

ORIGINAL

Decision No. 41255

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of)
SOUTHERN PACIFIC COMPANY for autho-)
rity to increase fares between San) Application No. 28945
Francisco, San Jose and Los Gatos)
and intermediate points.)

E. J. Foulds and R. S. Myers for applicant.
Richard tum Suden and W. J. McKeegan for Redwood City Commuters'
Club, and J. T. McClellan, N. R. Moon, and Sam Wright,
in propria persona, protestants.
John J. O'Toole, City Attorney, Dion R. Holm, Assistant City
Attorney, and Paul L. Beck, City Valuation and Rate Engineer,
for City and County of San Francisco, Walter A. Rohde for
San Francisco Chamber of Commerce, and Karl M. Stull for
Retail Dry Goods Association of San Francisco, interested
parties.

O P I N I O N

By this application, Southern Pacific Company seeks autho-
rity to increase its passenger fares between San Francisco, San Jose
and Los Gatos and intermediate points. A public hearing was held at
San Francisco on January 5, 1948.

Applicant's proposal contemplates a general revision of
its local passenger-fare structure between points in the territory
north of San Jose and Los Gatos, hereinafter called the Peninsula
area. The extent of the proposed increases varies as to the points
between which fares apply and the type of fare involved. Monthly
commutation tickets to and from San Francisco valid on each day of
the month are proposed based upon a scale ranging from 9.4 mills per
mile for short distances to 8.5 mills per mile for 46 miles and over
computed upon 60 rides per month and observing a minimum fare of
\$6.00 per month. The bases proposed for other commutation fares

between the same points are -

	<u>Percentage of Monthly Daily- Use Fares</u>
<u>Monthly Commutation Fares</u>	
Valid each day except Sundays	94
Valid each day except Saturdays and Sundays	88
<u>Weekly Commutation Fares</u>	
Valid each day	25

The monthly fares valid on each day except Sundays and on each day except Saturdays and Sundays will be subject to \$5.65 and \$5.30, respectively, as minima. It is stated that the Monday-through-Friday monthly fares are not now provided for and are designed to more closely meet the requirements of persons who customarily work 5 days a week. Applicant also seeks to increase monthly daily-use fares between points other than to or from San Francisco by approximately 10 per cent with certain minor exceptions, and to provide weekly fares between the same points at 25 per cent of the monthly fares.

In the revision of 10-ride family fares from and to San Francisco, applicant proposes to use a scale ranging from 1.5 cents per mile for distances of 20 miles and less to 1.35 cents per mile for distances over 40 miles, observing \$1.60 as the minimum fare. Thirty-ride fares would be three times the 10-ride fares, less 10 per cent. The 10- and 30-ride fares do not now apply to points on the so-called Los Altos branch. It is proposed to extend their application to this branch line. Existing 30-ride family fares between San Jose, Los Gatos and stations south of San Francisco are

to be increased by 10 per cent. A similar increase is sought with respect to 40-ride student fares.

One-way coach fares on a different basis than usually observed are now in effect between San Francisco and California Avenue (located 1.7 miles south of Palo Alto) and intermediate points. Applicant proposes that these fares be increased to its so-called "regular coach fare basis" of 2.2 cents per mile and that round-trip fares be published at one and two-thirds times the one-way fares. It is stated that the general basis for round-trip coach fares elsewhere in California is 180 per cent of the one-way fares.

As justification for the proposed fares, applicant asserts that the out-of-pocket cost of performing local passenger train service in the Peninsula area has increased very substantially and, despite the fact that commutation fares were increased by 20 per cent, effective October 1, 1946, pursuant to Decision No. 29419 in Application No. 27682 (46 C.R.C. 702), further increases are essential. It is alleged that the fare structure which applicant seeks to place in effect will not produce sufficient revenue to meet out-of-pocket operating costs, but that the spread between revenues and expenses will be reduced. Applicant further contends that increases in all classes of fares, as distinguished from another increase in commutation fares alone, are desirable in order to effectuate a more equitable contribution by the different users of the service to the increased revenues claimed to be required.

According to applicant's general passenger agent in charge of rates and divisions, the proposed fare structure was developed after considering (1) the pattern devised by the Interstate

Commerce Commission in Increased Passenger Fares, Eastern Railroads, 269 I.C.C. 87, decided September 5, 1947, wherein increased interstate commutation and multiple fares were prescribed to and from New York, N. Y. Chicago, Ill., and other cities in the Eastern district and (2) the conclusions reached in that proceeding. As contrasted with a spread of 10 per cent between monthly daily-use fares and monthly five-day-week fares, found to be proper by the Interstate Commerce Commission, applicant has adopted a relationship of 12 per cent between these two classes of fares. The proposed six-day-week monthly fares reflect a spread of 6 per cent under the daily-use fares. Similarly, the use of decreased rates per mile with the increase in the length of the trip in determining the level of the fares has been resorted to in constructing the proposed commutation fares.

