

Decision No. 1818

In the matter of the Application of San Francisco, Napa and Calistoga Railway For Authority to Increase its Monthly Commutation Fares Provided for Parties or Associations of 100 or More Individuals Between Napa and Vallejo.

John T. York, for Applicant.  
C. Fritschaw, H. C. Wood and  
J. N. F. Bischoff for Commuters' Association.  
H. L. Johnston and Ben Blow for Napa  
Chamber of Commerce.

OPINION.

-1-

this restriction.

In justification of the proposed change, petitioner alleges that the present fare was established at the solicitation of the Napa Chamber of Commerce in the expectation that a sufficient number of employes of the Mare Island Navy Yard would be induced thereby to locate and reside at Napa and to travel between that point and Vallejo via petitioner's line to make the fare profitable. Petitioner contends that the fare is unremunerative and asks that a fare of \$6.00 be established for this service.

Petitioner alleges that the following statement for the year ending June 30, 1914, of the estimated revenues and expenses of the commuter trains indicates the unprofitableness of the \$5.00 fare.

Operating and Maintenance Expense chargeable to trains Nos. 1 and 24	\$6,993.40
Taxes chargeable to Trains Nos. 1 and 24	330.00
Depreciation of equipment (rolling stock only) chargeable to trains Nos. 1 and 24	733.90
Interest on investment in equipment chargeable to Trains Nos. 1 and 24	639.00
Interest on investment in ways and structures chargeable to Trains Nos. 1 and 24	<u>3,757.50</u>
Total expense charged to Trains Nos. 1 and 24	\$12,453.80
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Revenue from operating Trains Nos. 1 and 24	\$ 6,046.50
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Deficit . . . . .	6,407.30

The expense figures are allocated proportions of the total amounts of the several items. Manifestly their

accuracy depends upon the basis employed for segregating the respective items. An analysis of the apportionment is accordingly necessary to determine their approximate correctness. Petitioner uses the car mile basis throughout. An explanation of how this basis is determined is properly preliminary to such an analysis.

Distance Napa Car Barn to Napa Limits	1.73 miles
Distance Napa limits to Vallejo	16.12 "
Single-trip each day	17.85 "
Round-trip each day	35.70 "
Round-trip 365 days	13,030.5 "
Round-trip 365 days with 2 cars	26,061. car miles
Less single trip on Sundays 2 cars	1,856.4 " "
Total car mileage Trains 1 and 24	
per annum	24,204.6 "

The deduction is made for Sundays for the reason that on that day <sup>the</sup> commuters' train is operated as such south-bound only. The total car miles of the San Francisco, Napa and Calistoga Railway for the year ending June 30, 1914, according to the annual report of that Company for the year ending June 30, 1914, on file with the Commission is 467,409 miles; therefore the car miles of trains Nos. 1 and 24 represent 5.18% of the total car miles of the system.

However, it appears from the evidence that the car miles charged against trains Nos. 1 and 24 are incorrect. The petitioner in computing this car mileage has deducted 1,856.4 car miles from the total car miles of these two trains for the reason that the commuters' train is operated as such south-bound only on Sunday. It appears, however, from the record that this is insufficient, as the General Manager of the Company testified that one car only is operated on Sunday in the commuters' train, this car running south-bound

only. Hence, instead of deducting 1,856.4 car miles for Sunday on account of the partial annulment of these trains on that day, 2,784.6 car miles should be deducted. The result would be that instead of the total car mileage of Trains 1 and 24 being 24,204.6 miles it would be 23,276.4 car miles, which is but 4.98% of the total car miles of the system.

To ascertain the proportion of the operating and maintenance expenses attributable to this train, petitioner took the total maintenance and operating expense, exclusive of payments on account of injury and damages and repairs occasioned by the wreck of June 19, 1913, and also exclusive of depreciation of equipment for the year ending June 30, 1914. This sum, amounting to \$135,049.66, was then apportioned between these commuters' trains and the other trains of the San Francisco, Napa and Calistoga Railway, on the car mile basis, as heretofore shown.

