

**ORIGINAL**Decision No. 52991

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of Northwestern Pacific )  
 Railroad Company to discontinue the )  
 operation of Passenger Trains Nos. ) Application No. 37294  
 3 and 4 between San Rafael and Willits )  
 and between South Fork and Eureka. )

Stanfield Johnson, Charles W. Burkett and G. Edward Goodwin for Northwestern Pacific Railroad Company, applicant;  
Graham R. Mitchell for Brotherhood of Locomotive Engineers,  
Gordon C. Larkin for Order of Railway Conductors and  
 Brakemen, William V. Ellis for Brotherhood of Locomotive  
 Firemen and Enginemen, George W. Ballard for Brotherhood  
 of Railroad Trainmen, E. A. McMillan for Brotherhood of  
 Railway and Steamship Clerks, Freight Handlers, Express  
 and Station Employees, C. E. Parr for Division 704,  
 Brotherhood of Locomotive Engineers, William F. Mahaffey  
 for Lodge 817, Brotherhood of Locomotive Firemen and  
 Enginemen, Noel Dyer for Dean Witter, Bert McGaraghan for  
 Eureka and Humboldt County Chambers of Commerce, Thomas  
Cotter, City Attorney, for the City of Eureka, Herbert  
Sapper for residents of Shiveley area and Fortune Chamber  
 of Commerce, Barbara Hall for Eureka Business and Professional  
 Women's Club, and Mrs. Elsie P. Gow, in propria persona,  
 protestants;  
 Edward M. Berol and Bertram S. Silver and Veryl Callison for  
 Callison Truck Lines, and Ralph W. Randall in propria  
 persona, interested parties; Boris H. Lakusta for the  
 Commission staff.

O P I N I O N

On September 15, 1955, Northwestern Pacific Railroad filed its Application No. 37294, seeking authority to discontinue the operation of passenger Trains Nos. 3 and 4 between San Rafael and Willits, and between South Fork and Eureka, and to revise its passenger train schedules between Willits and South Fork approximately as follows:

<u>Read Down</u>		<u>Read Up</u>
1:45 PM Leave	Willits	Arrive 11:45 PM
6:15 PM Arrive	South Fork	Leave 7:15 PM

Public hearings were held before Commissioner Ray E. Untereiner and Examiner Wilson E. Cline at San Rafael on November 21, 1955; at Eureka on November 23, 1955; and at San Francisco on November 28, 1955; December 5 and 7, 1955, and February 1, 2, 3 and 6, 1956. The matter was taken under submission on the filing of concurrent briefs on February 16, 1956.

Description of Passenger Service

Passenger Trains Nos. 3 and 4 each presently consist of (1) three head-end cars carrying mail, baggage and express, (2) a partitioned coach providing buffet service and lounge car seats for the sleeping car passengers as well as 46 seats for coach passengers, and (3) a sleeper equipped with eight sections, two compartments and one drawing room. The accommodations in the compartments are available at bedroom rates. An extra sleeping car is very seldom added to the train, but an extra chair car may be added four or five times a year.

The standard sleeper, Rock Crag, was built in July, 1929, and was last shopped and renovated in December, 1953, and the sleeper, Rock Bay, was built in August, 1929, and was last shopped and renovated in August, 1953. Coach SP-2172 was built in May, 1921, and was last shopped in December, 1954. Coach SP-2183 was built in July, 1924, and was last shopped in February, 1955.

Diesel locomotives furnish the power for these two trains, the first being placed in service in 1952 and the second in 1953.

These passenger trains operate daily between Eureka and San Rafael. Train No. 3 is scheduled to leave Eureka at 7:00 p.m. and to arrive at San Rafael at 6:20 a.m. A connecting Pacific Greyhound bus is scheduled to leave San Rafael at 6:25 a.m. and to arrive in San Francisco at 7:10 a.m. Train No. 4 is scheduled to leave San Rafael at 8:30 p.m. and arrive at Eureka at 7:40 a.m.

The connecting Pacific Greyhound bus for Train No. 4 is scheduled to leave San Francisco at 7:40 p.m. and to arrive at San Rafael at 8:25 p.m.

The following table showing the use made by the public of applicant's passenger service during the 12-month period ended October 31, 1955, was prepared from testimony submitted by one of applicant's witnesses.

