

ORIGINAL

Decision No. 55707

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application)
of SOUTHERN PACIFIC COMPANY for)
authority to increase passenger)
fares between San Francisco, San)
Jose and Los Gatos, and inter-)
mediate points.)

Application No. 38951

In the Matter of the Commission's)
investigation on its own motion into)
the sufficiency of passenger train)
services on Southern Pacific Company)
between Sacramento and San Francisco)
and other points in California)
(Limited to Local Service of)
Southern Pacific between San Fran-)
cisco, San Jose and Intermediate)
Points).)

Case No. 5234

APPEARANCES

(Application No. 38951 and the phase of Case No. 5234
pertaining to Local Service of Southern Pacific be-
tween San Francisco, San Jose, and Intermediate
Points.)

Randolph Karr and Charles W. Burkett, Jr., for
Southern Pacific Company, applicant in Application
No. 38951 and respondent in Case No. 5234.

E. R. Myers, for South San Francisco Commuters;
Robert E. L. Collier, for Peninsula Commuters
Club; Finley J. Gibbs and Nathan Most, for
Civic Interest League of Atherton, protestants
in Application No. 38951 and interested parties
in Case No. 5234.

Walter I. Phillips, in propria persona; William V.
Ellis, for California State Legislative Board,
Brotherhood of Locomotive Firemen and Engineers;
Charles C. Miller and James M. Cooper, for San
Francisco Chamber of Commerce; Leonard M.
Wickliffe, for Order of Railway Conductors;
James E. Howe, for G. W. Ballard, State Represen-
tative, Brotherhood of Railroad Trainmen,
California Legislative Board, interested parties
in Application No. 38951 and Case No. 5234.

John Ormasa, Assistant City Attorney, for the City of Richmond; Robert R. Thompson, City Attorney, and Douglas Morgan, Councilman, for the City of Millbrae; Earl M. Wilms, Councilman for the City of Millbrae, for the North County Council Transportation Committee; L. E. Osborne, for the California Manufacturers Association; D. R. Phillips, for Western Growers Association; Karl A. Baldwin, Town Manager, for the Town of Los Gatos; Ed Soderberg, Secretary-Manager, for the Chamber of Commerce of Los Gatos, interested parties in Case No. 5234.

H. R. Whiting, in propria persona, protestant in Application No. 38951.

Harold J. McCarthy, John Pearson and Franklin G. Campbell for the Commission staff in Application No. 38951 and Case No. 5234.

Cyril M. Saroyan and John Donovan, for the Commission staff, in Case No. 5234.

O P I N I O N

The phase of Case No. 5234 dealing with the sufficiency of passenger train service of Southern Pacific Company between San Francisco and San Jose and intermediate points was consolidated for hearing with Application No. 35739 of Southern Pacific Company. Public hearings on these matters were held before Commissioner Ray E. Untereiner and Examiner Wilson E. Cline at San Francisco on December 8 and 9, 1954, and at Redwood City on December 10, 1954, before the Commission en banc at San Francisco on December 14, 1954, and again before Commissioner Untereiner and Examiner Cline at San Francisco on January 19, 20, 21 and 31 and February 2 and 3, 1955. At the conclusion of the hearing on February 3, 1955, with the consent of all parties, the Commission took under submission Application No. 35739 and continued Case No. 5234 to a date to be set. On April 26, 1955, the Commission issued its Decision No. 51391 in Application No. 35739.

On March 29, 1957, Southern Pacific Company filed Application No. 38951 in which it seeks authority to institute a zone-fare

structure for its passenger commutation services on the San Francisco Peninsula in lieu of its present point to point fares. Certain increases over present fares and charges are proposed in the application. This application was consolidated for hearing with the phase of Case No. 5234 pertaining to local service between San Francisco, San Jose and intermediate points.

Public hearings on Application No. 38951 and further public hearings on Case No. 5234 were held before Commissioner C. Lyn Fox and Examiner Wilson E. Cline at San Francisco on July 10, 11, 12 and 31 and August 1, 2, 7 and 8, 1957. The matter was taken under submission on August 23, 1957, the last date of the filing of the briefs herein.

Service Recommendations

During the course of the consolidated hearings on Application No. 35739 and Case No. 5234 the Commission staff introduced Exhibit No. 62 which contained seven recommendations for improvement of Southern Pacific passenger service on the San Francisco Peninsula as follows:

"1. A study should be made of the feasibility of separating the pedestrian crossing of rails at Fourth Street at the San Francisco Depot, possibly in connection with efforts to separate vehicular traffic, in order to provide greater safety for passengers detraining and crossing tracks.

" In the interim the inbound trains in the morning peak should be unloaded to the greatest extent possible on the even numbered tracks where platform is available to passengers on the north side of the train.

"2. Consideration should be given to increasing the carrying capacity of Train No. 132, by at least 400 commuters leaving San Francisco at 5:17 P.M., in order to advance the evening departure of some of the passengers through the balance of the peak period.

