

Decision No. 65530**ORIGINAL**

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of SOUTHERN PACIFIC COMPANY
to discontinue the operation of
passenger trains Nos. 126 and 139
between San Jose and Monterey.

Application No. 44796

Randolph Karr, Charles W. Burkett and Ralph W. Thompson, for applicant.
Leonard M. Wickliffe, for Railroad Brotherhoods
California Legislative Association; Charles O. Walden, for Brotherhood of Locomotive Firemen and Enginemen; J. J. Doherty, for Brotherhood of Railroad Trainmen; John Park Dans, for Patrons of the Del Monte Limited; William V. Ellis, for California State Legislative Board, Brotherhood of Locomotive Firemen and Enginemen; protestants.
Elinore Charles, for the Commission staff.

O P I N I O N

Southern Pacific Company requests authority to discontinue the "Del Monte" Trains Nos. 126 and 139 between San Jose and Monterey.

Public hearings were held before Examiner Daly on February 7, 1963, at Monterey, and on February 8 and March 14 and 15, 1963, at San Francisco, with the matter being submitted on the latter date.

The "Del Monte" presently operates between San Francisco and Monterey and intermediate points and is the only direct rail passenger service between the San Francisco Bay area and the Monterey Peninsula. Originally the Del Monte operated between San Francisco and Pacific Grove, with Train No. 77 leaving Pacific Grove at 7:25 a.m., arriving in San Francisco at 10:40 a.m.; and

Train No. 78 leaving San Francisco at 4:00 p.m. and arriving in Pacific Grove at 7:35 p.m. In the morning stops were made on the Peninsula at San Jose, Palo Alto, Redwood City and Burlingame and in the evening at Burlingame, Palo Alto and San Jose.

During the early part of 1959 the departure time from San Francisco was changed to 6:25 p.m. in an attempt to accommodate residents of the Monterey Peninsula who had expressed a desire for a later departure so as to attend the Giants' baseball games. Rather than an increase in patronage the change resulted in a decrease. The following year applicant filed a timetable, which, in effect, consolidated the Del Monte with commute Trains Nos. 139 and 126 operating between San Francisco and San Jose. The timetable was rejected by the Commission and applicant subsequently filed Application No. 42686 requesting authority to discontinue the Del Monte entirely. Shortly thereafter the Commission instituted an investigation on its own motion and by Decision No. 61169, dated December 13, 1960, in Case No. 6999, authorized the consolidation of the Del Monte with the San Francisco-San Jose commute trains. Under the present schedule Train No. 139 leaves Monterey at 6:45 a.m. and arrives in San Francisco at 9:55 a.m.; and Train No. 126 leaves San Francisco at 4:50 p.m. and arrives in Monterey at 8:00 p.m. The consolidation of schedules resulted in a longer running time, due to the additional peninsula commute stops, and a very early departure time for Monterey.

The Del Monte has a normal consist of three lightweight air-conditioned cars, including one parlor car and two chair cars. Chair-car passengers may purchase soft drinks and sandwiches. First class passengers ride in the parlor car and are afforded a

selection of hot foods as well as alcoholic beverages. On week days the train additionally carries approximately eight suburban cars southbound and two suburban cars northbound, with these cars being connected or disconnected at San Jose.

Applicant contends that public convenience and necessity no longer require operation of Trains Nos. 126 and 139 between San Jose and Monterey and intermediate points. According to Exhibit 15, applicant estimates it could save approximately \$120,000 annually if the authority herein sought were granted. A breakdown of Exhibit 15 is as follows:

	<u>Present Operations</u>	<u>Proposed Operations</u>	<u>Reduction</u>
1. Estimated revenues	\$225,000	\$128,000	\$ 97,000
2. Estimated out-of-pocket expenses	<u>335,000</u>	<u>138,000</u>	<u>217,000</u>
3. Estimated out-of-pocket loss	\$130,000	\$ 10,000	
4. Decreased out-of-pocket loss			\$120,000

Included in the expenses is the cost of operating two diesel locomotives south of San Jose, although the second locomotive is only required to meet the needs of the commute service between San Francisco and San Jose. According to the staff, this results in an additional cost of \$17,000 annually. Applicant contends that the cost of disconnecting the second locomotive at San Jose would exceed the cost of operating it to Monterey.