	Col. 1	Col. 2	Col. 3
	<u>Train Miles</u>	<u>Passenger Miles</u>	<u>Average number of Passengers per Train Mile</u>
Pullman	176,840	861,047	4.87
Coach	176,840	807,083	4.56
Passenger Train	176,840	1,668,130	9.43

The record shows that for the past six years the passenger trains have operated an average of 349 days per year because of train annulments on account of weather conditions and a tunnel fire.

#### System Operating Results

Applicant's Exhibits Nos. 16 and 43 show applicant's operating results for its entire system, including both passenger and freight service, for the past six years as follows:

<u>Year</u>	<u>Net Railway Operating Income</u>	<u>Rate of Return on Book Value</u>	<u>Rate of Return on I.C.C. Valuation</u>
1950	\$503,304	.85%	1.59%
1951	456,720	.78%	1.36%
1952	13,780	.02%	.04%
1953	668,812	1.15%	1.90%
1954	958,921	1.66%	2.74%
1955	(17,012)	None	None

(Red Figure)

Applicant's net railway operating income for the 11-month period ended November 30, 1955, was \$1,034,172. The loss of \$17,012 shown above for the year 1955 was the result of the unprecedented storm in December, 1955. An allowance for such

storm damage to ways and structures in the amount of \$2,101,117 was included in the December operating expenses.

Passenger Operating Results

Exhibit No. 13 shows the revenues on Trains Nos. 3 and 4 for the period from September 1, 1954, to August 31, 1955 as follows:

Passenger	\$ 53,711.10
Baggage	216.38
Mail	163,565.83
Express	43,028.21
Other passenger train	279.20
Milk	<u>2,306.98</u>
Total	\$ 263,107.61

A statement of the actual out-of-pocket loss resulting from the operation of Trains 3 and 4 on their present schedules is set forth in applicant's Exhibit No. 12 as follows:

	<u>Per Day</u>	<u>Per Year (349 Days)</u>
Revenues	\$ 754	\$263,000
Estimated out-of-pocket expenses	<u>1,811</u>	<u>632,000</u>
Out-of-pocket loss	\$1,057	\$369,000

Should this application be granted applicant estimates that the annual out-of-pocket cost of operating the proposed passenger train service between Willits and South Fork would be \$130,000 to which should be added an estimated annual expense of \$9,000 for transporting applicant's own employees between San Rafael and Willits and between South Fork and Eureka. After estimated annual revenues of \$10,000 are deducted from the total of \$139,000, an annual out-of-pocket loss of \$129,000 remains. This amount may be compared with the estimated annual out-of-pocket loss of \$369,000 under present operations.

Applicant's witness testified that he had used the same methods in developing the out-of-pocket costs in this proceeding as have been used in the preparation of various out-of-pocket cost studies which have been introduced and accepted in many other

proceedings before this Commission and the Interstate Commerce Commission involving rates as well as discontinuance of passenger train service.

The method used in developing the out-of-pocket costs is described in Exhibit No. 11 as follows:

"This exhibit, designated as 'Directly Assigned and Unit Cost Method' of determining out-of-pocket costs, uses actual costs, such as wages, fuel, etc., which can be directly identified with the particular trains handling the particular traffic under study. To these directly associated items of expense are added costs covering expenses which, though they cannot be related to a particular train, are legitimate charges that must be apportioned thereto. This is accomplished on a unit-cost basis in accordance with the amount of work done, the unit costs being: Gross ton-miles, locomotive-unit miles, gallons of fuel consumed, yard engine hours, train-miles, car-miles and carloads. The freight car-miles and carloads are separated between cars rented on a mileage basis and those which are railroad owned. The units and unit costs are shown on summary Sheet 1 for traffic handled by diesel locomotives.

"In developing the unit costs, the accounts as reported to the Interstate Commerce Commission are separated into two groups determined from statistical studies: Direct and Indirect. The direct expenses are those which vary with business volume; the indirect expenses are those which would be incurred if no traffic were handled. The variable portions are assigned to the service units as mentioned above."