"3. A study should be made to determine whether the present 15 to 19 commuters using the Los Gatos station would be greatly inconvenienced if the one round trip a day were operated to Vasona Junction only (2½ miles distant), in order to save ten train miles and at least sixty-five train minutes a day with resultant economies.

"4. The passenger loading platform along the southbound track at Paul Avenue in San Francisco should be lengthened to accommodate the 143 passengers boarding Train No. 124 at 4:50 P.M.

"5. The platform along the southbound track at California Avenue (Palo Alto) should be lengthened at the south end and illuminated to accommodate the large number of detraining passengers in the evening.

"6. The automatic crossing gate installation program should be continued in protection of Peninsula grade crossings until separations can be constructed.

"7. Rest room facilities should be modernized at Millbrae, Mountain View, and Santa Clara stations."

Exhibit No. 9 submitted in evidence by the Commission staff makes comment regarding the status of the above staff recommendations as follows:

"Recommendation No. 1. The company has advised that a pedestrian separation at Fourth Street at the San Francisco Depot is a matter necessarily related to the separation of vehicular traffic at the same location, which is being studied by the public agencies as well as Southern Pacific.

"It appears that a pedestrian underpass might be built at this location for passengers, independent of long-range plans for Freeway development at Fourth Street, which would probably be an overhead structure of considerable elevation.

"In the interim the company has been unloading inbound trains during the morning peak mostly on even numbered tracks (11 out of 14 schedules) which have platforms available to passengers on the north side of the train. However, during recent observations the passengers arriving on from 2 to 4 trains each morning during the peak period were blocked by other trains so that they could not immediately exit to the north at Fourth Street. Some of these passengers climbed through the vestibules of these other trains blocking the exit from the station yard, in a few instances when the cars were in motion being pulled from the station by the switch engine. This latter hazard is being relieved somewhat by the greater use of gallery cars which keeps doors closed on the south side when passengers are detraining.

"Recommendation No. 2. The company proposes to increase the number of passengers carried by Train No. 132 by about 490 passengers through schedule adjustments at the end of Daylight Saving Time by adding a stop of this train at Palo Alto. Recommendation will be satisfied.

"Recommendation No. 3. The company is continuing to negotiate with City of Los Gatos officials on this matter, and is also studying other methods of effecting economies in operating the branch line trains.

"Recommendation No. 4. A platform has been graded and surfaced for a length of about 375 feet along both north and south tracks at Paul Avenue Station. Recommendation satisfied.

"Recommendation No. 5. The platform has been extended along the southbound track at California Avenue for a distance of about 340 feet and has been equipped with floodlights. Recommendation satisfied.

"Recommendation No. 6. The automatic crossing gate program has been continued with the installation of 16 automatic gates and 2 crossings closed in the past 2½ years since the last hearing in this matter.

"The Commission has instituted several investigations on its own motion to expedite this program on the Peninsula, and Case No. 5934, involving crossings in Redwood City, is set for hearing on September 26. There are 17 crossings still without gate protection on the Peninsula main line.

"Recommendation No. 7. An inside entrance has been provided for the men's rest room at Millbrae."

The record shows that recommendations Nos. 2 through 7 have either been satisfied or that such consideration has been and is being given to these recommendations by Southern Pacific Company as to require no further action by this Commission at this time.

With respect to recommendation No. 1 the record shows that a pedestrian separation at Fourth Street at the Southern Pacific Depot in San Francisco is desirable. However, the construction of a pedestrian underpass will not be a simple matter because such an underpass would involve construction work below sea level. Further, if such a pedestrian underpass were constructed, respondent contends that it later might be in the way of one or both of the two contemplated vehicular separations to be constructed in the same area. With respect to this latter contention it may be noted that respondent in the preparation of plans and specifications for such a pedestrian underpass can give due consideration to the information which it has already obtained concerning the contemplated vehicular separations, and after the plans and specifications for such a pedestrian underpass have been prepared such plans and specifications can receive due consideration in the further development of the plans for the vehicular separations.

Southern Pacific Company will be directed to prepare and submit to this Commission within six months from the effective date of the order herein a set of plans and specifications and cost estimates for a passenger pedestrian underpass at Fourth Street at the Southern Pacific Depot in San Francisco with access stairs to each passenger platform. ✓
✓
✓

Applicants Proposed Fares and Five-Group Zone Plan.

In this application Southern Pacific Company seeks to increase fares between San Francisco and San Jose and intermediate points on its main line, as well as between San Francisco and Los Gatos and intermediate points on its main line and its Los Altos Branch.

Applicant states that the new fare structure which is based on five zones will result in over-all increase in commutation revenues of approximately ten per cent.

The proposed fares are set forth in the printer's proof constituting Statement C of Exhibit No. 38951-1. Pages 3, 5 and 6 of that proof were subsequently modified by revisions of those pages set forth in Exhibit No. 38951-19.

The following statement regarding the proposed changes in fares are taken from Exhibit 38951-10 herein:

1. One-way minimum fares are to be increased from 20 cents to 25 cents. The increases in one-way fares between San Francisco and various points will vary from 1.4 per cent to 78.6 per cent.
2. Round-trip minimum fares are to be increased from 40 cents to 50 cents. The increases in round-trip fares between San Francisco and various points will vary from 1.5 per cent to 63.6 per cent.

