

Decision No. 48191

ORIGINAL

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of)	
Southern Pacific Company to cancel)	Application No. 33475
commutation fares between Santa Cruz)	
and Davenport.)	

Appearances

- E. J. Foulds, for applicant.
- E. P. Bond, for United Cement, Lime and Gypsum Workers International Union, Local No. 46, protestant.
- W. E. Root, for employees of Santa Cruz Portland Cement Co., and H. B. Clark, in propria persona, protestants.

O P I N I O N

Southern Pacific Company is a common carrier of passengers by railroad. By this application, it seeks authority to discontinue an individual monthly commutation fare which it maintains between Santa Cruz and Davenport.

A public hearing of the application was held at Santa Cruz on December 18, 1952, before Examiner Jacopi. Representatives of two groups of commuters appeared in opposition to applicant's proposal.

The present fares maintained by applicant between Santa Cruz and Davenport are 28 cents one-way, 55 cents round-trip and \$7.50 for a monthly commutation ticket good for one round-trip per day during the calendar month for which it is issued. The commutation fare in question was established by Decision No. 41318 of March 16, 1948, in Application No. 28772, when an upward adjustment was authorized. Applicant now proposes to discontinue the commutation fare. ¹ Thereafter, the present round-trip fare of 55 cents

¹ No change is proposed in the existing one-way and round-trip fares. They are now on the basic levels generally observed by applicant for such fares.

would be available to the commuters. On this basis, the monthly cost would be \$12.10 for a commuter traveling 5 days per week and \$16.50 for one making daily use of the service. These charges are 61.3 percent and 120.0 percent, respectively, greater than the present commutation fare.

The record shows that in the year 1932 applicant was authorized to discontinue its rail passenger operations between Santa Cruz and Davenport subject to the establishment of bus service in lieu thereof and that Pacific Greyhound Lines, using its own equipment and personnel, provides the service for applicant.² Under an agreement between the two companies, applicant sells its own tickets and retains the revenues and it reimburses Greyhound for the operating expenses incurred in performing the service, plus a "management fee" of 10 percent. The one-way distance between the points in question via the bus route is 12 miles. Four bus schedules per day are provided from Santa Cruz to Davenport and three schedules in the opposite direction.

Evidence in support of applicant's proposal was offered by a representative of its passenger traffic department, by its assistant general auditor and by an engineer of its bureau of transportation research. According to the testimony, the bulk of the revenue earned by the bus service in question is derived from commutation tickets purchased by workers traveling between their homes and a cement plant situated at Davenport. An average of 60 commutation tickets per month are sold by applicant. Assertedly, substantial losses are being incurred in the operation of the bus service as a result of a steady drop in the volume of traffic coupled with

² See Decision No. 24998 of July 21, 1932, in Application No. 18276, (unreported) which authorized the discontinuance of the rail operations.

recent increases in the operating expenses. An exhibit of record shows that the total traffic volume handled in both directions dropped from an average of 197 passengers per day in the year 1947 to an average of 91 passengers in 1952. The loss of traffic was attributed to the increased use of private automobiles, including commuter car pools. The record shows also that the cost of operation has been increased by an upward adjustment made in the wages of the bus drivers in March and again in October, 1952.

Evidence relative to the financial results of operation of the bus service under the present and proposed fares was submitted by witnesses for applicant and by a transportation engineer of the Commission's staff. Applicant's witnesses reported that the revenues earned under the present fares for 7 months in 1952 were insufficient to cover the operating expenses by \$7,339.³ The operating ratio was 257.8 percent. The exhibits submitted showed that the revenue from the commutation fare which applicant proposes to discontinue amounted to 69.8 percent of the total revenue derived from the operations. According to the staff engineer, applicant would sustain a loss of \$12,180 if the present fares were continued during the year 1953. The operating ratio would be 268.5 percent. The witnesses in question also submitted estimates of the results of operation anticipated for the year 1953 under the higher fares that would be charged if applicant were authorized to discontinue its commutation fare as proposed. The latter estimates are summarized in the tabulation which follows:

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The seven months in question are: January, February, June, July, August, September and October, 1952. The bus service was discontinued temporarily during the months of March, April and May, 1952, due to a system-wide strike of Greyhound's employees.

Estimated Results of Operations For
the Year 1953 Under the Proposed
Fares Between Santa Cruz and Davenport

Revenue:	<u>Applicant</u>	<u>Staff Engineer</u>
Passenger	\$ 9,469	\$ 7,850
Mail	988	{
Express	3	1,000
Newspapers	<u>34</u>	<u> </u>
Total Revenue	\$10,494	\$ 8,850
Operating Expenses	<u>20,556</u>	<u>19,410</u>
Net Operating Revenue	<u>(\$10,062)</u>	<u>(\$10,560)</u>
Operating Ratio	195.9%	219.3%

() - Indicates loss.

The proposed fares, according to a witness for applicant, are expected to produce additional revenue of \$2,520 per year. The estimate was based upon the assumption that none of the present commuter traffic would be lost as a result of the higher fares sought. The staff engineer estimated that the additional revenue would amount to \$1,620 per year. He anticipated that the minimum loss of traffic to be expected due to the fare increase would amount to 15 percent and his estimate was developed accordingly. This difference in the methods employed accounts for most of the variation in the estimated passenger revenue. The operating expenses as developed by applicant's witnesses include \$1,867 for the so-called management fee. No evidence of probative value was offered by applicant to establish the propriety of giving effect to the fee for rate-making purposes.