With respect to the proposed one-way fares between San Francisco and Peninsula stations, applicant's witness pointed out that the proposed basis of 2.2 cents per mile will bring about uniformity in the level of coach fares and will be upon the same basis as generally observed by steam railroads in the Western district. Attention was called to the fact that the proposed round-trip coach fares between the same points will be on a lower level than the usual basis in effect on applicant's lines of railroad and of others operating in the West.

A comparison of the proposed fares with those presently in effect between San Francisco and Peninsula stations, using Burlingame, Palo Alto and San Jose as illustrative, is set forth

in the following tabulation:

	<u>Burlingame</u> (16.3 miles)		<u>Palo Alto</u> (30.1 miles)		<u>San Jose</u> (46.9 miles)	
	Pre- sent Fare	Pro- posed Fare	Pre- sent Fare	Pro- posed Fare	Pre- sent Fare	Pro- posed Fare
<u>Commutation Fares</u>						
Monthly						
Daily-use	\$7.77	\$8.95	\$14.36	\$16.00	\$22.28	\$23.95
" except Sunday	6.98	8.40	12.93	15.05	20.13	22.50
" " Sat. & Sun.	-	7.90	-	14.10	-	21.10
Weekly	1.95	2.25	3.60	4.00	5.60	6.00
<u>Family Fares</u>						
10-ride	1.95	2.40	3.60	4.35	5.50	6.35
30- "	5.25	6.50	9.70	11.75	15.00	17.15
<u>Coach Fares</u>						
1-way	.28	.37	.66	.70	1.05	1.05
Round-trip	.50	.65	1.05	1.20	1.65	1.75

Applicant estimates that the proposed fares will produce an increase in revenue of about 12½ per cent. It appears that the proposed commutation fares will be lower than (1) certain scales of similar fares prescribed in Increased Passenger Fares, Eastern Railroads, supra, and (2) numerous other railroad commutation fares for comparable distances in various sections of the United States. From such data applicant's witnesses characterize the proposed commutation fares as among the lowest in the United States. No evidence was presented, however, which suggests that conditions in the Peninsula area as to volume of traffic, operating costs and other factors of importance in considering transportation rates are comparable to those which prevail in other sections of the country. A few comparisons were presented from which it appears that the proposed commutation fares do not differ materially from similar fares of other carriers between San Francisco and points in Alameda and Marin counties, distance considered.

An exhibit of record indicates that of the total passengers carried in applicant's local Peninsula area trains about 83 per cent avail themselves of the commutation fares. It is asserted that the volume of traffic at fares of this nature yielding a low rate per mile has increased substantially, while the so-called single and round-trip traffic paying higher rates has been diverted from the trains to other means of transportation. According to the testimony, most of the passengers travel from Peninsula points to San Francisco in the morning and in the return direction during the early evening. The traffic is said to be very light during the balance of the day. It is claimed that it is necessary that special commuter trains be dispatched from San Jose or Los Gatos in the morning and from San Francisco to those points in the evening. Data were presented to show that as the distance from San Francisco increases the passenger traffic density decreases, with the result that cars are operated at much less than their seating capacity over a large portion of the line.

According to the record, the local week-day train service consists of 27 trains to San Francisco and 26 in the opposite direction, with 140 coaches and 30 locomotives assigned to the service. It was stated that 66-2/3 per cent of the equipment is in revenue service about 3 hours per day, and the balance about 6 hours per day. Applicant's superintendent of transportation testified that approximately 100 of the coaches operate less than 100 miles per day in the Monday-through-Friday service, while about 40 are in operation not over 200 miles per day. The witness said that coach equipment in operation between the Bay area and Los Angeles averages about 475 miles per day throughout the week and those on the so-called Overland Route perform between 700 and 900 miles of service per day.

It is claimed that the management has endeavored to achieve a more economical operation in rendering local passenger service in the Peninsula area. Realization of such an objective is said to be impracticable due to the extremely limited space of time in which most of the passengers must be transported, the concentration of the heavier traffic density within a relatively few miles of San Francisco, the necessity due to operating considerations of originating and terminating trains at San Jose, and contractual obligations with train service employees:

Of 22 train crews assigned to the local San Francisco-San Jose trains, applicant's superintendent testified that it is not feasible to utilize 17 of these crews for more than one round-trip per day. He cited as an assertedly typical situation the employment of a crew to operate a train from San Jose to San Francisco in the morning and in the opposite direction during the evening. Although actually engaged in train operations for 2 hours and 24 minutes, the witness insisted that applicant is required to compensate such employees on the basis of 12 hours and 15 minutes, including 3 hours and 15 minutes overtime.