3. Applicant proposes to offer a 20-ride family ticket in lieu of the present 10- and 30-ride family ticket. On a per ride basis the proposal will result in decreases and increases varying from a decrease of 17.1 per cent to an increase of 45.5 per cent.
4. Proposed monthly commute fares will vary as follows:
 - (a) Monthly commute fares will vary from a decrease of 16.8 per cent to an increase of 17.3 per cent.
 - (b) Applicant proposes to discontinue monthly except Sunday commute fares. Patrons now using this type of service will be obliged to purchase other types which will vary from a decrease of 11.5 per cent to an increase of 24.4 per cent if the patron changes from the monthly except Sunday to a monthly ticket.
 - (c) Monthly except Saturday and Sunday commute fares will vary from a decrease of 14.4 per cent to an increase of 20.6 per cent. In addition there is no provision for the use of these tickets on Saturday or Sunday in lieu of usage on week days.
5. Weekly commute fares will vary from a decrease of 12.5 per cent to an increase of 27.3 per cent.
6. Monthly student commutation tickets without Saturdays and Sundays will vary from a decrease of 2.9 per cent to an increase of 45.9 per cent.
Applicant proposes to substitute the monthly student commute in lieu of the present 46-ride student ticket.

In order to meet certain suggestions by the Commission staff applicant in Exhibit 38951-19 has also proposed students' weekly

commutation fares on a per-ride basis slightly higher than the students' monthly commutation fares.

Typical increases for the various types of tickets proposed to be offered between San Francisco and four selected stations are shown in the following tabulation:

Between San Francisco and	: So. S. F. :		: Broadway :		: Calif. Ave.:		: San Jose :	
	: Pres.:	: Prop.:	: Pres.:	: Prop.:	: Pres.:	: Prop.:	: Pres.:	: Prop.:
One Way	\$ 0.28	\$ 0.50	\$0.46	\$ 0.60	\$ 0.92	\$1.00	\$1.31	\$ 1.45
Round Trip	0.55	0.90	0.85	1.10	1.70	1.82	2.40	2.64
Monthly Commute	11.30	13.25	14.35	16.50	23.75	23.00	28.05	26.50
Monthly Commute except Sunday	10.65	13.25	13.50	16.50	22.35	23.00	28.05	26.50
Monthly Commute except Sat.&Sun.	9.95	12.00	12.65	15.00	20.90	21.00	26.25	24.00
Weekly Commute	2.75	3.50	3.65	4.25	6.00	6.00	7.50	7.00
20-Ride Family Ticket (Per Ride)*	0.28	0.40	0.37	0.50	0.60	0.65	0.74	0.73
Monthly School Commute (Per Ride)	0.13	0.19	0.19	0.24	0.32	0.35	0.42	0.41
Weekly School Commute (Per Ride)	0.13	0.20	0.19	0.25	0.32	0.35	0.42	0.40

* As compared to the present 30-ride family ticket.

Thirty-four stations are affected by the proposed fare changes. Under applicant's proposal these stations will be zoned as follows:

- San Francisco
 - 3rd Street
 - 23rd Street
 - Paul Avenue
 - Bayshore
- Zone 1
 - Butler Road
 - South San Francisco
 - San Bruno
 - Lomita Park
 - Millbrae
- Zone 2
 - Broadway
 - Burlingame
 - San Mateo
 - Hayward Park

Zone 3	Hillsdale Belmont San Carlos Redwood City
Zone 4	Atherton Menlo Park Palo Alto California Avenue
Zone 5	Castro Mountain View Sunnyvale Santa Clara College Park San Jose Los Altos Springer Road Loyola Monte Vista Congress Junction Vasona Junction Los Gatos

Distances between stations within the first four zones range from 5.1 miles in Zone 1 to 6.4 miles in Zone 4.

In order to meet the objection of the protestants from Atherton regarding the impact of the Federal transportation tax, one of applicant's witnesses proposed that a subzone for 20-ride tickets only, be established between San Francisco on the one hand, and Atherton and Menlo Park, on the other hand, with the fare for 20-ride tickets in such subzone being \$12.50 instead of the proposed \$13.00.

Applicant's Alternate Proposal

Applicant submitted in its Exhibit No. 38951-2 an alternative basis of fares for consideration only in the event the Commission determines not to authorize zone fares.

This alternate basis provides for the following uniform increase in all present types of Peninsula fares:

\$3.30 in the monthly daily-ride commutation fares,
\$3.10 in the monthly commutation fares except
Sundays,
\$2.90 in the monthly commutation fares except
Saturdays and Sundays,
\$.85 in the weekly commutation fares,
\$1.00 in the 10-ride family fares,
\$2.90 in the 30-ride family fares, and
10.25 per cent in one-way and round-trip fares.