During the course of the proceeding, counsel for the Commission staff stated that, while the Commission staff has introduced no affirmative evidence in this proceeding, its engineers have made a preliminary examination of the cost

computations incident to the operation of Trains Nos. 3 and 4. He further stated that on the strength of that preliminary examination, it would appear that if the Commission staff engineers were to make a complete study, the staff's estimate would not reduce applicant's estimate of out-of-pocket loss by more than \$50,000.

The protestants urge that the out-of-pocket cost estimates submitted by applicant are unreliable because studies showing actual out-of-pocket savings for all items of cost were not made and because applicant's estimates include various "apportioned" expenses. As pointed out above, the record shows that "actual costs, such as wages, fuel, etc., which can be directly identified with the particular trains handling the particular traffic under study", were used as a basis for applicant's estimate of out-of-pocket costs. Certain expenses, however, must of necessity be apportioned in order to determine the portions of such expenses which vary with traffic volume as distinguished from the non-variable portions of such expenses which are excluded from the out-of-pocket cost study.

After careful consideration of the record herein, the Commission hereby adopts the out-of-pocket cost estimates submitted by applicant as reasonable for the purposes of this proceeding.

Effect of operation of  
Passenger Trains 3 and 4  
South of Willits and  
North of South Fork upon  
Applicant's Freight Train  
Service

The Northwestern Pacific Railroad operates a single-track railroad with sidings to enable trains to pass at meets. On an average about four freight trains and one passenger train are operated in each direction daily. The general effect of the operation of trains 3 and 4 on freight train operations was

described by one of applicant's witnesses as follows:

"Getting away from the great detail and getting right down to grass roots, so to speak, on a single-track railroad, such as is the Northwestern Pacific, freight train movement or the degree of freight train movement from the standpoint of miles per hour is pretty directly inverse as to the train density.

"Now, it is an arithmetical axiom that on a single track railroad the number of meets between opposing trains moving over the railroad from origin terminal to destination terminal will be as the product of the number of trains in one direction times the number of trains in the opposite direction and since, of course, it is necessary to keep crews and power balanced, that may be stated in another way, to wit, that the number of meets \* \* \* are in the ratio \* \* \* of the square of the trains moving in one direction.

"For example, if we have four trains moving west and four trains moving east the meets will be four times four or sixteen. Now, if we \* \* \* ~~add~~ one train in each direction, just one train in each direction to that movement, the meets become five times or twenty-five.

"In other words, by adding just one pair of trains to a base of four the meets are increased 56 per cent, and every experienced railroad man in this room or anywhere else knows the delay that is inherent in meets on a single-track railroad.

"Now, in order to keep meets at a minimum the objective striven for is, of course, to reduce density, reduce the number of trains on a railroad. \* \* \* As of the moment the train density on the Northwestern Pacific Railroad is 8.4 train miles per mile of road per day. With three and four off, on that portion of the railroad between San Rafael and Willits, and between South Fork and Eureka, the train density would become 6.4 train miles per day, or a reduction of approximately 24 per cent."

This witness also pointed out that on the Northwestern Pacific, as on other railroads, it is the general operating practice and policy to give passenger trains priority over freight trains.

Exhibits Nos. 22 and 23, amplified by oral testimony, summarize the results of a redispach study made by applicant's witness for the 10-day period from September 14 to September 23,

1955, inclusive, for the purpose of determining the time which would have been gained by through and local freight trains between terminals if the proposed changes in passenger train service had been in effect. The results of this study may be set forth as follows:

Total time gained by 67 through freight trains	60 hrs., 45 minutes
Total time gained by 41 local freight trains	30 hrs., 45 minutes
Daily average gain for through freight trains	6 hours
Daily average gain for local freight trains	3 hours
Daily average gain for through and local freight trains	9 hours

Exhibits Nos. 35 and 36 translate the above into savings of car hours:

Average car hours gain per day on through freight trains	395
Average car hours gain per day on local freight trains	<u>82</u>
Average car hours gain per day on freight trains	477

Another witness for applicant made a reschedule study for the identical 10-day period from September 14 to September 23, 1955, for the purpose of showing the savings to freight trains which would result at terminals if the proposed curtailment of passenger train service had been in effect. Exhibits Nos. 46 and 47 summarize the time savings at the terminals by rescheduling as follows:

Net train hours saved per day	23 hrs., 33 minutes
Net car hours saved per day	1,780 hrs.