Exhibits 7, 8 and 9 show the scheduled operations of The Greyhound Corporation, Pacific Air Lines and United Air Lines between San Francisco and Monterey which applicant contends are directly competitive with the Del Monte. According to applicant's Assistant

General Passenger Traffic Manager, the Del Monte handles only 12 percent of the estimated 500 passengers transported daily to and from the Monterey area by commercial carriers. In the past four years, he testified, applicant has spent approximately \$16,000 on advertising, with the major portion of said amount being spent in 1959 and 1960, in a vain attempt to promote the use of the train. The following is taken from Exhibit 5 and indicates applicant's daily on and off revenue passenger average between San Jose and Monterey from January 1, 1960 to October 31, 1962:

	<u>Train No. 126</u>		<u>Train No. 139</u>	
	<u>On</u>	<u>Off</u>	<u>On</u>	<u>Off</u>
1960	57	57	48	48
1961	48	48	35	35
1962	46	46	33	33

Before filing the instant application, applicant distributed in the Monterey area a pamphlet entitled "Why Southern Pacific Finds it Necessary to Discontinue the Del Monte", (Exhibit 11). The following are quotes taken therefrom:

"We think the people who live in the territory it serves should know why: the train is practically empty."

"The vacationers are still coming, as a look at the Peninsula today will verify. But they no longer come by the Del Monte. Today, the bustling freeways and the motor hotels that surround you offer incontestable evidence as to the mode of transportation your visitors prefer to use."

"The people of Carmel, of Watsonville, of Monterey and Pacific Grove once made their excursions to San Francisco on the Del Monte. They would take the train up in the morning, sitting in the parlor car and watching the scenery roll by their windows. A generation of children grew to whom the Del Monte was a way of life, and to whom Oliver Millet, the parlor car attendant was a family friend."

"But there wasn't another generation for the Del Monte. The children of the next generation have grown up with the automobile and it is the automobile they use to visit the City. The airplane now also puts Monterey and Carmel but a short time from Union Square."

"Our rail traffic has steadily dwindled. In 1959, the train was down to an average load of about 63 people. The next year it was 53. The next it was 42. The first half of this year it was about 38. All this time the Peninsula's population was exploding, but not toward the Del Monte."

"Southern Pacific was not about to give up on its favorite train without a fight. We replaced the chair cars on the train with streamlined equipment, but the patronage kept falling. We refurbished the fine old parlor car--but patronage still kept falling. We spent thousands of dollars advertising the train locally in recent years--but the patronage still kept falling."

"There isn't anything more that we can do. The Del Monte has been a great part of the Monterey Peninsula. But it's a part of the past, and not the present--just as was the Old Del Monte Hotel and other famous old landmarks."

"We're asking the California Public Utilities Commission for permission to discontinue the train. We feel badly to see it go. But the mourners for this train are not those of this generation, for they don't know it. Its mourners will be the old-timers who loved it a generation ago."

"The Del Monte's passengers are gone, and we feel it should go with them."

Members of the Commission staff rode Trains Nos. 126 and 139 and introduced the results of their study in the form of Exhibit 18, which may be summarized as follows:

	<u>Tues.</u> <u>11/13/62</u>	<u>Weds.</u> <u>11/14/62</u>	<u>Fri.</u> <u>11/30/62</u>	<u>Sat.</u> <u>12/1/62</u>	<u>Sun.</u> <u>12/2/62</u>
	<u>#126</u>	<u>#139</u>	<u>#126</u>	<u>#126</u>	<u>#139</u>
Revenue Passengers	32	21	50	52	3
Pass Passengers	<u>5</u>	<u>9</u>	<u>13</u>	<u>11</u>	<u>3</u>
Total	37	30	63	63	6

A cost study relating to the Del Monte was prepared and introduced as Exhibit 19 by a Commission engineer. The estimates for revenue and passenger miles were based on the year ended October 31, 1962 and were developed from records of applicant. Expenses were generally based on applicant's expenses for the years 1959, 1960, and 1961, adjusted to current cost levels.

The staff's estimated results of operations for Trains Nos. 126 and 139 on an out-of-pocket basis, between San Jose and Monterey only for the year ended October 31, 1962, are as follows:

<u>Line No.</u>	<u>Item</u>	<u>Amount</u>
<u>Passenger Train Service</u> <u>(Excluding Diner & Lounge)</u>		
1	Revenue	\$ 96,900
2	Expense	166,900
3	Net L.1 - L.2	\$ <u>(70,000)</u>
<u>Diner and Lounge Service</u>		
4	Revenue	\$ 11,600
5	Expense	19,100
6	Net L.4 - L.5	\$ <u>(7,500)</u>
<u>Inter-Service Adjustment to Expenses</u>		
7	Haul of Company Materials	\$ 800
8	Equivalent Pass Revenue	\$ <u>(22,800)</u>
9	Net L.7 + L.8	\$ <u>(22,000)</u>
<u>Total Operations</u>		
10	Net Income L.3 + L.6 - L.9	\$ <u>(55,500)</u>
11	Income Tax - 54.64% x L.10	<u>(30,300)</u>
12	Net after Income Tax L.10 - L.11	\$ <u>(25,200)</u>

(Red Figure)

The sum of \$30,300 is an amount by which the staff estimated that applicant's operating loss would be offset by a tax credit.