The alternate plan was designed by applicant to provide for an increase in fares sufficiently high to balance the \$200,000 annual savings in expenses applicant expects to be able to realize through the institution of the five-group zone plan and to yield an additional \$300,000 of annual revenue, as contrasted with the \$320,000 increased revenues estimated by applicant to be yielded by its proposed five-group zone plan. All of the proposed five-group zone fares for the monthly and weekly commutation tickets are less than under this alternative basis of rates. Generally, 20-ride family fares under the five-group zone plan are less than the alternate basis, except at a few stations, where there would be a slight difference.

Staff's Alternate Ten-Group Zone Plan.

Under the staff's alternate fare plan the 34 stations would be zoned as follows:

San Francisco	3rd Street 23rd Street Paul Avenue Bayshore
Zone 1	Butler Road South San Francisco San Bruno
Zone 2	Lomita Park Millbrae
Zone 3	Broadway Burlingame
Zone 4	San Mateo Hayward Park
Zone 5	Hillsdale Belmont
Zone 6	San Carlos Redwood City
Zone 7	Atherton Menlo Park
Zone 8	Palo Alto California Avenue

Zone 9

Castro
Mountain View
Sunnyvale

Los Altos
Springer Road
Loyola

Zone 10

Santa Clara
College Park
San Jose

Monte Vista
Congress Junction
Vasona Junction
Los Gatos

In the first eight zones to California Avenue the distances in each Zone vary from 2.4 miles in Zone 1 to 3.5 miles in Zone 6 and Zone 7.

The staff's alternate fare structure provides that:

1. The maximum increases for the five-day per week monthly commutes would be approximately 11 per cent as compared to 21 percent under applicant's proposal. In every instance the one-way fares are equal to or less than the one-way fares proposed by applicant.
2. The full month commute would be priced at 110 per cent of the five-day per week monthly commute, rounded to the nearest 50 cents.
3. The 20-ride ticket would be priced at 60 per cent of the five-day per week monthly commute, rounded to the nearest 25 cents.
4. The weekly ticket would be priced at 30 per cent of the five-day per week monthly commute rounded to the nearest 25 cents.
5. The school ticket would be on a weekly basis and priced at 50 per cent of the corresponding adult weekly ticket, rounded to the nearest 25 cents.
6. The fares between intermediate zones on the Peninsula would be established so the percentage increase would be generally the same as the percentage increase for corresponding fares to San Francisco with a minimum one-way fare of \$0.25.

Comparison of Applicant's Proposed
Fares with Those of Other Carriers

Applicant presented extensive evidence comparing its proposed fares with fares maintained for commutation service in other areas.

The following comparison is taken from
page 2 of Statement J of Exhibit No. 38951-1.

Between	Carrier	Mileage	5-Day Monthly	Daily Ride Weekly	20- Ride Ticket	One Way
San Francisco - South San Fran- cisco (Proposed fare)	S.P.	9.3	\$12.00	\$ 3.50	\$ 8.00	\$0.50
San Francisco - Oakland	Key Sys.	9.3	18.10	-	8.60	0.50
Chicago - Mont Clare	C.M.St.P. & P.	9.7	12.65	3.30	5.50	.29
Berwyn (32nd St.)	C.B. & Q.	9.6	10.00	-	5.50	.29
Gresham	C.R.I. & P.	9.8	11.65	-	5.50	.35
Avalon Park (82nd St.)	I.C.	9.5	12.65	3.51	7.04	.37
Philadelphia - Shawmont	Penn.	9.7	16.85	4.70		.46
Mt. Airy	R.D.G.	9.3	15.85	4.40	8.75	.46
Washington, D.C. Berwyn, Md.	B. & O.	8.4	12.35	3.45		.42
New York Bayonne (W.8thSt.)	C. of N.J.	7.6	13.25	3.70	-	.41
Newark	D. L. & W.	8.8	13.25	3.70	6.00	.40
Kew Gardens	L. I.	9.7	20.68	5.75	-	.58
Marble Hill (W. 23rd)	N. Y. C.	9.6	15.01	-	-	.46
Newark (Penn.Sta.)	Penn.	10.0	18.65	4.90	-	.58
Newark (Hudson Term.)	Penn.	8.8	13.25	3.70	-	.42
Boston- Waltham	B. & M.	9.9	17.18	4.70	7.83	.54
Eliot	B. & A.	9.7	12.58	4.29	-	.42

Subsequent pages of applicant's statement J of Exhibit No. 38951-1 present comparisons with respect to proposed fares between San Francisco and other principal Peninsula points, i.e., San Bruno, Millbrae, Broadway, Burlingame, San Mateo, Hillsdale, San Carlos, Redwood City, Atherton, Palo Alto, Mountain View and San Jose. On rebuttal applicant presented, through Exhibit No. 38951-20, certain additional comparisons with respect to the proposed fares between San Francisco and Atherton.

Because of the absence of evidence regarding the comparability of service and operating conditions the above comparisons of rates are not conclusive.

Operating Results

Evidence introduced by applicant shows that the proposed five-group zone plan will result in estimated savings in operating expense of \$200,000 a year, consisting of \$175,000 of savings in helper conductor expense, \$10,000 savings in expense of printing, storage and distribution of tickets, \$8,000 savings in expense of ticketing, selling and accounting at agency, \$3,000 savings in the passenger accounting department and \$4,000 savings in taxes on salaries and fringe benefits. With the five-group zone plan in effect it is anticipated that the number of helper conductors on the commute trains can be reduced from 32 to 9.

