

ORIGINALDecision No. 74832

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of SOUTHERN PACIFIC
COMPANY for authority to discontinue
the operation of trains Nos. 51 and
52 between Oakland and Los Angeles,
and Nos. 53 and 54 between Sacramento
and Tracy.

Application No. 50211
(Filed May 3, 1968)

(For list of appearances see Appendix A)

O P I N I O N

By this application Southern Pacific Company, hereinafter called Southern Pacific, seeks authority to discontinue operation of its passenger Trains Nos. 51 and 52, hereinafter called the San Joaquin Daylight, between Oakland and Los Angeles, and Nos. 53 and 54, hereinafter called the Sacramento Daylight, between Sacramento and Tracy.

Public hearings were held before Commissioner Symons and Examiner Bishop at San Francisco on July 17 and 18, 1968, with Commissioner Mitchell in attendance part of the time. Subsequently, hearings were held before Examiner Bishop in San Francisco on July 19, 29, 30 and 31, 1968 and in Sacramento, Stockton, Fresno, Bakersfield and Los Angeles on July 22, 23, 24, 25 and 26, 1968, respectively. At the close of the hearing in San Francisco on July 31, 1968 the matter was taken under submission and is ready for decision.

During the course of the eleven days of hearing, 39 appearances were entered, 63 witnesses testified and 93 exhibits were introduced. Additionally, several statements of position were made which were not offered as evidence.

A. 50211 Mjo *

The San Joaquin Daylights operate between Los Angeles and Oakland via Lancaster, Mojave, Bakersfield, Fresno, Merced, Lathrop, Tracy and Martinez, with bus connection between Oakland and San Francisco. The Sacramento Daylights operate between Tracy and Sacramento via Lathrop, Stockton and Lodi, with platform transfer at Lathrop^{1/} to and from the San Joaquin Daylights for passengers originating at, or destined to stations south of that point. The scheduled departure and arrival times of these trains at San Francisco, Sacramento and Los Angeles are set forth in Table I, below.

Table I

(A) San Joaquin Daylights

Northbound (Train No. 51)

Leave Los Angeles	5.40 a.m.
Arrive San Francisco	5.45 p.m.

Southbound (Train No. 52)

Leave San Francisco	7.35 a.m.
Arrive Los Angeles	7.25 p.m.

(B) Sacramento Daylights

Northbound (Trains 51-53)

Leave Los Angeles	5.40 a.m.
Arrive Lathrop	3.05 p.m.
Leave Lathrop	3.10 p.m.
Arrive Sacramento	4.35 p.m.

Southbound (Trains Nos. 54-52)

Leave Sacramento	8.25 a.m.
Arrive Lathrop	9.45 a.m.
Leave Lathrop	10.08 a.m.
Arrive Los Angeles	7.25 p.m.

^{1/} Lathrop is the junction of the lines to Oakland and Sacramento. It is located 20 miles north of Modesto and 10 miles south of Stockton.

At Martinez, 32 miles east of San Francisco, the northbound San Joaquin Daylight (Train No. 51) connects with the northbound Cascade (Train No. 12). The latter train operates from Oakland to Portland, Oregon, where it makes connection with trains of other railroads for Seattle, Wash., Vancouver, B.C. and intermediate points. In the opposite direction, the southbound Cascade (Train No. 11) connects at Martinez with the southbound San Joaquin Daylight (Train No. 52).

The normal consist of the San Joaquin Daylights during the peak, or summer vacation period,^{2/} is as follows: one baggage and mail car, 6 chair cars, one automatic buffet car and one lounge car (two days out of three) or dome-lounge car (one day out of three), making a total of nine cars. During the remaining nine-month period the regular consist is one baggage and mail car, three chair cars and one automatic buffet car, totaling five cars. Two of the chair cars, in the peak season, and one chair car, in the off-peak season, are designated for passengers transferring to or from the Sacramento Daylight at Lathrop. Additional cars are provided when necessary to accommodate special tour groups, such as those going from or to Yosemite Valley via Merced.

The normal consist of the Sacramento Daylight, in the peak season, is made up of one baggage-chair and two chair cars. In the off-peak season there is one less chair car. Prior to October 30, 1966 through chair car service was provided between Sacramento and Los Angeles. Under this arrangement passengers were not required to change cars at Lathrop, since the through car was switched from the Sacramento Daylight to the San Joaquin Daylight, or vice versa.

^{2/} Approximately from the middle of June to the middle of September.

Historical Background

The San Joaquin Daylights were established as a streamlined train on July 4, 1941. The Sacramento Daylights were established in June 1946. In September 1958, The Atchison, Topeka and Santa Fe Railway Company (Santa Fe) and its subsidiary Santa Fe Transportation Company (SFT) established, pursuant to order of this Commission in Decision No. 56965, bus service from Los Angeles to Southern Pacific's Bakersfield station for a direct connection with the northbound San Joaquin Daylight (Train No. 51) concurrently with authorized discontinuance of certain Santa Fe San Joaquin Valley trains.^{3/} In April 1965, under the Commission's order in Decision No. 68686, SFT established similar bus service southbound in connection with Train No. 52 from Southern Pacific's Bakersfield station to Los Angeles. This was also concurrent with discontinuance of certain Santa Fe trains.