The reliability of the studies showing the time savings which would result from the proposed reduction in passenger train service was vigorously challenged in extensive cross-examination by protestants. The evidence is sufficient, however, to show that



important savings in freight operations time will result from a reduction in passenger service. In this proceeding it is unnecessary to determine the exact extent of such savings.

As stated in applicant's brief one effect of reduction in delays to freight trains would be to reduce the total time in transit of freight shipments moving over applicant's lines. A second effect would be to alleviate freight car shortages on applicant's lines. A third effect would be a reduction in the cost of operating the freight trains. A witness for applicant testified that the delays between terminals shown on the redispatch study result in additional expense of \$72,000 per year, broken down as follows:

Penalty wage payments to freight train crews	\$44,000
Per diem payments for freight cars which are delayed	17,000
Interest and depreciation on power used, or lost, on account of delays	8,000
Fuel and engine repairs caused by delays	<u>3,000</u>
Total	\$72,000

Support for Application by Freight Shippers and Others

Witnesses representing thirty-eight shippers of substantial volumes of carload freight traffic over applicant's lines testified in support of the proposed curtailment in passenger train service.

Among the reasons advanced by shipper witnesses for their support of the proposed reduction in passenger service were anticipation (1) that freight car shortages would be alleviated, (2) that time in transit on freight shipments would be reduced, and (3) that freight rates would be relieved of a portion of the burden of the out-of-pocket losses resulting from the passenger service.

Exhibits Nos. 2 through 10 consist of letters and resolutions in support of applicant's proposed curtailment in passenger service by the following: the Executive Committee of the Marin County Development Foundation, the Board of Directors of Healdsburg Chamber of Commerce, the Associated Chambers of Commerce of Sonoma County, the Board of Directors of the Willits Chamber of Commerce, the Board of Directors of Cloverdale Chamber of Commerce, the Board of Directors of the San Rafael Chamber of Commerce, the Cotati Chamber of Commerce, the Board of Directors of the Mendocino County Chamber of Commerce, and the Board of Directors of the Ukiah Chamber of Commerce. The basis for support by these bodies in large part rested upon assurances by representatives of applicant that the proposed curtailment in passenger service would enable the railroad to increase its capacity to handle important freight traffic.

Availability of Other  
Transportation Facilities

Exhibit 18-A shows that Southwest Airways operates four northbound schedules and four southbound schedules daily between San Francisco and Arcata which is 15 miles from Eureka. The scheduled departing times are between the hours of 8:00 a.m. and 7:00 p.m. On two of the northbound schedules and two of the southbound schedules the planes stop at Santa Rosa and Ukiah en route. The scheduled elapsed time on flights between San Francisco and Arcata varies from one hour and ten minutes to two hours and twenty-four minutes.

Testimony by the Director of Aviation for Humboldt County shows that during the month of March, 1955, out of a total of 186 flights scheduled to Arcata, 185 were completed, one flight being canceled because of weather conditions. Of the scheduled operations which exceeded the departure time by thirty minutes only one was

due to adverse weather conditions. During September of 1955, there were a total of 240 flights scheduled to Arcata, 226 of which were completed with eight flights being canceled because of weather. Five irregular operations exceeded departure times by 30 minutes due to weather. Operations during the months of March and September together may be considered representative of operations during the entire year.

The Director of Aviation for Humboldt County also testified:

" \* \* \* Arcata is the only civil air terminal between San Francisco and Portland that is equipped for all-weather operations \* \* \*.

"The positive and continuing use of the above stated facilities by Southwest Airways Company, from which company verified performance records were obtained, has made possible a degree of airline schedule reliability that is comparable and consistent with other air terminals that enjoy a relative freedom from adverse weather in any form."

The record shows that during the month of September, 1955, a daily average of 77 passengers boarded the four southbound flights at Arcata and a daily average of 70 passengers disembarked at Arcata from the four northbound flights, making a total average of 147 passengers per day moving by Southwest Airways between Arcata and points south. Between 90 and 95 per cent of such air traffic moves between Arcata and San Francisco.

