applicants' intrastate coach fares, including their station-to-station, one-way, round-trip and special coach fares, and the bus fares of Transportation, were last increased by 5 percent, pursuant to Decision No. 63671, dated May 8, 1962, in Application No. 43761 (59 Cal. P.U.C. 591). The Santa Fe's multiple-ride fares, applicable between Los Angeles, on the one hand, and Fullerton, Anaheim and Santa Ana, on the other hand, are at the increased level authorized by Decision No. 67488, dated July 7, 1964, in Application No. 45766 (63 Cal. P.U.C. 43). Applicants' present intrastate coach fares are assertedly below the level of like coach fares in effect

¹ Transportation is a wholly owned subsidiary of Santa Fe.

between the same or related California points applicable via other railroads. Santa Fe and Transportation now seek authority to increase their present coach fares as follows:

1. Increase fares applicable within the territory in which applicants and the Southern Pacific Company tickets are interchangeable, under an optional honoring agreement, to the level of fares authorized Southern Pacific Company by Decision No. 71505, dated November 1, 1966, in Application No. 48196.
 - a. At common points applicants propose to duplicate the Southern Pacific's coach fares.
 - b. At non-common points applicants propose to increase fares to a level which maintains the same relationship now existing between the various common and related non-common points.
2. Increase coach fares applicable elsewhere in the state by 5 percent. The level of the multiple 20-ride fares applicable between Los Angeles, on the one hand, and Fullerton, Anaheim and Santa Ana, on the other hand, to be based on the same formula authorized by Decision No. 67488, dated July 7, 1964 (63 Cal. P.U.C. 43), namely: Ten times the increased round-trip fare, less 50 cents.

The application states that, under the optional honoring agreement, Santa Fe - Transportation - Southern Pacific Company tickets are interchangeable between Los Angeles and San Francisco and common intermediate points via the San Joaquin Valley. The Southern Pacific Company coach fares are currently higher than the corresponding fares of applicants. Passengers may now purchase tickets at the lower Santa Fe - Transportation level of fares and use such tickets on the Southern Pacific trains, in which case Santa Fe, in honoring Southern Pacific's higher level of fares, must pay more than it receives. Conversely, when Southern Pacific tickets are purchased and used via the Santa Fe, the Southern Pacific remits to Santa Fe its local fare which is less than the amount actually paid by the passenger. Examples of the present and proposed coach fares are hereinafter set forth:

TABLE 1

Comparison of Applicants' Present with Proposed 1-Way Fares
San Francisco to Los Angeles and Intermediate Points
 (Rates in Cents)

<u>From:</u>	<u>San Francisco*</u>		<u>Richmond*</u>		<u>Stockton*</u>		<u>Merced*</u>	
	<u>To</u>	(1) (2)	(1) (2)	(1) (2)	(1) (2)	(1) (2)	(1) (2)	
Richmond*		60 ⁽³⁾ 62 ⁽³⁾	- -	- -	- -	- -	- -	
Stockton*		246 312	201 294	- -	- -	- -	- -	
Merced*		405 496	387 476	191 245	- -	- -	- -	
Fresno*		564 670	547 652	357 443	168 185			
Hanford		654 781	635 763	446 654	258 296			
Wasco		813 984	794 966	605 757	417 499			
Bakersfield*		868 1030	859 995	671 788	478 576			
Los Angeles* ⁽⁴⁾		1050 1250	1050 1250	1001 1176	808 963			

<u>From:</u>	<u>Fresno*</u>		<u>Hanford</u>		<u>Wasco</u>		<u>Bakersfield*</u>	
	<u>To</u>	(1) (2)	(1) (2)	(1) (2)	(1) (2)	(1) (2)	(1) (2)	
Hanford		89 111	- -	- -	- -	- -	- -	
Wasco		249 314	159 203	- -	- -	- -	- -	
Bakersfield*		315 397	234 286	75 83	- -	- -	- -	
Los Angeles* ⁽⁴⁾		645 760	564 700	405 497	330 414			

(1) Present Rates.

(2) Proposed Rates.

(3) No tickets sold for local transportation. Bay Area fares used for rate construction purposes only.

(4) Los Angeles includes Glendale, Pasadena, Burbank, San Fernando, Hollywood and North Hollywood.

