

Decision No. 61268

ORIGINAL

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of)
 SOUTHERN PACIFIC COMPANY for authority)
 to increase zone passenger fares)
 between San Francisco, San Jose and)
 Vasona, and intermediate points.)

Application No. 42427

Charles W. Burkett, Jr., for Southern Pacific
 Company, applicant.

Robert E. L. Collier and Elmer Ross, for Peninsula
 Commuters Club, protestant.

Orville I. Wright, for Dion R. Holm, City Attorney,
 City and County of San Francisco, Francis A.

Guido in propria persona, interested parties.

Hector Anninos and Timothy J. Canty, for the
 Commission staff.

O P I N I O N

By the above-entitled application, filed June 30, 1960, Southern Pacific Company seeks authority, under Section 454 of the Public Utilities Code, to increase its one-way, round-trip and commutation zone fares in the territory between San Francisco, on the one hand, and Vasona and San Jose, on the other hand, the so-called Peninsula local service.

Public hearings on the application were held before Commissioner C. Lyn Fox and Examiner William E. Turpen at San Francisco on October 17, 18, 19 and 20, 1960. Evidence was presented by several officials and employees of Southern Pacific Company and by transportation engineers of the Commission's staff.

Applicant's peninsula service is entirely different from any of its other passenger operations. About 13,000 passengers per day are moved in each direction. The record shows that 89 percent of the northbound travel occurs during the morning rush hour period and 83 percent of the southbound travel occurs during the evening rush hour. During the period 1955-1957, Southern Pacific replaced most of

the coaches used in the peninsula service by a special type of double-deck car, called gallery cars. Thirty-one of these cars are now in service.

The present fare structure was established November 11, 1957, pursuant to Decision No. 55707, dated October 22, 1957, in Application No. 38951. At that time the 47-mile long peninsula territory was divided into six fare zones, with the same fare applicable from or to any point in each zone.^{1/} In addition to one-way and round-trip tickets, applicant offers two types of monthly commutation tickets, one good five days each week and the other good every day of the month, weekly commutation tickets, and students' monthly and weekly commutation tickets. Applicant also sells a 20-ride family ticket.

In respect to the fares from and to San Francisco, applicant now seeks authority to increase all the monthly commute and 20-ride tickets by \$2.00 (except students' monthly commute would be increased \$1.00), and the weekly commute tickets by 50 cents. The one-way fares would be increased by amounts ranging from 10 to 14 cents, and the round-trip fares by amounts ranging from 19 to 27 cents. Similar increases would be made in fares applicable between peninsula points.

An engineer from the Commission's staff offered for consideration two alternate fare structures. The first of these provided for smaller increases in the 20-ride and student weekly tickets than proposed by applicant, by applying the same percentage increase to these fares as the percentage increase of applicant's

^{1/} The six zones have the following stations as their southern boundaries:

- | | |
|------------------|-------------------------|
| Zone 1: Millbrae | 4: California Avenue |
| 2: Hayward Park | 5: Loyola and Sunnyvale |
| 3: Redwood City | 6: Vasona and San Jose |

proposed change in the monthly commute fares between the same points. The second alternate provided for smaller increases than proposed by applicant in the monthly commute fares applicable to the first three zones, with smaller increases in the 20-ride and student weekly tickets computed similar to the manner used in the first alternate. The present, proposed, and staff alternate fares between San Francisco and the six zones are compared in Appendix A hereto.

Both applicant and the staff presented studies they had made of the estimated results of conducting the peninsula operations under the present fares and under the proposed fares. Applicant used the operating results for 1959 and adjusted the costs to reflect wage and other increases as of July 1, 1960. The staff's estimates are for the year 1961, and show less revenue than applicant due to the assumption that a downtrend in traffic will continue and that a fare increase will cause a further diminution in traffic. Both applicant and the staff included in the revenues amounts equal to what would have been received if all passes had been paid for at the regular fares. The expenses used are out-of-pocket expenses only and do not include any fixed costs. The estimates are shown in the following table.