Pacific Greyhound Lines operates five northbound and four southbound schedules a day between San Francisco and Eureka with running times ranging from 8 to 10 hours. This may be compared with the running time on the Northwestern Pacific passenger train service of 12 hours. No service is offered by Greyhound to the points along the Eel River Canyon between Willits and Scotia, the only public transportation facilities to such points being that offered by applicant.

One of applicant's witnesses testified that for the week of September 7 through September 13, 1955, a daily average of 64 passengers boarded Greyhound's five daily southbound schedules at Arcata, Eureka and Fortuna destined for San Francisco. On the northbound schedules Greyhound handled a daily average of 76 passengers from San Francisco destined to Fortuna, Eureka and Arcata, making a total daily average of 140 passengers in both directions.

Exhibit No. 19 sets forth a comparison of the fares of the various public carriers between San Francisco - Eureka and intermediate stations. The one-way first-class fare by Southwest Airways between San Francisco and Eureka of \$15.75 compares favorably with the one-way first-class fare of applicant plus lower berth which totals \$15.87. The one-way fare by Greyhound between these points is \$4.90, whereas the one-way coach fare by rail is \$7.93.

In the event that the Commission authorizes the proposed discontinuance of a portion of applicant's passenger train service, Pacific Greyhound Lines, through Application No. 37493, Exhibit No. 42 herein, is seeking authority from the Commission to extend its bus service so as to provide two round trips daily between South Fork and a point on U. S. Highway 101 which is one mile from South Fork and is known as South Fork Junction. This new service is to be provided through the use of buses which are presently rendering through service on U. S. Highway 101. The tentative combined bus and train schedules appear in the record as follows:

Read Down

Read Up

Pacific Greyhound Lines

8:15 AM	Leave	San Francisco	Arrive	6:30 AM
1:25 PM	Arrive	Willits	Leave	2:41 AM

Northwestern Pacific Railroad

1:45 PM	Leave	Willits	Arrive	11:45 PM
6:15 PM	Arrive	South Fork	Leave	7:15 PM

Pacific Greyhound Lines

7:30 PM	Leave	South Fork	Arrive	5:30 PM
Not Shown	Arrive	Eureka	Leave	3:55 PM

The witness for applicant pointed out that the above schedules are subject to whatever adjustment reasonably might be found advisable.

The record shows that should the application be granted, substitute service for mail and express now handled by applicant would be available. In order to guarantee the availability of mail service, applicant's affiliate, Pacific Motor Trucking Company, would offer to contract with the United States Government for the handling of mail by highway between San Francisco and Eureka. Because of the lack of adequate roads in the Eel River Canyon Area applicant would probably continue handling mail on the passenger trains operating in this area. Pacific Motor Trucking would undertake to handle the express between San Francisco and points south of Willits. Some other trucker would handle express for Willits and other points north.

Position of Protestants

Exhibit No. 25 states that the Ferndale Chamber of Commerce by unanimous vote urges continuation of the passenger train service. Exhibit No. 28 is a copy of a resolution by the

Fortuna Chamber of Commerce opposing curtailment of applicant's service.

The chairman of the Transportation Committee of the Eureka Chamber of Commerce appeared on behalf of the Eureka and Humboldt County Chambers of Commerce to oppose this application. This witness recommended that (1) a modern pullman and club car be substituted for the present equipment, (2) more effort be made by applicant to promote passenger travel, and (3) the schedule be changed so that the night train would leave at a later hour. This witness further stated that if the public did not accept the service after these recommendations were adopted, the opposition of the Eureka and Humboldt County Chambers of Commerce would be withdrawn.

The Central Labor Council of Humboldt County, through its secretary, opposed the application. This witness also urged improvement rather than reduction in the passenger train service.

A member of the Rio Dell Chamber of Commerce testified that the Rio Dell Chamber of Commerce unanimously voted to oppose the discontinuance of passenger service. A representative of the Loleta Chamber of Commerce testified that he had been instructed by that organization to appear in opposition to the discontinuance of passenger train service from Eureka to San Rafael.

A member of the Board of Supervisors of the County of Humboldt introduced into evidence a copy of a resolution of such Board of Supervisors opposing the granting of the application and urging that the applicant be ordered to improve its passenger train service by reducing travel time between Eureka and San Rafael and by putting more modern equipment in service.

