

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA.

Decision No. 4276

ORIGINAL

IN THE MATTER OF THE APPLICATION OF
SAN FRANCISCO, NAPA & CALISTOGA RAIL-
WAY, FOR AUTHORITY TO INCREASE ITS
MONTHLY COMMUTATION FARE BETWEEN NAPA
AND VALLEJO FROM \$5.00 to \$7.80.

APPLICATION No. 2749.

John T. York, for Applicant.

Alfred Austin Cohen and C. W. DeJournette
for the Napa-Vallejo Commuters Association;
the Napa Merchants Association and the
Napa Chamber of Commerce.

Gordon, Commissioner.

O P I N I O N

This application of the San Francisco, Napa & Calistoga Railway seeks authority under Section 63 of the Public Utilities Act to increase the monthly commutation rate between Napa and Vallejo from \$5.00 to \$7.80, alleging the existing rate is not remunerative in consideration of the character of service rendered.

Protests were received from the Napa City Council and commercial interests of that place, also from the Napa-Mare Island Commuters' Committee and, accordingly, the petition was set for public hearing at Napa February 24, 1917, at which time testimony was taken and the case is now submitted for adjudication.

The present commutation rate has been in effect since April 1, 1911, at which time it was reduced from \$7.80 pursuant to agreement between carrier and the Napa Chamber of Commerce, under which the latter guaranteed the monthly purchase of 125 commutation books and agreed to reimburse the Railway Company for loss suffered account less number of books being sold.

Any deficit was paid by the Chamber of Commerce until, through its efforts and those of the Commuters' Association, the travel was brought up to the requisite number, from which time it has steadily increased, until at present some 230 books are sold monthly.

The length of time this fare has remained in effect and the circumstances under which it was established, while enlightening, cannot be accepted as conclusive evidence of its reasonableness. Conditions at the time a rate is published may subsequently change, and a rate reasonable at the time of its establishment may be unreasonable later, owing to various elements affecting operations and, consequently, carrier's revenue; therefore, it must be ascertained if the present rate is reasonable when existing transportation conditions are taken into consideration.

Among other things, attention is directed to the effect of the present \$5.00 fare on the established commutation scale between Vallejo and other points, due to the breaking down of through rates by combination on Napa, which is exemplified by the following table:

MONTHLY COMMUTATION FARES

Between Vallejo And	Published Fares	Napa Combination
Union	\$ 9.15	\$ 8.00
Oak Knoll	10.60	8.05
Trubody	11.55	8.95
Yountville	12.50	9.90
Oakville	14.20	11.60
Rutherford	15.51	12.60
St. Helena	17.60	15.05
Calistoga	21.55	17.75

As Exhibit No. 1, applicant introduced a number of statements showing the earnings of the trains carrying commutation traffic.

The total earnings of these trains for the year ending June 30, 1916, are given at \$14,384.12. This figure is not actual.

but is based on the average number of coupons and tickets collected during the months of May and June, 1916 on commutation and other trains affected. The commutation coupons collected are given a value of $10\frac{1}{2}$ cents; this is in excess of the cost to the commuter, which, for a thirty day month, is a fraction over .083 cents per coupon. Applicant secured the $10\frac{1}{2}$ cent average by dividing the total amount received for commutation tickets by the total number of coupons collected, thus crediting to the commutation trains earnings based on the collection value of the coupons after the unused coupons covering Sundays, holidays and other non-travel days had been eliminated. The average earnings obtained for the two months were used as a basis for the twelve month period.

Passenger earnings per car mile of the commuters traffic is shown as 30.973 cents, based on total car mileage of 46.438, including dead-head mileage from and to the car yards at Napa. The average operating expenses per car mile for passenger trains is shown as 31.302 cents and the total expenses per car mile, including taxes and interest, as 49.337 cents. From this statement it would appear that applicant is losing 18.364 cents per car mile by the operation of its commutation trains and suffered a loss of \$8527.87 for the twelve months' period.

But little testimony was directed to support the statement showing the method employed in allocating cost of operations. The only expenses directly assignable to the passenger service are salaries of passenger trainmen, repairs and depreciation of passenger equipment, taxes and claims for injuries and damages to passengers. All other costs, such as maintenance of ways and structures, maintenance of equipment, conducting transportation and traffic, general and miscellaneous expenses, are unallocated and applicant has divided these common expenses between passenger and freight upon the ratio that

exists between the total passenger car miles and the total freight car miles involved in the handling of the traffic throughout the year.