On September 29, 1957, applicant eliminated one pair of commute trains through the use of the new gallery cars. The discontinuance of this pair of trains will result in an estimated additional saving of 1 cent per passenger of out-of-pocket expense.

The record shows that capital expenditures of applicant during the five years 1952-1956 include the sum of \$5,900,000 for diesels assigned to the Peninsula commute service and \$1,700,000 for ten double decker commute cars received in 1955. The 21 additional double decker commute cars which are currently being received will cost \$3,300,000. Interest expense on this \$10,900,000 of new investment in equipment for the Peninsula service at $4\frac{1}{2}$ per cent, which is the interest rate applicant is paying on its most recent equipment financing, would amount to \$490,000 per year.

On the Peninsula commute service, the annual out-of-pocket loss, including interest on the new gallery cars and diesel.

locomotives, as developed from evidence submitted by applicant's witnesses, is as follows:

	<u>Under Present Fares</u>	<u>Under Proposed Five-Group Zone Plan Fares</u>
Out-of-pocket loss per passenger	8¢	3¢
Number of passengers per year	8,664,962	8,664,962
Annual out-of-pocket loss	\$ 690,000	\$ 260,000
Interest on new gallery cars and diesel locomotives	\$ 490,000	\$ 490,000
Annual out-of-pocket loss, including interest on new gallery cars and diesel locomotives	1,180,000	\$ 750,000

In computing estimated out-of-pocket expenses for the year ending August 31, 1958, the Commission staff inadvertently omitted material expense in the amount of \$17,870 from its estimate for Account No. 402-1, Cleaning Cars. The staff estimates of operating income for the year ending August 31, 1958, based on out-of-pocket expenses including depreciation and adjusted for this additional material expense and interest on new gallery cars and diesels are as follows:

	<u>Under Present Fares</u>	<u>Under Proposed Five-Group Zone-Plan Fares</u>	<u>Under Proposed Ten-Group Zone-Plan Fares</u>
Operating Income	\$286,320	\$614,320	\$483,320
Less Material Expense to be included in Acct. 401-1	<u>17,870</u>	<u>17,870</u>	<u>17,870</u>
Adjusted Operating Income	\$268,450	\$596,450	\$465,450
Less interest on new gallery cars and diesels	<u>490,000</u>	<u>490,000</u>	<u>490,000</u>
Adjusted Operating Loss including interest on new gallery cars and diesels	\$221,550		\$ 24,550
Adjusted Operating Income less interest on new gallery cars and diesels		\$106,450	

In considering interest on diesels and new gallery cars as an out-of-pocket cost it should be noted that interest only on the new rolling equipment which has recently been added to the commute service has been included. No interest has been allowed on the conventional cars and other railway plant necessary for the commute service.

The major differences between applicant's estimates and the staff's estimates have been summarized by applicant on an annual basis as follows:

Haul of Company material	\$108,000
Maintenance of ways and structures	50,500
Locomotive Repairs	113,000
Car repairs	337,000
Estimated costs tied to locomotive repairs and car repairs	<u>48,000</u>
	656,500
Payroll taxes on above differences	<u>43,600</u>
	\$700,100

Inasmuch as the difference of \$337,000 for car repairs far exceeds the \$106,450 adjusted operating income estimate of the staff under the proposed five-group zone-plan fares, less interest on new gallery cars and diesels, only this item of difference will be considered herein.

On sheet 3 of Statement B in Exhibit No. 38951-4 applicant developed its estimates of annual costs for car repairs as follows:

	<u>Annual Car Miles</u>	<u>Cost per Car Mile</u>	<u>Annual Cost</u>
Conventional Coaches	3,290,772	13.77¢	\$453,139
Gallery Cars	1,134,674	17.76¢	201,518
Head-End Cars	226,920	6.94¢	<u>15,748</u>
Total cost of car repairs			\$670,405

Applicant's estimates for car repair costs include both running repairs and back-shop repairs. The labor portion of the running repairs was taken from actual records kept by applicant. Such records show that the labor portion alone of the running repair costs on conventional cars amounts to 8 cents per car mile. The cost of material for running repairs was determined by applying to this actual labor cost the average mark-up of material per dollar of labor expense as determined from total car repair material cost. The back shop repair expense for the conventional commute cars was determined by estimating the repair expenses for back shopping over a complete cycle of repairs.

Applicant's witness estimated that the repair costs on the new gallery cars would be approximately 45 per cent greater than on conventional equipment. These double-deck cars are a far more complex piece of equipment than any cars previously used in commute service.

Exhibit 10 explains how the Commission staff developed its estimate of maintenance of equipment expenses for cars as follows:

"Maintenance of equipment expenses for locomotives and cars have been developed from system unit costs, as no records are maintained reflecting the actual local expenses for these items. Analysis of these system unit costs developed that they were unreasonably high when compared with the experience of other companies operating under similar conditions. In view of this, the system unit costs have been adjusted downward by 30%."