SOUTHERN PACIFIC COMPANY
ESTIMATED OPERATING RESULTS - PENINSULA SERVICE

	<u>Present Fares</u>		<u>Proposed Fares</u>	
	<u>Applicant's</u> <u>Estimate</u>	<u>Staff</u> <u>Estimate</u>	<u>Applicant's</u> <u>Estimate</u>	<u>Staff</u> <u>Estimate</u>
Revenues	\$3,800,000	\$3,769,700	\$4,225,000	\$4,108,400
Out-of-Pocket Expenses	4,676,000	3,962,200	4,676,000	3,962,000
Out-of-Pocket Loss	\$ 876,000	\$ 192,500	\$ 451,000	
Revenue Above Out-of-Pocket				\$ 146,200

Under the alternate fare proposals suggested by the staff the estimated revenues would be \$35,400 less than the above figures

in the case of the first alternate, and \$47,100 less in the case of the second alternate.

The record shows that there is an additional item of expense, not included in the expense figures in the above table, that would not be incurred if the peninsula service were not operated. During recent years Southern Pacific Company has made a considerable capital expenditure for new gallery cars and diesel locomotives for this operation. Applicant has an interest expense of \$249,000 a year on the gallery cars and \$207,000 a year on the proportion of the locomotives used in the peninsula passenger service. This makes a total additional expense of \$456,000 per year.^{2/}

From the table above it can be seen that the staff's estimate of out-of-pocket costs is some \$700,000 lower than the applicant's estimate. However, even if the most optimistic view is taken, as shown by the staff's estimate of \$146,200 net revenue above out-of-pocket expenses, it would not provide sufficient revenues above the out-of-pocket costs to meet the interest expenses. It is clear, therefore, that even if the full amount of the sought increase is authorized, the peninsula service will be operating at a loss. In view of this, it does not appear necessary to discuss and resolve the differences between the applicant's and the staff's estimates of out-of-pocket costs.

However, these conclusions do not mean that we accept the staff's methods of computing the expenses as correct. When allocations of expenses have to be made on somewhat arbitrary bases, as is

^{2/} The interest expense on the gallery cars and locomotives was included as a proper expense to consider when the present fares were established in Decision No. 55707.

the case here, different parties can reach differing results, each of which may be valid. There are some inconsistencies in the positions taken by the staff. For example, the staff objected to the applicant comparing its fares with commute fares elsewhere, yet did not hesitate to reduce some of applicant's costs based on a comparison of costs of other railroads.

The question then remains as to how the increase should be applied. The alternate fare structure suggested by the staff would return less revenue than the fare structure proposed by applicant. The main differences involved here relate to the monthly commute fares and the 20-ride tickets. Applicant seeks a uniform increase applicable at all zones, and the same amount of increase on the 20-ride tickets as on the monthly commute tickets. Applicant contends that the increases in costs are substantially the same whether the rider travels one zone or six zones and that the 20-ride ticket user is not now paying his fair share of the costs. On the other hand, the staff contends that applicant's proposals disrupt the present pattern of fare differences and require the short-haul rider to pay an inequitably larger share of the increase. The staff points out that, under applicant's proposal, the percentage increase in the monthly commute between San Francisco and Zone 1 amounts to 16.7 percent, while between San Francisco and Zone 6 the percentage increase is only 7.7 percent. On the 20-ride tickets, the Zone 1 increase is 25 percent and the Zone 6 increase is 12.9 percent.

In regard to the 20-ride tickets, applicant contends that this type of ticket was originally designed for family use in off hours, but the trend has been for its use by commuters who, for some reason or another, do not ride regularly. Applicant states that such riders add to the cost as it is necessary to have space available when it is not known if it will be used. Applicant feels that because

of this type of use, the 20-ride ticket user should pay a greater share of the cost. It appears to us that this ticket is nothing more than a bunch of one-way or round-trip tickets purchased at one time at a discount, and in nature is more nearly like the one-way or round-trip ticket than like a true commute ticket offered to a steady rider.

A representative of the Peninsula Commuters Club appeared as a protestant. He did not oppose a fare increase as such, but expressed concern that repeated fare increases will result in loss of patronage and further requests for diminution of service. No one else appeared to protest the application.