Testimony was also introduced by applicant describing the special trains required in handling commuters and the difficulties occasioned by this traffic. Emphasis was laid on the fact that not more than three cars could be operated with one motor in trains between Napa and Vallejo, due to the heavy grade of 6.8% at Vallejo and 5.44% at Suscol, also that the electric transmission wires and feeding apparatus are not equipped for heavy trains, neither could the station platform take care of four cars.

Attention was called to the necessity of dead-heading certain trains between the yards at Napa and the station called Limit, while other trains, because of the requisition of the commutation traffic, are moved practically empty from Vallejo to Napa.

The following tables are pertinent as showing the financial results of operations for the three year period ending June 30, 1916:

INCOME STATEMENT

Fiscal Years Ending June 30.

	<u>1914</u>	<u>1915</u>	<u>1916</u>
Operating Revenues	\$ 225,275.89	\$ 217,786.08	\$ 224,674.28
Operating Expenses	269,687.46	155,475.11	138,190.99
Net Operating Revenue	44,411.57*	62,310.97	86,483.29
 <u>Miscellaneous Income</u>			
Interest on Deposits	374.82	--	--
Cash Discount	119.31	--	--
Gross Income less Operating Expenses	43,917.44*	62,310.97	86,483.29
 <u>Deductions From Income</u>			
Taxes	15,859.89	11,053.50	11,040.00
Interest on Funded Debt	65,764.59	65,708.25	64,752.91
Interest on Floating Debt	<u>4,023.16</u>	<u>4,218.75</u>	<u>3,393.22</u>
Total Deductions	83,647.64	80,980.50	79,186.13
Net Gain	--	--	7,297.16
Net Loss	127,565.08	18,669.53	--

(*) Indicates Deficit

OPERATING REVENUE AND EXPENSES

	<u>1914</u>	<u>1915</u>	<u>1916</u>
<u>Revenue From Transportation</u>			
Passenger Revenue	\$ 198,179.09	\$ 192,524.51	\$ 199,567.13
Baggage Revenue	--	342.36	361.36
Special Car Revenue	1,382.75	630.00	690.00
Express Revenue	4,696.77	4,188.16	5,088.15
Freight Revenue	<u>19,748.99</u>	<u>18,213.04</u>	<u>17,144.97</u>
Total Revenue from Transportation	224,022.60	215,898.07	222,851.63
<u>Revenue From Operations Other than Transportation</u>			
Station and Car Privileges	798.00	800.00	805.75
Parcel Room Receipts	95.07	82.60	60.80
Storage	.75	13.27	47.82
Rents of Buildings and other Property	84.50	90.97	139.50
Miscellaneous	<u>294.97</u>	<u>901.17</u>	<u>768.78</u>
Total	1,276.29	1,888.01	1,822.65
Total Operating Revenues	225,275.89	217,786.08	224,674.28
<u>Operating Expenses</u>			
Maintenance of Way and Structures	29,559.53	37,267.94	30,837.80
Maintenance of Equipment	40,597.86	27,407.99	24,689.84
Traffic	4,298.90	3,415.75	1,471.77
Conducting Transportation	59,492.33	32,718.83	30,776.47
Power	--	25,327.35	23,101.81
General and Miscellaneous	<u>135,738.84</u>	<u>29,337.25</u>	<u>27,313.30</u>
Total Operating Expenses	269,687.46	155,475.11	138,190.99

MISCELLANEOUS DATA

	<u>1914</u>	<u>1915</u>	<u>1916</u>
Ratio of Operating Expenses to Operating Revenue	119.71%	71.36%	61.50%
Passenger Car Mileage	379,293	357,382	347,841
Revenue Passengers Carried	652,587	615,581	622,221
Average Fare	30.368¢	31.275¢	32.073¢
Operating Revenue per Car Mile	48.196¢	45.557¢	49.474¢
Operating Expenses per Car Mile	57.698¢	32.537¢	30.430¢

These figures, comparing 1914 with 1916, show a decrease in operating revenue of \$601.61, the passenger revenue gaining \$1388.04, while there was a loss of \$2599.02 in freight, which, however, represents only about 8% of the total.