The other companies with which the comparison had been made are the Santa Fe, Union Pacific, and Western Pacific, none of which operates a commute service.

In support of its estimates for car repair expense the Commission Staff also introduced Exhibit No. 38951-15 in evidence. ✓ This exhibit tabulates the car repair cost per mile of the principal Class I railroads operating commute service in the New York, Philadelphia, Boston and Chicago areas.

Applicant contends that the primary fallacy in the staff approach is that the system average passenger car repair cost of applicant is definitely lower than, and is no criterion of, the cost per mile of the commutation operation, the car miles of which constitute only some five per cent of the railroad maintained car miles for the system.

The types of cars comprising the commutation fleet is entirely different from that of the System fleet. Baggage, mail and express cars, which have lower repair costs than other types of cars, represent 42 per cent of the total car miles of the system but only 5 per cent of the car miles of the commutation fleet.

Dining and lounge cars, which have higher repair expenses than conventional coaches, are not used at all in the commutation service but comprise 13 per cent of the System average. However, the new gallery cars which represent 25 per cent of the commute fleet have an estimated repair cost per mile higher than the dining and lounge cars.

As pointed out in applicant's brief, three general factors responsible for the greater repair cost per mile are (1) lower car mileage per day, (2) higher frequency of station stops, and (3) greater terminal switching per car mile for the commutation operation. Coaches in the commutation service average 64 miles per day, whereas the passenger coaches in other service average 323 miles per day.

The master car repairman who is in charge of the upkeep, repair and inspecting of passenger cars on applicant's Coast Division, including all commute cars, gave very persuasive and detailed testimony regarding the higher repair costs on the cars used in the commute service.

On the other hand the staff has pointed out that although applicant's estimate of repair expense for the new gallery cars was 17.76¢ per mile, applicant's estimate of such expense for 1956 was 5.20¢ per mile.

Applicant's estimate of car repair expenses for conventional coaches in the Peninsula service was 13.77¢ per mile. Approximately 8¢ of this amount represented labor developed from shop order records and the balance was estimated. Sheet 6 of Statement C of applicant's Exhibit No. 38951-4 shows an estimated expense of 16.07¢ per car mile for repairs on conventional dining and lounge cars and 17.78¢ per car mile for repairs on lightweight dining and lounge cars. The dining and lounge cars are the most expensive on the system to maintain. Applicant also maintains shop order records of maintenance work of dining and lounge cars which include labor, material and all other charges. For the five year period 1952 through 1956 the cost per car mile developed from such shop orders averaged approximately 7¢ compared to the estimates of 16.07¢ and 17.78¢ per car mile.

The railroads listed in the staff's Exhibit 38951-15 which operate with diesel locomotives and conventional passenger coaches and provide a frequent local stop service incurred car repair expense during the year 1955 as follows:

<u>Railroad</u>	<u>Average Length of Haul per Passenger</u>	<u>Car Repair Expense for 1955</u>
Erie	33 miles	5.0¢ per mile
Central R.R. of New Jersey	22 miles	5.1¢ per mile
Chicago and N.W.	32 miles	6.4¢ per mile

The Commission staff's estimate for car repairs as shown in Exhibit No. 38951-10 for the Peninsula commute operation was 7.46¢ per car mile.

We have carefully considered the evidence pertaining to car maintenance expense in this proceeding and have concluded that neither the estimates of the applicant nor of the Commission staff should be adopted. For the purposes of this decision the Commission staff estimate of car maintenance expense will be increased by \$168,500.

After further adjusting the Commission staff estimates of operating income for the year ending August 31, 1958, based on out-of-pocket expenses including depreciation and including an allowance for interest on new gallery cars and diesels, for an additional \$168,500 for car repairs the following operating loss figures result.

	Under Present Fares	Under Proposed Five-Group Zone Plan Fares	Under Proposed Ten-Group Zone Plan Fares
Operating Loss	\$390,050	\$62,050	\$193,050

Motion to Dismiss

At the hearing on July 31, 1957, after the applicant had completed its direct presentation in support of its application for fare increases, ~~counsel~~ for the Commission's ^{COUNSEL} staff moved that the application be dismissed. This motion was made on the ground that, inasmuch as applicant had made no separation of its California intra-state investment, revenues and expenses, this Commission did not have sufficient evidence before it to determine whether applicant's present rates are reasonable or confiscatory. In our consideration of operating results above we have found that the proposed fares will not produce sufficient revenues to meet out-of-pocket expenses and

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to provide for reasonable interest expense on applicant's new investment in gallery cars and diesel locomotives assigned to the Peninsula commute service. Under the special circumstances of this proceeding a separation of California intrastate investment and operating results is unnecessary. The motion to dismiss is therefore denied.