We hereby find and conclude that the fare increases as proposed by Southern Pacific Company, as set forth in the application filed in this proceeding, are justified and should be authorized. The record is clear that even with the increased fares the peninsula service will be operated at a loss.

O R D E R

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

IT IS ORDERED:

1. That Southern Pacific Company be and it is hereby authorized to publish and file, on not less than five days' notice to the Commission and to the public, the increased local passenger fares between San Francisco, San Jose, Vasona and intermediate stations, as proposed in Application No. 42427.

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

3. That Southern Pacific Company 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,

Vasona and intermediate stations, a notice of the increased fares herein authorized. Such notice shall be posted not less than five days prior to the effective date of such fares 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 28th day of December, 1960.

Ernest R. Ray
President
Ed. E. Marshall
W. A. G. G. G.
E. J. Fox
Theodore J. Deener
Commissioners

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APPENDIX A

SOUTHERN PACIFIC COMPANY
PRESENT, PROPOSED, ALTERNATE I AND ALTERNATE II FARES
SAN FRANCISCO TO PENINSULA ZONES

Between San Francisco and Zone	Fares	Monthly			20- Ride	Student		One-Way	Round-Trip
		5-Day Week	Daily	Weekly		Monthly*	Weekly*		
1	Present	\$ 12.00	\$ 13.25	\$ 3.50	\$ 8.00	\$ 7.00	\$ 2.00	\$.50	\$.90
	Proposed	14.00	15.25	4.00	10.00	8.00	2.50	.60	1.10
	Alternate I	14.00	15.25	4.00	9.25	8.00	2.25	.60	1.10
	Alternate II	13.50	14.75	4.00	9.00	8.00	2.25	.60	1.10
2	Present	\$ 15.00	\$ 16.50	\$ 4.25	\$10.00	\$ 9.00	\$ 2.50	\$.60	\$1.10
	Proposed	17.00	18.50	4.75	12.00	10.00	3.00	.73	1.36
	Alternate I	17.00	18.50	4.75	11.25	10.00	2.75	.73	1.36
	Alternate II	16.75	18.25	4.75	11.25	10.00	2.75	.73	1.36
3	Present	\$ 18.00	\$ 19.75	\$ 5.00	\$11.50	\$11.00	\$ 3.00	\$.77	\$1.45
	Proposed	20.00	21.75	5.50	13.50	12.00	3.50	.91	1.64
	Alternate I	20.00	21.75	5.50	12.75	12.00	3.25	.91	1.64
	Alternate II	19.75	21.50	5.50	12.75	12.00	3.25	.91	1.64
4	Present	\$ 21.00	\$ 23.00	\$ 6.00	\$13.00#	\$13.00	\$ 3.50	\$1.00	\$1.82
	Proposed	23.00	25.00	6.50	15.00#	14.00	4.00	1.14	2.09
	Alternate I	23.00	25.00	6.50	14.25#	14.00	3.75	1.14	2.09
	Alternate II	23.00	25.00	6.50	14.25#	14.00	3.75	1.14	2.09
5	Present	\$ 24.00	\$ 26.50	\$ 7.00	\$14.50	\$15.00	\$ 4.00	\$1.18	\$2.14
	Proposed	26.00	28.50	7.50	16.50	16.00	4.50	1.32	2.36
	Alternate I	26.00	28.50	7.50	15.75	16.00	4.25	1.32	2.36
	Alternate II	26.00	28.50	7.50	15.75	16.00	4.25	1.32	2.36
6	Present	\$ 26.00	\$ 28.50	\$ 8.00	\$15.50	\$17.00	\$ 4.50	\$1.32	\$2.36
	Proposed	28.00	30.50	8.50	17.50	18.00	5.00	1.45	2.59
	Alternate I	28.00	30.50	8.50	16.75	18.00	4.75	1.45	2.59
	Alternate II	28.00	30.50	8.50	16.75	18.00	4.75	1.45	2.59

* Excludes Saturdays and Sundays.

Menlo Park - Atherton Fare: Present \$12.50, Proposed \$14.50, Alternates I and II \$13.75.