In my opinion, this basis applied indiscriminately to all the operating expenses is improper. It seems plain that the commuter trains engaged wholly in the passenger service should not bear a proportion of the cost of repairing freight equipment or locomotives which are not in any respect connected with that service, nor should these trains bear a proportion of the cost of repairing other passenger equipment which is not used in that service or otherwise stand any part of an expense from which it does not derive some benefit or which is not in some degree connected with the use of these particular trains. These illustrations serve in a general way to illustrate the fallacy of attempting to segregate all the expenses of operation and maintenance on a car mile basis, for the purpose of determining the cost of operating any particular train or trains. Some items of expense may properly be segregated on a car mile basis, but there are other items of expense which cannot be

divided on any such theory.

The petitioner has determined the amount of taxes chargeable to these trains by taking a percentage of the total amount received from the sale of the \$5.00 commutation tickets. It has found from its records that during the year ending June 30, 1914, \$6,950.00 was realized from the sale of these commutation books. Applying to this amount the tax per cent of 4 $\frac{1}{2}$  which the petitioner alleges is its rate, it ascertains that the proportion of taxes chargeable to these trains is \$330.00 per annum. However, the witness for the petitioner testified that the gross earnings of these trains for the year ending June 30, 1914, was approximately but \$6,046.50, or approximately 87% of the gross amount realized from the sale of the \$5.00 Napa-Vallejo commutation book. If this is correct, it is manifestly improper to charge these trains with the percentage of the gross sales of the \$5.00 commutation tickets when such an amount exceeds by approximately 13% the revenue from the operation of the train to which the taxes are chargeable.

The depreciation charged to these trains by the petitioner was determined by allowing 6% of the total investment in equipment as a gross annual depreciation charge for the entire system. This amount was then divided between the commuter trains and other trains on the car mile basis heretofore shown. That the figures thus obtained do not reflect the depreciation on the rolling stock used in Trains Nos. 1 and 24 becomes apparent upon a slight examination. In the first place, the petitioner has indicated the depreciation of the system on the total investment of the carrier in rolling stock. This is obviously improper for the reason that some of this rolling stock has been destroyed in wrecks, notably in the wreck of June 19, 1913, and the value of such demolished rolling stock less insurance or any depreciation fund should be charged to profit and loss and the capital

account credited to that extent and thereafter depreciation for the system calculated on the original investment less such deductions. In this particular case, it is, in my opinion, improper to calculate the depreciation on the cars used in trains Nos. 1 and 24 by apportioning the total depreciation on the car mile basis, as has been done. The petitioner is aware of the value of the equipment used on trains Nos. 1 and 24 and what proportion of the service of these facilities is devoted to the operation of Trains Nos. 1 and 24, and having this it is not difficult to determine the depreciation properly chargeable to Trains Nos. 1 and 24 on this rolling stock. The value of the rolling stock used in Trains Nos. 1 and 24, in accordance with the testimony of a witness for the applicant, approximates \$25,000.00, of which amount \$17,000.00 is fixed as the value of the motor car and \$8,000.00 as the value of the trailer. However, this witness explained that the full value of this equipment should not be charged to Trains Nos. 1 and 24 for the reason that the motor was engaged in this service but one-quarter of the time of its total service, while the trailer was engaged in this service but four-fifths of the time of its total service and therefore but one-quarter of the value of the motor car and four-fifths of the value of the trailer should be charged to Trains Nos. 1 and 24 for the purpose of determining the value of the rolling stock used in operating these trains. The value thus obtained would approximate \$10,000.00, yet the applicant has charged against the rolling stock used in these trains \$733.90 for depreciation, which represents 6% on an amount of approximately \$12,000.00 or 20% more than the applicant testified was the <sup>proportionate</sup> value of the rolling stock used in the trains. Again, the annual report of the applicant for the fiscal year ending June 30, 1914, indicates

that depreciation of rolling stock is charged on the books of that Company at the rate of 5% per annum, while in the special showing made to prove the unprofitableness of the \$5.00 monthly commutation fare the carrier contended that 6% should be allowed for depreciation of equipment.

The interest on the investment in equipment used in these commuter trains was ascertained by allowing 6% on the proportion of the value of the cars used in this service. The interest on the investment in ways and structures charged to these commuter trains was ascertained by allowing 6% interest on the original cost of the road for a gross interest charge and dividing that amount on the car mileage basis heretofore shown between the commuter trains and the other trains of the applicant. The witness testified that the original cost of road represented the actual expenditures for way and structures.