Evidence Offered by Commuters

Representatives of the Atherton Civic Interest League appeared to protest the inclusion of Atherton in a zone which has cities over 30 miles from San Francisco because such inclusion will result in the imposition of Federal Excise Tax on the 20-ride tickets with a 60-day expiration date. These representatives also opposed the elimination of the 30-ride ticket, because this would require many Atherton commuters to use the proposed 20-ride ticket at an increase in fare per trip of approximately 20 per cent as compared to an over-all 10 per cent increase in fares.

A commuter from South San Francisco made a statement opposing the institution of the zone plan. He further objected to the commuters of South San Francisco being subjected to a greater percentage fare increase than commuters from other points on the Peninsula commute service.

A number of other commuters testified at the request of applicant. These commuters all testified that the commute service offered by applicant is very satisfactory.

None of the commuter witnesses opposed any increase whatever in the commute fares. Some of them, however, as stated above, objected to applicant's proposed method of distributing the increases among the various commuters.

Advantages of the Five-Group
Zone Plan

The proposed zone plan was developed by applicant as a means of reducing the costs of the Peninsula commutation service. Extensive study has been given by applicant's officers to the grouping of the Peninsula stations within the zones, the color and form of tickets to be used in connection with the plan, and the manner of checking the tickets on the trains.

The presently effective tariff of applicant provides for more than 1,600 different fares for the Peninsula passenger service. Under the proposed five-group zone plan the number of fares would be reduced to 164.

Zone plans are presently in use in other commutation services. Western Greyhound Lines has a zone plan in use in connection with its service between San Francisco and Marin County; Key System Transit Lines has a zone plan in use in the San Francisco-East Bay area; and Metropolitan Coach Lines uses a zone plan in Los Angeles and contiguous cities. The engineering report of Parsons, Brinkerhoff, Hall & McDonald for a proposed San Francisco Bay area rapid transit system provides for five fare zones between California Avenue in Palo Alto and San Francisco.

As previously stated the evidence shows that the proposed five-group zone plan will result in savings in operating expenses of approximately \$200,000 of which \$173,000 represents annual savings in wages of helper conductors. A Commission staff witness testified that in his opinion the same saving in wages of helper conductors could be effected under present point to point fares or under the alternate ten-group zone plan if the applicant gave the matter sufficient study.

On rebuttal applicant's witnesses testified that such substantial savings could not be effected under the present fare structure or the ten-group zone plan. They pointed out the greater number of tickets would require more checking and that the conductor helpers and conductors would have less time to do the checking either under the ten-zone plan or the station-to-station arrangement than under the five-group zone plan.

Further, Exhibit No. 38951-10 shows that the ten-group zone fares would produce \$131,000 less revenue than would be produced under applicant's proposed five-group zone fares.

In connection with the alleged inequality of treatment of individual stations applicant has pointed out in its brief that if applicant were not to institute the five-group zone plan and not achieve the \$200,000 estimated annual savings in expenses, applicant's alternate proposal, providing for a uniform increase in Peninsula fares, would result in increases in monthly and weekly commutation tickets that are actually higher to and from even the most northerly stations in each zone group. Further, applicant introduced evidence to show that generally the out-of-pocket cost per passenger to applicant is the same whether the passenger is traveling between San Francisco and San Jose, or between San Francisco and Palo Alto, or between San Francisco and South San Francisco.

Disadvantages of the
Five-Group Zone Plan

At the most distant points in the Fifth Zone proposed by applicant the proposed fares will result in a reduction in the five-day-a-week monthly commute fare of as much as 17%, whereas all the one-way fares in the Fifth Zone will be increased, the

maximum increase being 34%. A division of the proposed large Fifth Zone into two zones as proposed by the Commission staff witness with provision for the proposed \$24 five-day-a-week monthly commute fare in the Fifth Zone and a \$26 five-day-a-week monthly commute fare in the Sixth Zone will eliminate most of the reductions in the five-day-a-week monthly commute fares and will provide for more equitable five-day-a-week monthly commute fares. Other commute fares to be authorized for Zones Five and Six are set forth in Appendix A attached hereto. Such commute fares will produce estimated additional annual revenues of \$20,000 over and above the increases in revenues otherwise anticipated. ✓

Applicant's proposed one-way and round-trip fares in Zones Five and Six will result in greater increases in fares than justified in relation to other proposed increases. The Commission will authorize one-way fares of \$1.18 for Zone Five and \$1.32 for Zone Six with corresponding round-trip fares for these two zones. This will reduce the estimated annual revenues by approximately \$30,000.

Conclusion

We hereby find and conclude that the fare increases proposed by applicant, as set forth in Statement C of Exhibit No. 38951-1 as subsequently modified in Exhibit No. 38951-19, and subject to the qualification that a subzone, for 20-ride tickets only, be established between San Francisco, on the one hand, and Menlo Park and Atherton, on the other hand, with the fare for that subzone being \$12.50, and subject to the further qualification that the proposed Fifth Zone be divided into Zones Five and Six with fares for between points in these zones and other Peninsula points being as set forth in Appendix A attached hereto, are justified and should be authorized by this Commission.

