

ORIGINAL

Decision No. ~~41318~~

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application)
of SOUTHERN PACIFIC COMPANY for)
authority to increase commutation) Application No. 28772
fares between Santa Cruz and)
Davenport.)

Appearances

Evan J. Foulds, for applicant.
E. B. Scott, for Local 504, International
Association of Machinists, protestant.
Paul L. McDonald, in propria persona,
protestant.

O P I N I O N

Applicant is a common carrier of passengers by railroad.
It seeks authority to increase its individual monthly commutation
fare between Santa Cruz and Davenport from \$5.00 to \$7.50.

A public hearing was had at Santa Cruz before Examiner
Jacopi.

The passenger transportation service between Santa Cruz
and Davenport is performed by bus.¹ The highway distance via the
route operated is 14 miles. A total of seven daily schedules are
provided, two of which involve double-header service. The bulk
of applicant's passenger revenue from the service is derived from
transportation of employees of a cement mill at Davenport under
the monthly commutation fare involved herein.²

¹ By Decision No. 24998 of July 21, 1932, in Application No. 18276,
applicant was authorized to discontinue passenger train service and
to substitute bus service between Santa Cruz and Davenport. The
bus service is provided for applicant by Pacific Greyhound Lines.
Under the arrangement, applicant sells its own tickets and retains
the revenue. For providing the service, Greyhound is reimbursed for
its operating expenses plus a 5 per cent return on the depreciated
investment in the bus equipment.

² The average number of commutation tickets sold per month is 137.
Applicant also maintains one-way and round-trip fares between the
points in question, the revenue from which averages only \$1.00 per
month.

It is alleged that revenues from the operation in question fail to meet the cost of providing the service by an average of \$357.63 per month and that additional revenue is necessary if adequate service is to be maintained.

A witness for applicant testified that no increase has heretofore been made in the commutation fare between Santa Cruz and Davenport to offset the steady advance experienced in the cost of providing the service since the war. According to his testimony, the commutation fare in question was first established in 1912. At that time it was \$5.00. The fare was increased to \$5.50 in June 1918, and to \$6.60 in August 1920.³ Effective August 15, 1933, it was reduced to \$5.00.⁴ There has been no change in the fare since that time.

An exhibit introduced in evidence by the witness shows the actual revenues and expenses by months for the first seven months of 1947. It discloses that operations under the present fare have been conducted at a substantial deficit. Based upon operations for the seven months, the exhibit also shows the estimated financial result under the proposed fare. The following is taken from the exhibit:

	<u>Present Fare</u>	<u>Proposed Fare</u>
Revenues	\$5,977.23	\$8,365.08
Expenses	8,480.62	8,480.62
Net operating revenues	(<u>\$2,503.39</u>)	(<u>\$ 115.54</u>)
Operating ratio	141.88	101.37

() = Deficit

³ The increase to \$5.50 resulted from a general 10 per cent increase authorized by General Order No. 28 of the Director General of Railroads, United States Railroad Administration. The increase to \$6.60 was based upon a 20 per cent general increase authorized by this Commission by Decision No. 7983 of August 17, 1920, in Application No. 5728.

⁴ According to the record, the reduction from \$6.60 to \$5.00 resulted from the voluntary general reduction made in response to the National Recovery Act.

The witness for applicant testified that no appreciable increase in traffic is anticipated. He submitted a study of the number of passengers carried on each scheduled trip during the months January through July, 1947. He pointed out that there has been little fluctuation in the month-to-month traffic volume. The witness asserted that his study of the operations failed to disclose any conditions which might be expected to create additional traffic in the near future. On the other hand, he conceded that the proposed increase might divert some traffic to group-riding in private automobiles. He expected, however, that the amount thereof would not be substantial.

It was asserted by the witness that the proposed commutation fare compared favorably with those maintained for similar distances by a number of highway common carriers. He submitted an exhibit showing that such fares are somewhat higher than that proposed here. The compared fares, he said, apply in connection with operations similar to that involved here in that the bulk of the revenue is derived from commutation travel by employees of industrial installations. Moreover, the witness said, if applicant applied here the basis generally used in constructing its rail commutation fares for similar distances, the fare between Santa Cruz and Davenport would be \$9.45 instead of the \$7.50 proposed.

The granting of the application was opposed by an employee of the cement mill at Davenport and by the business agent of the local Machinists' Union in behalf of members employed at the mill. They testified that wages have not kept pace with living costs, that the amount of the increase would be unduly burdensome, and that it was not justified for the old equipment used in the service. A Greyhound representative testified that conditions surrounding the operation in question do not justify using the more modern equipment assigned to main line service. He contended, however, that the equipment involved here was in good operating condition. Protestants

conceded that schedules between Santa Cruz and Davenport have been maintained within reason and that the service in this respect has been satisfactory.

The record shows that the service in question is provided by Southern Pacific Company through the agency of Pacific Greyhound Lines under an agreement whereby Greyhound charges Southern Pacific the actual operating expenses plus a return on depreciated investment in bus equipment. In the first seven months of 1947, Southern Pacific paid Greyhound an average of \$1211.00 per month for providing the service. Of this amount, \$83.00 represented the return on investment and the remainder of \$1128.00 represented the actual operating expenses. The service involves the operation of 4,418 bus miles per month. The expenses incurred for the operation are equal to only 27.4 cents per bus mile. Under the present monthly commutation fare of \$5.00, the commuter who uses the service every day during a 30-day month is transported at a rate of sixty hundredths of a cent per passenger mile. Under the proposed \$7.50 fare, the rate per passenger mile would be eighty-nine hundredths of a cent. The commuter who uses the service on a 5-day week basis or a total of 21 days per month under the present \$5.00 monthly commutation fare is transported at a rate of eighty-five hundredths of a cent per passenger mile. Under the proposed \$7.50 fare, the rate per passenger mile would be one and twenty-eight hundredths cents. We are not unmindful that the increase sought is substantial, but it is evident that the proposed \$7.50 fare compares favorably with other commutation fares available to the public. We cannot find that the operating costs incurred in providing the service are in any way unreasonable.

Upon careful consideration of all the facts and circumstances of record, we are of the opinion and hereby find that the proposed increase is justified. The application will be granted.

O R D E R

Public hearing having been had in the above entitled application and based on the evidence of record and upon the conclusions and findings set forth in the preceding opinion,

IT IS HEREBY ORDERED that applicant be and it is hereby authorized to increase its individual monthly commutation fare between Santa Cruz and Davenport from \$5.00 to \$7.50 as proposed in the above entitled application; and that the increase herein authorized may be established within sixty (60) days from the effective date hereof on not less than one (1) day's notice to the Commission and to the public.

The effective date of this order shall be twenty (20) days from the date hereof.

Dated at San Francisco, California, this 16th day of March, 1948.

R. B. Friedman
Justus F. Casper
Irving H. Powell
Lawrence H. Potter

Commissioners