It was the opinion of the staff that the early departure time from Monterey (6:45 a.m.) has adversely affected the Del Monte patronage. As a result the staff recommended that the morning trip of the Del Monte be consolidated with Train No. 141 instead of 139 and operated on the following schedule:

Lv. Monterey	8:00 a.m.
Ar. San Jose	9:44 a.m.
Lv. San Jose	9:50 a.m.
Ar. San Francisco	11:15 a.m.

Twenty-seven public witnesses testified in Monterey, including representatives from the San Benito County Board of Supervisors, the Monterey Chamber of Commerce and the Del Monte Properties. Public witnesses testified in San Francisco. With few exceptions each used the Del Monte on a frequency varying from weekly to occasionally. All protested the discontinuance of said rail service and listed among their reasons the following:

(1) Any loss suffered by the Del Monte should be weighed against the many years that the train has operated profitably and also against the past and future profitable years of applicant's freight operations in the Monterey area. In consideration for its obligation to serve the public applicant has received valuable land grants, rights of ways and mineral rights, which over the years have continuously increased in value.

(2) Discontinuance of the Del Monte would leave the Monterey area dependent upon buses, airplanes and the private car as the only means of transportation. Air transportation is not only expensive, but because of fog during certain times of the year, is not always dependable. Buses are not as comfortable and travel by bus to San Francisco at certain times necessitates transferring at Salinas. The continuous use of private cars is not only too dangerous but also too expensive.

(3) Elderly people, who because of their age and health cannot drive, fly or ride a bus, depend upon the train for travel to San Francisco for the purpose of visiting friends and relatives, keeping medical and dental appointments and for social reasons. The comfort, service and facilities afforded by the Del Monte make the trip more leisurely and less fatiguing.

(4) The area is a natural tourist attraction and is constantly growing. Planned developments will attract additional tourists and residents. A more persistent, extensive and imaginative promotion of the Del Monte by applicant, along with a more convenient morning schedule would attract new patronage.

(5) Children attending school or visiting relatives in the Bay Area may travel alone and use the train in safety.

(6) The Del Monte is a historic part of the Monterey Peninsula that should be preserved.

(7) The train plays an important part in the planned activities of historical and art societies as well as the local Symphony Guild.

After consideration, the Commission finds and concludes as follows:

1. The Del Monte is the only direct rail passenger service between the San Francisco Bay area and the Monterey Peninsula. As the result of time and service it has become an integral part of the area within which it serves.

2. Discontinuance of the Del Monte would work a hardship and inconvenience on many individuals.

3. Although the service is presently being operated at a loss, notwithstanding an expenditure of \$16,000 in the past four years in promoting the train, it is also quite apparent that

applicant has made the service unattractive to many with a 6:45 a.m. departure time from Monterey.

4. The Monterey area, as is the State of California as a whole, is experiencing and will continue to experience a dynamic population growth and industrial development.

5. Consonant with such growth and development on the Monterey Peninsula will be a continuing demand for public transportation of the type and quality afforded by the Del Monte, provided such service is scheduled in conformity with public convenience and necessity.

6. A railroad corporation, such as applicant is, performs a function of the State and enjoys an extraordinary privilege granted to it by public authority. With each right, however, there is a corresponding duty. In the case of applicant it is its duty to meet its obligation of dedicated public service even though it results in a loss on a segment of its total operations. ✓
✓
✓
✓

7. The application should be denied and applicant should be required to consolidate the Del Monte with Train No. 141 instead of with Train No. 139, thereby providing a later and more convenient Monterey morning departure.

ORDER

IT IS ORDERED that:

1. Application No. 44796 is hereby denied.
2. Within thirty days after the effective date of this order, applicant shall consolidate the morning portion of the Del Monte

with Train No. 141 instead of Train No. 139, with a Monterey departure of approximately 8:00 a.m.