The City of Eureka, through its City Attorney, also

opposed the granting of the application. Exhibit No. 31, which states the position taken by the City Council of Eureka, points out that if the application were granted the City of Eureka would be the largest city in the United States without passenger train service. The City Council, through Exhibit No. 31, urges that the passenger train service be improved and extended rather than discontinued and that the former passenger service to Sausalito be restored.

Several other witnesses appeared at the hearing and gave testimony in opposition to the discontinuance or curtailment of passenger service.

Exhibit No. 26, is a petition signed by 29 residents in and near the Eel River Canyon Area opposing the application to discontinue service. The petition states that the growing territory needs more and better passenger and freight service rather than elimination of the limited passenger service now available.

The publisher of the Sausalito News testified concerning the difficulty he had in obtaining space on the Northwestern Pacific passenger train.

Representatives of the Railroad Brotherhoods acting on behalf of their organizations and the employees of applicant who would be adversely affected should the service be discontinued actively participated throughout the entire proceeding. These representatives contended that the applicant should not be permitted to abandon an integral part of its passenger service "unless and until it can show, beyond all question of reasonable doubt, that every effort has been made to reduce operating expenses and adopt attractive, economical, and efficient operation practices." They request that the Commission disregard the various corporate veils

and examine the evidence in the light of the closely interwoven and related interests of the Southern Pacific Company and its subsidiaries the Northwestern Pacific Railroad and Pacific Motor Trucking Company. The record herein does not reveal any affiliated relationship between Pacific Greyhound Lines and Southern Pacific nor between Greyhound and applicant. Therefore, reference by such protestants to Pacific Greyhound Lines as a partly-owned affiliate of Southern Pacific Company has been disregarded. These protestants urge that the record shows that the proposed abandonment will cause serious inconvenience to the public rather than that public convenience and necessity require such abandonment.

The protestant Dean Witter testified that his family owns a ranch in the Eel River Canyon along the Northwestern Pacific Railroad near the towns of Kekawaka and Island Mountain. The ranch is about 60 miles north of Willits and about 84 miles south of Eureka. He further testified that the roads which lead to his ranch are small, crooked dirt roads that are often impassable in the wintertime and are extremely dangerous in the summertime because of the logging trucks that use the roads. North of Covelo the roads are one way for a distance of about 30 miles. Mr. Witter testified that applicant's passenger train service provides the only practical way by which anyone along the 70-mile route of the railroad through the Eel River Canyon, who became seriously ill, could get to a city where he could be provided with first grade medical and surgical attention.

Counsel for Dean Witter in his brief points out that the record shows applicant has provided passenger and freight service to the four Northern California counties of Marin, Sonoma, Mendocino and Humboldt for over forty years. During this period the population of these counties has grown considerably and by the end of 1954



was in excess of 370,000. One of applicant's witnesses testified that he believed the trend of population growth would continue upward in the future. In this application applicant now proposes to abandon rail passenger service at 37 of the 53 points on its line.

This protestant urges the Commission to find that the people in the extreme northern portion of California have a "public need" for continuance of a dependable rail outlet to the population centers of the South. He contends that the applicant has made no showing of adequate efforts to attract and hold passenger traffic and that the bus and plane service will not adequately meet the passenger transportation needs of the public. In this connection it is noted that under the proposed rail-bus schedules the southbound train is scheduled to arrive at Willits at 11:45 p.m. where a passenger will have to wait until 2:41 a.m. to make connection with a southbound bus. This protestant claims that the evidence does not show that the shippers of freight would be benefited by the discontinuance of the passenger trains. He points out that the passenger deficit should be gauged in the light of the applicant's over-all operations. This protestant urges that applicant be required to continue offering its passenger service to the entire population in its service territory and suggests that if any relief is to be given applicant it should be on the basis of a decrease in frequency of service rather than abandonment along a major portion of its rail line.

An interested-party witness from San Jose testified regarding the beautiful scenery along the route of the Northwestern Pacific Railroad. It was his suggestion that the applicant maintain its service along this route with some type of light equipment such as the Budd car.

