

Decision No. 39419

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of)
 SOUTHERN PACIFIC COMPANY for authority)
 to increase commutation fares between) Application No. 27682
 San Francisco, San Jose and Los Gatos)
 and intermediate points.)

E. J. FOULDS and R. S. MYERS, for Applicant

JOHN J. O'TOOLE, City Attorney and DION R. HOLM,
 Assistant City Attorney, by PAUL L. BECK,
 City Valuation and Rate Engineer, for the
 City and County of San Francisco.

MYRON D. ALEXANDER for Office of Price Administration

RICHARD tum SUDEN and WILLIAM J. McKEEGAN for
 Redwood City Commuters Club.

O P I N I O N

In this proceeding the Southern Pacific Company seeks authority to increase its commutation fares, applicable on its peninsula lines between San Francisco, San Jose and Los Gatos and intermediate points. The increase sought is 20 per cent of the existing fares. No increase in other fares or rates is proposed. A public hearing was conducted in this proceeding at San Francisco on August 30, 1946.

Applicant now operates daily, except Sundays and holidays, twenty-six regular trains between San Francisco and San Jose, and one train between San Francisco and Los Gatos. A like number of trains are operated in the reverse direction. Approximately 80 per cent of the passengers on these trains travel on commutation fares. In addition, a few commutation passengers are transported on the through coast line trains operating beyond San Jose. At the present time there are 122 passenger cars assigned to the peninsula local train service.

The commute fares involved herein are computed on a mileage basis. One of applicant's exhibits shows the results that would obtain if the proposed increase in commute fares were placed in effect as follows:

The increase in the monthly commute without Sunday, based upon fifty-two rides, would range from \$1.09 to \$3.62 per month, or from 2.10¢ to 6.96¢ per ride, depending upon the length of the haul.

The increase in the monthly pass, based upon sixty rides per month, would range from \$.80 to \$4.02 per month, or 1.34¢ to 6.70¢ per ride.

The increase in the weekly pass, based upon fourteen rides, would range from \$.20 to \$1.00 per week, or from 1.43¢ to 7.14¢ per ride.

The present commutation fares, other than the weekly pass, have been in effect without change since August 26, 1920. The weekly pass was established October 1, 1932. Applicant points out that in contrast to the continued application of these commutation fares without increase it was granted authority in 1942 to increase one-way and round-trip fares by 10 per cent, and the latter fares were further increased 15 per cent as a result of the imposition of a transportation tax by the Federal Government. The federal tax does not apply to the commutation fares.

In justification of its plea for increased commutation fares, applicant alleged that as a result of higher costs of labor and materials, its out-of-pocket cost of providing this local passenger service has increased more than \$25,000 per month, as compared to an estimated increase in revenue of approximately \$14,000 per month with the application of the proposed commutation fares, and that even with this increase in revenue the commutation service will continue to be conducted at a substantial out-of-pocket loss. Applicant's vice-president in charge of passenger traffic stated that because of these increasing costs of operation no assurance could be given that further fare adjustments might not be compelled.

Applicant estimates its annual revenue from all sources on its peninsula service, based upon actual revenue for the month of June 1946, would be \$1,855,781, of which \$847,700 would represent

commutation fare revenue. With the application of the proposed fares it estimated commutation revenue to be \$1,017,288, or an increase of \$169,547.

Applicant presented evidence showing a comparison between the basic wage rates for various classes of railroad employees in the peninsula suburban territory effective December 1920 with those of June 1946. The latter exceed the wage scales of 1920 by amounts varying from 26 per cent to 81 per cent. Similar evidence with respect to the cost of thirty-one principal items of material in general use in maintenance and operation showed that, with the exception of two items, all had increased from 8 per cent to 157 per cent over their respective costs in December 1926.

The following comparison of revenues and out-of-pocket expenses for the month of June 1946, and their respective projection on an annual basis before and after application of the proposed increase in commutation fares, is taken from one of applicant's exhibits:

Item	June 1946	Estimated Annual	
		Before Proposed Increase	After Proposed Increase
Total Operating Revenue	\$154,649	\$1,855,700	\$2,025,336
Total out-of-pocket expenses, including depreciation of rolling stock	221,289	2,655,468	2,655,468
Net loss, including depreciation of rolling stock	66,640	799,680	630,132
Net loss, without depreciation	58,599	703,188	533,640

It is applicant's contention that, because of diminishing earnings derived from its entire railroad operation, every effort must be exerted to eliminate operating losses wherever possible.

It was shown that the revenues received from over-all operations for the first seven months of 1946 had declined 24 per cent from the revenues received during the like period of 1945 while the operating expenses declined only 2 per cent in the same period, that the revenue received during the first seven months of 1946 was not sufficient to meet its total operating expenses and fixed charges, and that a net operating loss for that period would have resulted had it not been for federal tax credit adjustments permitted this year on revenue received in prior years.

Evidence was presented to show also that applicant's commutation fares were unduly low in comparison with other classes of fares that are available on the peninsula service, and that those commutation trains are expensive to operate. It was shown that most of the equipment is idle approximately twenty-one hours daily, and that the operating and maintenance labor costs are greater than under normal train operations. For these reasons applicant urges that its commutation fares be increased to reduce the present out-of-pocket loss sustained on this service, a loss which cannot reasonably be absorbed in view of its earnings currently derived from its over-all operations.

A review of this record compels the conclusion that this application should be granted, and it will be so ordered.

O R D E R

Southern Pacific Company having filed an application to increase certain commutation fares, public hearing having been held, the Commission being apprised of the facts and the matter being under submission and ready for decision,

IT IS ORDERED that Southern Pacific Company be and it is hereby authorized, upon five (5) day's notice to the Commission and

the public and in accordance with the rules of the Commission, to put in effect on October 1, 1946, the proposed tariff included in this application.

All other fares, rates, and regulations shall remain unchanged.

IT IS FURTHER ORDERED that the authority herein granted shall be void unless the fares authorized are published, filed and made effective within sixty days from the effective date of this order.

Dated at San Francisco, California, this 17th day of September, 1946.

Harold P. Hull

Francis C. ...

... Lowell

R. Z. ...

COMMISSIONERS