Owing to the fact that on June 19, 1913, the San Francisco, Napa & Calistoga Railway had a disastrous passenger wreck, resulting in the death of ten passengers and three employees and in the injury of twenty-five passengers and three employees, entailing a very large financial loss, comparison cannot be made of the operating expenses during the three year period. It is to be noted, however, that there was a net loss of \$127,565.08 in 1914, \$18,669.53 in 1915, and a net gain of \$7,297.16 in 1916. The number of revenue passengers carried decreased from 652,587 in 1914 to 622,221 in 1916, a loss of 30,366.

As to the favorable showing in net revenue for 1916, a witness for applicant testified, in substance, to the effect that this result was made possible only by the practice of strict economy and the postponement of needed repairs to equipment and to the property as a whole. It is also in evidence that the different communities through which the railway passes have plans for improvement of streets and the adoption of girder rails, which will entail an expense to applicant estimated at from \$51,000. to \$89,000.

Much of the testimony was addressed to financial conditions, but since applicant's history is recited in a number of proceedings before this Commission, it is unnecessary to burden this opinion with the details.

Application No. 899, Bonds-4 Opinions and Orders of the Railroad Commission of California, 50.

Case 322, Valuation - 8 Opinions and Orders of the Railroad Commission of California, 623
Application 1743, Freight Rates - 9 Opinions and Orders of the Railroad Commission of California, 374.

Suffice it to say that the property has been in much financial difficulty since its inception; it was originally known as the Vallejo, Benicia and Napa Valley Railroad Company, then as the San Francisco, Vallejo & Napa Valley Railroad Company, and is now the San Francisco, Napa & Calistoga Railway. The property has never paid a dividend to its stockholders.

It appears that Mr. James Irvine, President of the Company, receives a salary of \$6000.00 per annum, and the testimony indicates that while he devotes little of his time to the operation of the property, nevertheless this amount is included in operating expenses. Applicant's Exhibit No. 1 shows the combined salaries of all passenger trainmen for the year ending June 30, 1916 as \$11,819.13; certainly Mr. Irvine's services, whatever they may be, are not equal to fifty per cent of the total salaries of the passenger train crews.

For information, a statement follows showing the compensation of officers receiving \$3000.00 and over per annum on short line railways in California and, contrasting this road with the other roads which, with the exception of one, have a greater operating mileage. The figures are taken from annual reports for year ending June 30, 1916:

Name of Road	Mileage:	Number of officers rec. : \$3000 and over:	Total Annual Compensation:	Average Compensation
S.F. Napa & Calistoga Ry.	44.05:	2	: \$9,600.00	: \$4,800.00
Nevada Co. Narrow Gauge RR	21.90:	1	: 3,600.00	: 3,600.00
Ocean Shore Railroad	53.70:	2	: 7,800.00	: 3,900.00
San Joaquin & Eastern RR	55.92:	1	: 3,000.00	: 3,000.00
Yosemite Valley Railway	79.17:	1	: 3,000.00	: 3,000.00
Pacific Coast Railway	103.05:	1	: 3,300.00	: 3,300.00

I am not impressed with the practice of giving a large stockholder a monthly allowance under the guise of salary and it is suggested

that the operating costs will be lessened and greater earnings shown if the payroll in this respect were made to conform more to that of other roads under similar circumstances.

Protestants made numerous criticisms of the figures submitted by applicant and filed exhibits comparing applicant's operating expenses and revenues, also its proposed commutation fare, with four electric lines in the State of California. These matters need not be set out in detail, for of the lines referred to one is now in the hands of a receiver and the other three are now operating with large annual deficits. Some of the criticisms are justifiable, but the corrections suggested by protestants would not change the general conclusion as to the reasonableness of the proposed commutation fare.

The protestants also bring to my attention the fact that applicant's passenger tariff carries some 4500 individual rates and that it is not proper to select this one commutation rate in order to secure additional revenue. The point is not well taken, for a carrier is entitled to a higher rate for a particular service if the existing rate is proven unreasonably low, and this would be true even if the carrier were not in need of additional revenue.

In considering the reasonableness of the present and the proposed fare, a comparison with rates in effect on other lines will be helpful. It is to be understood that in a showing of this kind the comparison should be fortified by something more substantial than a mere contrast of rates. To be of value, it should be accompanied by evidence as to a similarity of conditions in the different territories. Many instances are found where, for approximately the same length of haul, higher fares are charged over other lines, as well as instances where lower fares are charged.