The gross revenue from operation is an estimate based upon the actual revenue of Trains Nos. 1 and 24 for the first 15 days of August, 1914, during which time a record of the travel on these trains on cash fares and commutation books was kept and from this record it was estimated by the applicant that the revenue during that month from passengers traveling on trains Nos. 1 and 24 on commutation books was \$424.32 and that the revenue from passengers paying cash fares was \$155.55 aggregating \$574.87 from both sources. This amount, the witness stated equals 87% of the amount realized by the Company from the sale of \$5.00 commutation books during August and hence the witness concluded that the yearly receipts from the operation of these trains would approximate 87% of \$6,950.00, the amount realized from the sale of \$5.00 monthly commutation books during the year ending June 30, 1914, or \$6,046.50. In the estimated revenue for the month of August, which serves as a basis for determining the estimated annual revenue from the operation of trains 1 and 24, no credit was given these trains for any collection from passengers traveling

on through fares to or from San Francisco via these particular trains nor was any revenue from the Express business credited thereto. Representatives of the commuters between Napa and Vallejo contend that the estimate of the revenue received from operating trains Nos. 1 and 24 is incorrect, that the number of passengers traveling on cash fares is in excess of the number estimated by the petitioner and that many passengers travel by these trains between San Francisco and points located between Napa and Vallejo and that these trains should be credited with the San Francisco, Napa and Calistoga Railway Company's proportion of the through fare charged such passengers.

Petitioner distinctly stated that it would be satisfied with a gross revenue sufficient to pay operating expenses, taxes and depreciation, and that it does not expect nor desire to earn sufficient from these trains to pay all the charges which it considers properly attributable to these commuter trains, feeling that it can well forego the additional revenue necessary to pay the interest on the investment, in consideration of the traffic brought to the line by reason of the fact that the particular parties traveling on these commutation tickets have located thereon.

In view of the many inaccuracies in the showing made by petitioner and the obvious incorrectness in applying a car mile basis to all items of expenditure regardless of the relationship of the expense to the trains, the operating expense of which it is desired to determine, I find it impossible to reach any other conclusion than that petitioner has failed to make such a showing as to justify the increase asked for.

The petitioner also contends that on a comparative basis the Napa-Vallejo monthly commutation fare is shown to be unreasonably low and states that while this fare approximates but five and one-tenth mills per mile the fare of the Central California Traction Company for a similar service between Stockton and Lodi approximates 8.9 mills per mile while the



fare on the Oakland, Antioch & Eastern Railway between Oakland and Lafayette is approximately 6 mills per passenger mile and between Oakland and Burton on the same line ~~that~~ the fare is approximately 6.5 mills per mile. There was, however, no conclusive evidence as to the conditions surrounding the operation of these fares and in the absence of such their value as a measure for fares elsewhere or on the line of the San Francisco, Napa and Calistoga Railway is of no weight.

It must also be borne in mind that the Railway Company agreed with the Chamber of Commerce of Napa and with the commuters that it would establish the \$5.00 rate in case as many as 125 tickets of this character were sold each month, that the Napa Chamber of Commerce paid the deficit during the first few months, that through the joint efforts of the Chamber of Commerce and the commuters' association the number of commuters was brought up to 125 and that it has been kept at that point subsequently, and ~~that~~ ~~therefore~~, that the Chamber of Commerce and commuters have lived up entirely to their agreement. In view of this fact it does not seem equitable for the railway company now to seek to avoid its agreement. Attention should also be drawn to the fact that if this commutation rate is raised there is a possibility that a number of the commuters will move to Vallejo and thus deprive the railway company, not merely of the revenue resulting from the sale of commutation books, but also of the revenue from the additional traffic which results from the fact that these commuters live in Napa and their families at times travel over the railway company's line.

I am of the opinion on all the facts of this case that petitioner has failed to sustain the burden placed upon it by the Public Utilities Act to justify the increases in the fares which it seeks to make and I shall, therefore, recommend that the application be denied without prejudice.