Exhibits were introduced to indicate the increases in the cost of materials and in wages since October 1, 1946. The statistics are not in a form which permits a determination of the over-all effect of the increases upon operating costs. Although the extent of the increases in costs varies considerably as between materials of different kinds, it was pointed out that the price of fuel oil which will become effective on March 25, 1948, will in itself result in an increase of approximately \$174,000 per annum in the operation of applicant's local train service over October 1946 costs. The proposed

fares are designed to produce an annual increase in revenue of \$222,396.

A study was presented to show the direct or out-of-pocket costs of operating local passenger train service, using as a basis operations conducted during September, 1947. It is claimed that September is an average month so far as operating expenses are concerned, while revenues in that month are slightly higher than the average. The computations did not include general expenses, taxes or return on investment. The indicated annual out-of-pocket expenses compared with revenues creditable to the local service under the present fares during September 1947, projected to an annual basis, and those proposed are set forth in the following tabulation:

Out-of-pocket expenses

Including depreciation	\$ 2,921,327
Excluding depreciation	2,801,196

Revenues

At present fares	2,500,753
Under proposed fares	2,723,149

Net-out-of-pocket loss

At present fares	420,574
Under proposed fares	198,178

Several groups of commuters and individuals protested the granting of the application, but offered no evidence. In a memorandum of points and authorities filed on behalf of the Commuters' Club of Redwood City, it is urged that applicant's present financial condition is such that it is able to absorb the losses incurred in operating the local commuter system; that carriers cannot expect each segment of line to be self-supporting; that high commutation fares will retard

the growth of the Peninsula area, decreasing property values and the desirability of the area as residential districts; and that being unable to afford increases in fares the public should not be subjected to them. In reply, applicant argues that denial of the sought relief would be tantamount to confiscation; that the losses from performing the local passenger service have become a serious burden on its system, which, if perpetuated, will have to be borne by others who do not use the local service. Applicant also calls attention to the absence of any evidence that the establishment of the proposed fares will result in any of the consequences protestant fears. In this connection, applicant refers to the population increase in the several communities as shown of record notwithstanding increased property and living costs.

The City and County of San Francisco appeared as an interested party. Its rate expert stated that San Francisco's whole interest in the proceeding is to assure that the fares to and from Peninsula points will be no higher than in effect to and from trans-Bay points. He expressed the view that applicant's estimate of future operating expenses appeared to have been prepared upon a conservative basis.

Applicant does not operate local commuter train service between points other than in the Peninsula area. To require the carrier to maintain a necessary service of this nature at a substantial out-of-pocket loss would, in our opinion, impose an undue burden upon applicant's other traffic and the shipping and traveling public generally. No factual showing has been offered to indicate that the proposed fares will be unreasonable per se or that they will be higher than justified by the value of the service under present-day conditions. Moreover, it should be borne in mind that the principal factors which

govern the cost of performing the local Peninsula area service are beyond the control of either applicant or this Commission.

We are nevertheless fully cognizant of the fact that, as stated by the Interstate Commerce Commission in Increased Passenger Fares, Eastern Railroads, supra,

" . . . commutation fares cover necessary transportation of the individual to and from work and, therefore, constitute an essential item in his budget or cost of living."

The record has, therefore, been very carefully scrutinized. The objections advanced by the traveling public have, likewise, been accorded full consideration. We are, however, convinced that in view of all of the facts and circumstances of record, applicant should be permitted to establish the fares which it is now seeking authority to publish. The increases in passenger fares which are being concurrently authorized by our Decision No. 41251 in Application No. 28985 do not apply to the fares involved in this proceeding nor were the fares herein involved increased by Decision No. 41216 in Application No. 28985, which granted a general increase in certain passenger fares.

The increased fares herein authorized are hereby found to be justified.

O R D E R

A public hearing having been had and, based upon the conclusions and findings set forth in the preceding opinion,

IT IS ORDERED:

1. That Southern Pacific Company be and it is hereby authorized to increase its local fares for the transportation of passengers between San Francisco, San Jose and Los Gatos and intermediate points as proposed in the application filed in this proceeding.

2. That the increased fares herein authorized may be

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established and made effective by the publication and filing of tariffs upon not less than 5 days' notice to the Commission and to the public.

3. That the authority herein granted shall become void unless the fares herein authorized are published, filed and become effective within 60 days from the effective date hereof.

This order shall become effective 20 days from the date hereof.

Dated at San Francisco, California, this 24th day of February, 1948.

R. J. [Signature]
Justin F. [Signature]
Wesley [Signature]
Harold [Signature]
Samuel [Signature]
Commissioners