It is noteworthy that in the thickly populated districts

adjacent to Los Angeles, served by the Pacific Electric, the fares for approximately similar distances, under which there is a heavy current of traffic, are greater than charged by applicant, as is evidenced by the following statement of monthly commutation fares:

VIA	:	BETWEEN	:	AND	:	MILES	:	RATE
S.F., Napa & Calistoga Ry.	:	Napa	:	Vallejo	:	14.6	:	\$ 5.00
"	:	"	:	"	:	14.6	:	*7.80
Pacific Electric Railway	:	Los Angeles	:	Soldiers Home	:	14.35	:	6.00
"	:	"	:	Los Nietos	:	14.5	:	6.50
"	:	"	:	Pasadena Hts.	:	14.49	:	6.05
"	:	"	:	Villa	:	14.92	:	6.20
"	:	"	:	Burbank	:	12.97	:	5.85

*Proposed rate.

With the exception of the Los Angeles-Soldiers Home fare, those used in comparison are 52-ride individual tickets, while those of applicant cover the entire calendar month and, therefore, in a thirty-one day month give 62 rides for the monthly rate.

While we do not consider above showing to be conclusive of the reasonableness of applicant's proposed rate, it is significant in that it shows a lower rate now in effect over applicant's line than exists in a district where the commutation traffic is of much greater volume.

As heretofore stated, there is no record of expenses directly chargeable to the individual trains, and estimates were based on car mileage, but such evidence as was introduced by applicant of the earnings and expenses directly chargeable to passenger trains supports the contention that the existing commutation fare is unremunerative; it must also be remembered that the nature of this traffic requires special trains at hours suitable to the commuters.

I am not unmindful of the fact that commutation traffic cannot be treated as a separate unit apart from the other passenger service. If it were, the rate of \$7.80 proposed by applicant might,

under the existing conditions, upon a proper showing of revenues and expenses, be considered reasonable.

In fixing a rate for this commutation service consideration must be given to the fact that a radical increase would tend to disrupt the community life of those dependent upon the service, injure their investments and business relations and result in many commuters moving to Vallejo, where they are employed. This would mean a loss not only of the commutation earnings, but also of the revenue flowing to applicant because of the traffic created by the families and friends of those who now reside in Napa.

On June 25, 1914, applicant filed a petition with the Commission for permission to increase this same commutation fare from \$5.00 to \$6.00 per month. Efforts were made at that hearing by the testimony of witnesses and the introduction of exhibits to allocate operating expenses directly to the commutation trains on what the Commission considered an incorrect basis. Petition was denied without prejudice. under date of September 23, 1914, Vol. 5, Opinions and Orders of the Railroad Commission of California, page 440, and the action was justified by the facts, which were entirely different from those presented in the instant case.

A considerable part of the testimony taken in the present proceeding was directed to the circumstances and conditions of the traffic, the average cost of operations per passenger car mile for the entire road and the general financial condition, which, taken as a whole, emphasizes the necessity for an increased net revenue at this time. The testimony also shows that the maintenance of the road and equipment was deferred in 1916, in order to prevent a deficit and that the number of passengers carried has decreased.

From a consideration of all these matters, I am lead to the conclusion that applicant has failed to justify the increase in the commutation rate between Napa and Vallejo from \$5.00 to \$7.80.

I find as a fact that the present commutation rate of \$5.00

between Napa and Vallejo is abnormally low under the existing operating conditions, and that applicant should be authorized to increase the same from \$5.00 to \$6.00.

Applicant should also revise its commutation rates north of Napa, in order that the published through rates shall not be in excess of the combination of locals.

I therefore recommend the following form of order:

O R D E R

San Francisco, Napa & Calistoga Railway having filed its application for authority to increase monthly commutation fare between Napa and Vallejo, and a public hearing having been held on said application and the matter having been submitted, and being now ready for decision,

IT IS HEREBY ORDERED that the San Francisco, Napa & Calistoga Railway be and is hereby authorized to publish and file, in a tariff to become effective within twenty (20) days from date of this order, a commutation fare of \$6.00 between Napa and Vallejo, good for the calendar month.

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 27th day of April 1917.

W. H. Boardman
W. H. Boardman
Edwin O. Edgerton

Commissioners.