O R D E R

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

IT IS HEREBY ORDERED that:

1. Southern Pacific Company is hereby directed to prepare and submit to this Commission within six months from the effective date of this order a set of plans and specifications and cost estimates for a passenger pedestrian underpass at Fourth Street at the Southern Pacific Depot in San Francisco with access stairs to each passenger platform. ✓
✓

2. The Commission investigation herein, Case No. 5234, be and it is hereby continued to a date to be set.

3. The motion of the Commission staff counsel that Application No. 38951 be dismissed, be and it is hereby denied.

4. Southern Pacific Company be and it is hereby authorized, on not less than five days' notice to the Commission and to the public, to increase its local passenger fares between San Francisco, San Jose, Los Gatos and intermediate stations and to modify its rules and regulations governing such fares in accordance with Statement C of Exhibit No. 38951-1, which is its proposed Local Passenger Tariff D-No. 9, canceling Local Passenger Tariff D-No. 8, as modified by Exhibit No. 38951-19, as further modified to provide for the establishment of a subzone, for 20-ride tickets only, between San Francisco, on the one hand, and Menlo Park and Atherton, on the other hand, with the fare for 20-ride tickets in such subzone being \$12.50 instead of the proposed \$13.00, and as further modified to provide for the establishment of Zone Five and Zone Six as set forth in Appendix A attached hereto instead of the proposed Zone Five with fares between points in such zones and other Peninsula points as set forth in said Appendix A attached hereto.

5. The authority herein granted shall expire unless exercised within sixty days after the effective date of this order.

6. Applicant be and it is hereby directed to post and maintain in its passenger cars operated on its local Peninsula service and in its depots at San Francisco, San Jose, Los Gatos and intermediate stations a notice of the increased fares and modified rules and regulations herein authorized. Such notice shall be posted not less than five days prior to the effective date of such fares and rules and regulations and shall remain posted for a period of not less than thirty days.

This order shall become effective twenty days after the date hereof.

Dated at San Francisco, California, this 22nd day of October, 1957.

Peter L. ...
President
...
...
...
E. Lynn Fox
Commissioners

APPENDIX A

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FARES FOR ZONES 5 AND 6

BETWEEN		ZONE 1	ZONE 2	ZONE 3	ZONE 4	ZONE 5	ZONE 6	
AND		San Francisco (3rd St. to 23rd St. Paul Ave. Bayshore)	Butler Rd. So. San Francisco San Bruno Lomita Pk. Millbrae	Broadway Burlingame San Mateo Hayward Park	Hillsdale Belmont San Carlos Redwood City	Atherton Menlo Pk. Palo Alto California Ave.	Castro Mountain View Sunnyvale Los Altos Springer Rd. Los Gatos	
Class of Tickets		ADULT FARES						
ZONE 5		One-Way	\$ 1.18	\$ 1.00	\$ 0.77	\$ 0.60	\$ 0.40	\$ 0.25
Castro		Round Trip	2.14	1.82	1.41	1.10	0.80	0.50
Mt. View		Mo(5Da-Wk)	24.00	---	---	---	---	---
Sunnyvale		Monthly	26.50	22.75	19.50	16.00	12.75	10.00
Los Altos		Weekly	7.00	5.75	5.00	4.00	3.25	2.50
Springer Rd.		20 Ride	14.50	13.75	12.00	10.00	7.75	5.00
Loyola								
ZONE 6		One-Way	1.32	1.18	1.00	0.77	0.60	0.40
Santa Clara		Round Trip	2.36	2.14	1.82	1.41	1.10	0.80
College Pk		Mo(5Da-Wk)	26.00	---	---	---	---	---
San Jose		Monthly	28.50	26.50	22.75	19.50	16.00	12.75
Monte Vista		Weekly	8.00	7.00	5.75	5.00	4.00	3.25
Congress Jct.		20 Ride	15.50	14.50	13.75	12.00	10.00	7.75
Vasona Jct.								
Los Gatos								

APPENDIX A

FARES FOR ZONES 5 AND 6 (Cont'd.)

BETWEEN		ZONE 1	ZONE 2	ZONE 3	ZONE 4	ZONE 5	ZONE 6
San Francisco (3rd St. to 23rd St. and Paul Ave. Bayshore)		Butler Rd.	Broadway	Hillsdale	Atherton	Castro	Santa Clara
AND		So. San Francisco	Burlingame	Beltmont	Menlo Pk.	Mountain View	College Pk.
		San Bruno	Hayward	Redwood City	California Ave.	Sunnyvale	Monte Vista
		Lomita Pk.	Park			Los Altos	Congress Jct.
		Millbrae				Springer Rd.	Vasona Jct.
							Los Gatos
Class of Tickets		STUDENTS WEEKLY AND MONTHLY COMMUTATION FARES (without Saturdays and Sundays)					
ZONE 5 (Stations same as above)	Monthly*	15.00	13.00	11.00	9.00	7.00	5.00
	Weekly	4.00	3.50	3.00	2.50	2.00	1.50
ZONE 6 (Stations same as above)	Monthly*	17.00	15.00	13.00	11.00	9.00	7.00
	Weekly	4.50	4.00	3.50	3.00	2.50	2.00

* Monthly without Saturdays and Sundays.