* Common Points: Southern Pacific Co. - Santa Fe and Transportation. Fares in the "Proposed" columns between asterisked points are now in effect via the Southern Pacific Company.

TABLE 2

Comparison of Applicants' Present with Proposed 1-Way
Fares between Stations on the Santa Fe San Diego Line
(Rates in Cents)

<u>From:</u> <u>To</u>	<u>Los Angeles</u>		<u>Fullerton</u>		<u>Santa Ana</u>		<u>Oceanside</u>	
	(1)	(2)	(1)	(2)	(1)	(2)	(1)	(2)
Fullerton	70	74	-	-	-	-	-	-
Santa Ana	100	105	32	34	-	-	-	-
Oceanside	246	259	180	189	147	154	-	-
San Diego	366	385	299	314	269	283	122	128

(1) Present Rates.
(2) Proposed Rates.

In support of the sought increase in fares financial and statistical information, together with verified statements prepared by officials of applicants, were attached to the application. In the area where Santa Fe, Transportation and Southern Pacific Company tickets are interchangeable (between Los Angeles and San Francisco), an Assistant General Passenger Traffic Manager for Santa Fe explained that for the 12 months ending June 30, 1966, Santa Fe paid Southern Pacific \$43,915 for carrying passengers who had purchased Santa Fe tickets, the revenue from which assertedly amounted to not more than \$39,900. The traffic manager further stated that if Southern Pacific's increased fares, which became effective December 21, 1966, pursuant to Decision No. 71505, dated November 1, 1966, in Application No. 48916, were considered for the same 12-month period, the Santa Fe's payment to the Southern Pacific Company would have increased to \$47,867 or \$7,967 more than what the passengers paid Santa Fe for the transportation service.

Assertedly, there are no substantial differences in traffic or transportation conditions which would justify the maintenance by applicants of the specific fares involved herein at a lower level than contemporaneously authorized and in effect between the identical points via the Southern Pacific Company. While Transportation's bus

service between Los Angeles and Bakersfield is not directly comparable with the Southern Pacific train service, it is applicants' contention that, since Transportation's buses meet Southern Pacific trains, as required by the Commission's Decision No. 68686, dated March 2, 1965, in Application No. 46660 (64 Cal. P.U.C. 114), and Decision No. 70939 of July 1, 1966, in Application No. 48356, wherein it was found that such alternative bus service was more attractive to some passengers than the Southern Pacific train service, the bus fares ought to be at least as high as the train fares. It was explained that Transportation does not perform local service between Los Angeles and Bakersfield but must publish local fares for use in fare construction as factors of combination rates.

The Santa Fe passenger traffic manager avers that, other than the service between San Francisco and Los Angeles via the San Joaquin Valley, the only Santa Fe trains on which there is significant intrastate use is on the San Diego - Los Angeles line. Although both runs allegedly operate at a substantial loss, only a 5 percent increase in fares is sought on the San Diego - Los Angeles line, due to the competition from the private automobile and applicants' desire not to discourage the existing and potential high passenger traffic density in this area. It is applicants' position that the proposed overall 5 percent increase in coach fares will not adversely affect applicants' passenger traffic. The proposed increase in fares between San Francisco and Los Angeles will assertedly cause a diminution of patronage amounting to approximately 15 percent of the increase in revenues. (The average increase in rail coach fares between Bakersfield and San Francisco is estimated to be 19 percent.)

It is calculated that the proposed fares will produce additional revenues of \$96,604 per year, based on traffic levels for

the year 1966. The traffic manager determined that the increase in intrastate revenues would be distributed over the respective passenger services as follows:

TABLE 3

<u>Passenger Service</u>	<u>Estimated Increase in Revenues</u>
1. San Francisco-Bakersfield Rail Service	\$49,546
2. Bakersfield-Los Angeles Bus Service	9,641
3. San Diego-Los Angeles Rail Service, and	
Balance of Santa Fe's California Service	<u>37,417</u>
Total	<u>\$96,604</u>

Applicants' traffic level during the test period was assertedly inflated, due to a strike on the lines of a major competing passenger stage corporation and certain airlines. If the traffic level is normalized, by deducting the estimated effects of such strike, the Santa Fe's passenger traffic manager estimates that applicants' anticipated increase in revenues under the proposed fares would amount to \$85,522.