3. After the effective date hereof and on not less than ten days' notice to the Commission and to the public, applicant shall file with the Commission appropriate amendments to its timetables.

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

Dated at San Francisco, California, this 4th day of JUNE, 1963.

George T. Hoover
President
John S. Mitchell
Fredrick B. Holbeath
Robert A. [unclear]

Commissioners

~~Commissioners~~
~~Secretary~~
~~in attendance~~

BENNETT, William M., Commissioner, concurring.

The California consumers and ratepayers whom I represent and the public utilities which are regulated, are entitled to the opinions and philosophies of an individual Commissioner on matters of consequence such as this. I write this concurring opinion setting forth the reasons for the vote which it is incumbent upon me to render, so that my ideas concerning the subject of passenger train abandonment and the discontinuance of service may be clearly stated to those affected.

This application is another of many by the Southern Pacific Company to walk away from its responsibility to the train passengers of California. In my judgment it is another step in a calculated campaign to abandon most, if not all, passenger service to the public of California.

The gravity, and to me the wrong of such management action, can best be measured by the privilege which Southern Pacific Company has been given. Government has conferred upon this particular corporation the high privilege of rendering rail service to the public. This high privilege carries with it the invaluable opportunity of making money but it also imposes public utility obligations upon this railroad common carrier. "A public utility exercises an extraordinary privilege and occupies a privileged position because of the franchise granted to it by governmental authority. In the circumstances, public service of the highest order is the solemn obligation, and must be required of such a utility." (See Re Southern Pacific Company, 28 PUR 3d, 1959, page 234 at 236.)

Accordingly, questions of service and applications to abandon are not to be measured by the sole test of profit and loss. To the contrary, and particularly with this carrier whose overall prosperity is a common fact, the first consideration to be indulged in by management itself and by this Commission, is the welfare of those Californians who patronize passenger trains. A consideration of such welfare, particularly upon the record made herein, makes it overwhelmingly clear that the Southern Pacific Company has failed to make a case. I refer to the overall financial well-being of this applicant, having in mind that "whether public convenience and necessity exist cannot turn on the question of deficits in the operation of some particular segment of the company's intrastate business. This is not and cannot be seriously controverted."

(See Southern Pacific Co. v. Public Utilities Commission, 41 Cal. 2d 354 at page 365.)

This applicant should take note of the inevitable growth of California. The transportation corridors which it controls may well turn out to be much more commonly used than at present. In the future as vehicular traffic expands, further aggravating the congestion of modern freeways, there may well be a return in great numbers to the daily passenger trains.

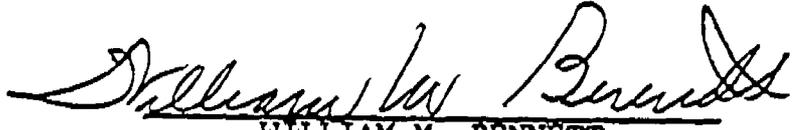
I am compelled to note the complete absence of any calculated effort upon the part of Southern Pacific Company to encourage passenger train usage. One could almost conclude that there has been a deliberate effort to discourage passenger patronage. In other proceedings before this Commission there has been evidence to the effect that management discourages such patronage. When service is not maintained, passengers flow to other forms of transportation and passenger revenue declines. The

decline in passenger revenue permits the argument that public need for a particular train no longer exists. The flaw in such a conclusion rests in the premise that management discourages patronage by poor service thus making a revenue deficiency almost inevitable.

An effort must be made to stop this process and the beginning of that effort is a sincere endeavor to build up and make attractive the use of passenger trains. That such is quite possible is evidenced by the efforts of certain eastern railroads to lure rail commuters back to the trains. I note, for example, that the commuter business of the New York Central gained last year and is holding up despite a recent fare increase. Many things can be done which are not being done to return passenger trains to or near their privileged position of high superiority as a mode of transportation. Failure to undertake a deliberate effort to court the train passenger might well invite the charge of managerial feather-bedding.

This Commission has previously spoken of this obligation upon the part of railroad management as follows: "A railroad should be as zealous to maintain reasonable and adequate service as governmental authority is to see to it that such service is maintained. It is the lawful duty of a railroad not only to perform its public duty but to perform it willingly and not to wait until it is compelled to discharge that duty by lawful authority." (See Re Southern Pacific Company, 28 PUR 3d, 1959, page 234 at 237.)

For the reasons set forth I reject the relief requested by the Southern Pacific Company.


WILLIAM M. BENNETT