The bus operations involved herein were characterized by a witness for applicant as the most economical means available to

applicant for providing the passenger service between Santa Cruz and Davenport. The evidence shows that the estimated cost of operating a diesel-powered rail car making three round-trips per day between the points in question would amount to \$62,000 per year. This was compared with the annual cost of the existing bus service of \$20,556 as calculated by applicant's witnesses. It was asserted, however, that it appeared possible to effect operating economies in the present bus service which would substantially reduce the cost of operation. It was pointed out that in 1952 one of the existing morning bus schedules handled an average of only 7 passengers per day from Santa Cruz to Davenport and that the return trip to Santa Cruz usually was made "deadhead" for lack of traffic. Assertedly, applicant intends to arrange "to cancel the schedules concurrently with the date the commute fare is canceled." It was estimated that this action would result in a reduction of about \$6,600 in the total annual cost of providing the present bus service.

Evidence also was presented showing the financial results of the operation of applicant's system passenger operations and also those within California. The record shows that losses of \$30,528,000 in 1950 and \$37,988,000 in 1951 were experienced on the system passenger services, including those in California. On the interstate and intrastate operations in California, the losses for the two years in question amounted to \$12,529,000 and \$14,326,000, respectively.

Opposition to the granting of the application was voiced by spokesmen for users of the service who are employed by a public utilities company and the cement mill at Davenport. The witnesses pointed out that applicant provides a necessary service which is used by workers traveling between their homes and places of employment. They asserted that the substantial fare increase that would result from the proposed discontinuance of the existing commutation fare

fare coupled with the inconvenience of thereafter purchasing a ticket each day would cause the loss of much of the commuter traffic to private car pools. It was pointed out that the cost of such pools now operating was about 12.5 cents per car-mile and that this would afford a per-passenger charge lower than the fare now sought by applicant. The witnesses maintained that applicant's scheduled running time of 45 minutes from Santa Cruz to Davenport was one of the factors which has influenced the operation of existing car pools. They considered the time too great for a distance of 12 miles and suggested that it might be reduced at least by 15 minutes. Assertedly, the busses arrive at Davenport generally on schedule but they were from 15 to 20 minutes late at the intermediate points. One of the witnesses suggested that the present 60-ride commutation ticket be changed to a 44-ride ticket and sold at the present monthly fare and that applicant conduct the bus operations for a test period of 3 or 4 months. The record shows, however, that the suggested fare would fit the needs of commuters working 5 days per week but would not provide for those who use the service 6 days per week.

In regard to applicant's plan to discontinue one of the schedules, the witnesses for protestants asserted that this would not be any great hardship on the commuters. The superintendent of the cement mill at Davenport testified that he "would go along" with the employees if they were a few minutes late as a result of the change applicant intends to make in its bus schedules. He agreed with the employee witnesses that the scheduled running time between the terminals was greater than necessary and that some shortening thereof might make the service attractive to more of the workers. This witness suggested that the departure times of the schedules from the Davenport terminal also might be revised to applicant's advantage.

Conclusions

The record in this proceeding shows that the present bus service between Santa Cruz and Davenport is operated at a loss of about \$12,000 per year. However, fare increases should not be approved for operations which include the cost of performing services which are not essential to the public. Applicant has been aware at least for several months that one round-trip of the busses might be eliminated and that this would reduce the aforesaid operating loss by more than one-half. It has taken no action in the matter. The protestants against the fare increase sought herein by applicant stated at the hearing that the discontinuance of the schedules in question would not work an undue hardship on the commuters. They stated also, and it was not disputed, that the running time involved in the other schedules could be shortened considerably, thereby making the service more attractive, and that changes in the departure times from Davenport also might be made. The record does not disclose whether or not the latter service adjustments would result in additional reductions of the operating expenses.

It is a responsibility of the operators of public transportation services to effect operating economics through reasonable and necessary schedule changes which will afford the lowest cost of operation consistent with the volume of traffic being handled. In doing so, however, curtailments must be avoided which would be tantamount in effect to the unnecessary removal of essential public services. Under the foregoing circumstances, applicant will not be authorized to discontinue the present commutation fare and to assess

higher fares as proposed. Instead, applicant will be expected to undertake a thorough study of the present bus operations between Santa Cruz and Davenport for the purpose of effecting all operating economies which are practical without impairment of services essential to the public, including such revisions of the running and departure times of the busses which will more appropriately satisfy the travel needs of the patrons as suggested by the protestants. In doing so, applicant should consult with representatives of the commuters and others relative to their requirements and should enlist their aid in improving the patronage of the revised service. If at the conclusion of a period of not less than 120 days after the changed service is commenced applicant deems that a fare adjustment is necessary, the matter may be presented to the Commission by filing a supplemental application in this proceeding.

Upon consideration of all of the facts and circumstances of record, we are of the opinion and hereby find that the proposed discontinuance of the commutation fare between Santa Cruz and Davenport has not been justified. The application will be denied.

O R D E R

Based upon the evidence of record and upon the conclusions and findings set forth in the preceding opinion,

IT IS HEREBY ORDERED that the above-entitled application be and it is hereby denied.

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

Dated at San Francisco, California, this 19th day of January, 1953.

J. J. [Signature]
President
Justice L. Coe
Harold H. [Signature]
Thurston [Signature]
John L. [Signature]
Commissioners