Exhibits A and B of the application contain financial statements of Santa Fe's revenues, expenses and net railway operating income for California intrastate traffic for the year 1963 and for the same year adjusted to October 1966. A summary of the net railway operating income, as developed by the Santa Fe statistician, is set forth below:

TABLE 4

Net Railway Operating Income for
California Intrastate Traffic
(Based on Fully Allocated Costs)

<u>Net Railway</u> <u>Operating Income</u> (1)	<u>Freight</u> <u>Service</u>	<u>Passenger</u> <u>Service</u>	<u>Total</u> <u>Service</u>
For Year 1963	\$(1,390,133)	\$(4,853,771)	\$(6,243,904)
Adjusted Year 1963 (2)	(3,108,200)	(4,977,262)	(8,085,462)

() Indicates deficit.

(1) Before State or Federal Income Taxes.

(2) Adjusted to reflect level of costs and passenger train operations as of October 1966. No adjustment included for changes in volume of freight traffic.

From the results of operations summarized in Table 4, the California intrastate passenger operations of Santa Fe assertedly continue to reflect deficits similar to that noted by the Commission in Decision No. 63671. The additional revenues sought by applicants will have but little, if any, appreciable effect upon Santa Fe's existing intrastate operating passenger deficit. The application also shows that, for the year 1963, Transportation experienced a net operating deficit of \$26,020 in connection with California intrastate passenger traffic. The 1963 results of operations were not adjusted, as in the case of Santa Fe, to reflect current operating experience. Unlike the California intrastate passenger operations of applicants, the total system-wide operations of Santa Fe and Transportation are profitable.

Copies of this application and accompanying affidavits and exhibits were assertedly furnished to the County Clerks of all the counties in the State of California through which applicants perform the passenger service involved herein. There being no protests an ex parte order will be issued.

After consideration, we find that:

1. There are no substantial differences in traffic or transportation conditions which require or justify the maintenance of fares by applicants lower than authorized and in effect between the same points on trains of the Southern Pacific Company.

2. Applicants have experienced increases in the cost of operating their California intrastate passenger service since the fares relating thereto were last adjusted.

3. Applicants' California intrastate passenger operations continue to reflect net operating deficits since the last fare increase was authorized.

4. The additional revenues contemplated under the proposed fares will be insufficient to return the fully allocated operating costs of applicants' California intrastate passenger service.

5. The sought increases in fares are justified under existing transportation conditions.

We conclude that the sought increase in California intrastate passenger coach fares should be granted. This is a matter in which a public hearing is not necessary.

IT IS ORDERED that:

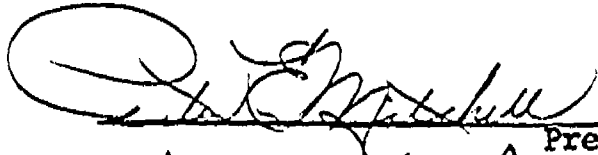
1. The Atchison, Topeka and Santa Fe Railway Company and Santa Fe Transportation Company are authorized to establish the increased fares proposed in Application No. 49047. Tariff publications authorized to be made as a result of the order herein may be made effective not earlier than thirty days after the effective date hereof on not less than thirty days' notice to the Commission and to the public.

A.49047 NB


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 twenty days after the date hereof.

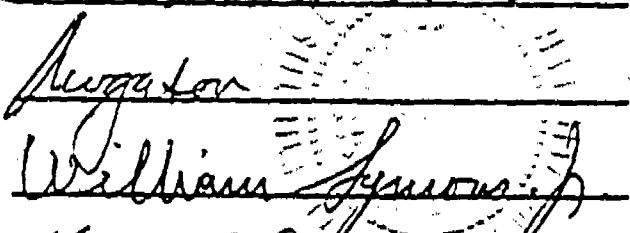
Dated at San Francisco, California, this 28th day of MARCH, 1967.



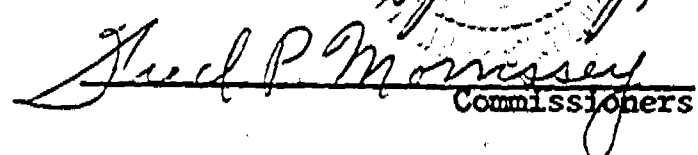
President



Augustor



William J. Sweeney



Commissioners