It was suggested at the hearing by the representatives of the Napa and Vallejo commuters that a consolidation of the

train service would go far toward bringing about certain economies which would offset any deficit which the carrier contends it now suffers by reason of the operation of Trains 1 and 24. It was suggested, for instance, that the Sunday morning commuters' train could be discontinued entirely as there was no use for such a train. From the time tables of San Francisco, Napa and Calistoga Railway on file with this Commission, it appears that southbound trains Nos. 1 and 3 and northbound trains Nos. 22 and 24, between which there is a headway of 14 minutes and 27 minutes respectively, offer some opportunity for a consolidation of service and resulting economies. The time schedules of these trains are as follows:

	<u>SOUTH-BOUND</u>		<u>NORTH-BOUND</u>	
	Train	Train	Train	Train
	#1	#3	#22	#24
	<u>Leave</u>	<u>Leave</u>	<u>Arrive</u>	<u>Arrive</u>
Limits	s 6:34 AM	s 6:48 AM	f 5:54 PM	s 6:17 PM
3rd & Jefferson	s 6:39	f 6:53	f 5:49	f 6:12
Napa	s 6:46	s 7:00	s 5:42	s 6:05
State Hospital	s 6:50	s 7:03	s 5:38	f 6:00
Soscol	f 6:55	7:06	5:35	f 5:55
Kelley	f 7:00	7:09	5:31	f 5:50
Napa Jct.	f 7:04	f 7:13	f 5:27	f 5:45
Collins	f 7:09	7:15	5:24	f 5:41
Flosden	f 7:12	7:17	5:22	f 5:38
Hatch	f 7:17	7:20	5:19	f 5:33
Vallejo	s 7:26	s 7:29	s 5:10	s 5:24

	Arrive	Arrive	Leave	Leave
No. 1	-	5 Stops and 6 Flags		
No. 3	-	4 Stops and 2 Flags		
No. 22	-	3 Stops and 3 Flags		
No. 24	-	3 Stops and 8 Flags		

If Trains Nos. 1 and 3 were consolidated, the consolidated trains would have to make one regular stop at 3rd and Jefferson Streets, Napa, and five flag stops which Train No. 3 does not now make and if Trains 22 and 24 were consolidated the consolidated train would have to make two stops, one at Napa limits and one at State Hospital and five flag stops which Train No. 24 does not now make. Petitioner states that it is impossible to consolidate these trains or even to discontinue the service of the Sunday morning south-bound commuter train, but I am of the opinion that the Sunday morning south-bound commuter train can be discontinued entirely and in lieu thereof Train No. 3 operated as a local Sunday between Napa Limits and Vallejo to transport any such passengers as offer at Napa and who do not have transportation good on limited trains, and it may be that after more extended investigation and perhaps a trial petitioner will find that there is some way in which south-bound Trains 1 and 3 and north-bound Trains 22 and 24 can be consolidated without impairing the service to either class of its patrons.

The term

limited trains as applied to electric lines is somewhat of a misnomer as the term generally implies a different grade of service than that afforded on local trains, the difference being not only in the running time of the train but in the facilities offered the traveler. In this case, however, the so-called limited train has practically the same equipment as the local train and the only difference that exists between the two is that the so-called limited train operates on a faster schedule.

In view of all of these matters, I am of the opinion that the application of San Francisco, Napa and Calistoga Railway for authority to increase the monthly commutation fare between Napa and Vallejo should be denied without prejudice and that this fare should be maintained and the tariff amended so as to provide for its sale to one or more persons inasmuch as it has been the practice in the past to disregard this restriction of the tariff.

I submit the following form of order:

#### O R D E R

San Francisco, Napa and Calistoga Railway having filed its application for authority to increase its monthly commutation fare of \$5.00 in effect between Napa and Vallejo for parties or associations of one hundred or more individuals, to \$6.00, and a public hearing having been held on said application and the Railroad Commission finding that the showing made has not been such as to justify the increase in rates asked for,

IT IS HEREBY ORDERED that said application be and the same is hereby denied without prejudice, and applicant's attention is directed to the possibility of effecting economies by the discontinuance of the Sunday morning commutation train and by a possible consolidation of south-bound Trains No. 1 and 3 and north-bound Trains No. 22 and 24 on week days.

AND IT IS FURTHER ORDERED that the existing commutation rate of \$5.00 be made applicable to any individual, as has in effect (though not in the legal tariffs) been the case for some time.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this 23<sup>rd</sup> day of September, 1914.

H. D. Loveland

Alex Gordon

Max Thelen

Commissioners.