Triweekly Daytime Passenger  
Train Service

Applicant has estimated that the annual out-of-pocket cost of providing triweekly daytime passenger train service in each direction between San Rafael and Eureka with a diesel locomotive and two coaches would be approximately \$160,000 and that the out-of-pocket cost of furnishing such service with a self-propelled diesel car would be approximately \$120,000 per year. Either of these operations would produce estimated revenues of \$30,000 per year. This would result in an estimated out-of-pocket loss of \$130,000 per year from a triweekly passenger operation with a diesel and two coaches and an estimated out-of-pocket loss of \$90,000 per year with the self-propelled diesel unit. These estimates may be compared with the applicant's estimated out-of-pocket loss of \$129,000 per year in providing the proposed daily passenger train service between Willits and South Fork only.

Conclusion

Applicant has made a convincing showing that its passenger train service between San Rafael and Eureka has been sparingly used by the traveling public. To some extent, however, the meager demand for the service undoubtedly results from the fact that part of the equipment is ancient and unattractive, that the schedules are slow, and that the applicant has made very little effort to stimulate patronage.

Applicant has itself, by the very nature of its application, recognized the need for continued passenger service in the Eel River Canyon between Willits and South Fork. The evidence is persuasive that the limited service proposed in the Eel River Canyon would be continued at as great or greater out-of-pocket loss as would a triweekly passenger operation over the entire route from San Rafael

to Eureka; and that the latter type of service would much better serve the public convenience and necessity. The Commission is mindful, also, of the fact that to grant the application would be to leave an important and populous area of the state without through passenger transportation by rail. While the Commission will not require the rendering of passenger service where it is clear that there is no requirement for it based on public convenience and necessity, the evidence in the present instance is not conclusive as to the absence of such need. Triweekly service may, indeed, be continued at an out-of-pocket loss; but it will be a substantially smaller loss than that presently suffered by the applicant in its passenger operations. We note, also, that the "passenger deficit" is regularly urged by the railroads as grounds for increases in their freight rates; and that the railroads have considerable success in securing the approval of regulatory commissions for freight rate increases. Such an increase having recently been granted, in part to offset passenger deficits, the curtailment of passenger service in order to eliminate those deficits is less readily justified. Further, this Commission is justified in requiring the rendering of adequate passenger service to the public even in those instances where it can be rendered only at an out-of-pocket loss, so long as such loss is not so excessive as clearly to offset the public convenience served by the continuance of the passenger service.

On full consideration of all the evidence in this proceeding, the Commission finds that public convenience and necessity do not justify applicant's request for authority to abandon passenger train service between San Rafael and Willits and between South Fork and Eureka as proposed in the application

herein. The record does, however, show and we hereby find that public convenience and necessity justify a modification in the passenger train operation between San Rafael and Eureka from daily overnight service to triweekly daytime service with modern equipment of such type and of such condition as should attract more usage by the public. Applicant will be authorized to make such change in its passenger train service.

O R D E R

The application as above entitled having been filed, a public hearing having been held thereon, the Commission being fully advised in the premises and hereby finding it in the public interest,

IT IS ORDERED that:

(1) The application herein be denied.

(2) Applicant be, and it is hereby, authorized to discontinue regular daily overnight passenger service between San Rafael and Eureka, and intermediate points, provided that it substitute therefor triweekly daytime passenger service in each direction between San Rafael and Eureka, and intermediate points, with modern equipment of such a type and in such condition as should attract usage by the public; such change in service to be made only after five days' notice to this Commission and to the public.

(3) Within ninety days after the institution of such triweekly service any party to this proceeding may file a petition herein specifying any deficiency in the type of equipment used in such service, or in the scheduling of operations, which in the opinion of such party should be corrected, and request further hearing before this Commission. Upon the consideration of such petition the Commission may deny the same ex parte, or it may hold further

hearing herein and issue such further orders as may be found necessary in the premises. This proceeding is held open for such purpose.

(4) The authority herein granted will expire unless exercised within ninety days after the effective date of this order.

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

Dated at San Francisco, California, this 12<sup>th</sup> day of May, 1956.

*John E. Mitchell*  
 \_\_\_\_\_ President  
*Justin J. Calmes*  
 \_\_\_\_\_  
*Robt. L. Baran*  
 \_\_\_\_\_  
*Mary H. Boley*  
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 \_\_\_\_\_  
 Commissioners

Commissioner..... Rex Hardy....., being necessarily absent, did not participate in the disposition of this proceeding.