By Application No. 48220, filed January 31, 1966, Southern Pacific sought authority to discontinue operation of Trains Nos. 51 and 52 between Los Angeles and Bakersfield. It proposed to continue operation of those trains north of the latter point. By Application No. 48356, filed March 29, 1966, SFT sought authority to discontinue operation of the above-described bus service, in both directions. By Decision No. 70939 of July 1, 1966 both of these applications were denied. However, by Decisions Nos. 73944, dated April 2, 1968, and 74495, dated August 6, 1968, SFT was authorized to discontinue said connecting bus service. Both of these latter two decisions were issued ex parte.

^{3/} SFT had, for many years, operated such service in connection with the Santa Fe Golden Gate trains, which operated between Bakersfield and San Francisco Bay points.

Reasons for Filing Application

Applicant's passenger traffic manager testified that he had recommended to management that the current application for train discontinuance be filed. The considerations on which he based the recommendation, he stated, were as follows:

1. The general outlook in the United States for passenger train operation is discouraging.
2. Despite the discontinuance of three other pairs of trains which formerly also operated over the route here in issue,^{4/} and of the Santa Fe Golden Gates (two pairs of trains), the loadings on Trains Nos. 51-54 have continued to decline.
3. Early in 1968 he concluded that the loadings and use of the Valley Daylights had reached such a low point, and the operating deficit was so heavy that he could not justify continued operation of the train.
4. This year the SFT was authorized to discontinue bus service which had heretofore provided a connection with the San Joaquin Daylight between Bakersfield and Los Angeles.
5. Applicant has taken every step to effect economies and still provide adequate service.
6. Attempted unsuccessfully to improve the cost revenue relationship by proposing discontinuance of operation of the trains south of Bakersfield (a mountainous and circuitous portion of their route) and to cancel the "extremely low" special coach fares between the San Francisco and Los Angeles metropolitan areas.
7. Applicant is faced with increased operating costs due to recent labor agreements; these will result in even greater operating deficits for these trains.
8. Applicant lost a major portion of the revenue for transporting mail when, effective October 1, 1967, the Post Office Department removed the railway post office (RPO) cars from these trains. This action reduced the revenues by some \$275,000 annually.
9. The losses on these, as well as other passenger trains, have a serious effect on the ability of applicant to improve and expand its freight services--services "which are being used by the public".

^{4/} They were Trains Nos. 55 and 56, 57 and 58 (the Owl) and 59 and 60 (the West Coast). Operation of these pairs was discontinued in 1955, 1965 and 1960, respectively.

Volume of Traffic and Trend

Exhibits presented by the passenger traffic manager show a more or less steady decline since 1950 in the numbers of revenue passengers using these Daylight trains. There was a temporary increase in 1951 and 1952 due to the Korean War. In Table II below the average daily count of revenue passengers for each of the trains for the year 1967 is compared with the corresponding data for 1950.

Table II

Average Daily Count of Revenue Passengers

<u>Train No.</u>	<u>1950</u>	<u>1967</u>	<u>Percent of Decrease</u>
51	373	137	61.4
52	336	137	58.0
53	80	30	62.5
54	76	32	57.9

These figures, together with those in another exhibit showing the corresponding data for all Southern Pacific San Joaquin Valley trains during the same period, show also that even as operation of each pair of those other trains was discontinued, the volume of traffic handled by the remaining San Joaquin and Sacramento Daylights did not improve. Other exhibits show that during that same period, 1950-1967, the population of the cities served by the Daylights and of the counties through which they operate has substantially increased, in some cases by more than 100 percent.

Exhibits presented by applicant's assistant passenger traffic manager showed the results of an on and off count of revenue passengers at each of the stations served by the Valley Daylight trains. The counts were for the 12-month period from June 1967 through May 1968.

The figures show a great fluctuation in the daily average number of passengers, dependent upon the time of year. For Train No. 51, the daily average total ranged from a low of 79 passengers in March 1968 to a high of 249 passengers in July 1967.

The four summer vacation months and December showed daily average totals substantially higher than the other eight months. Similar results are disclosed for Train No. 52. The daily average total number of passengers for the entire year was 130 on Train No. 51 and 136 on Train No. 52. The daily average number of passengers on Train No. 51 at any one time ranged from 41.0 in March 1968 to 125.8 in July 1967. The corresponding daily average for the entire 12-month period was 63.8 passengers. For Train No. 52 the number corresponding to this last figure was 67.7 passengers on the train at any one time.

The on and off counts for Trains Nos. 53 and 54, the Sacramento Daylights, show that the bulk of the passengers rode the full distance between Lathrop and Sacramento. The average daily count for Train No. 53 ranged from a low of 17 passengers in October 1967 to a high of 48 passengers in July 1967, the 12-month daily average being 28 passengers. Comparable figures were shown for Train No. 54.

Tables in an exhibit prepared by an associate transportation engineer from the Commission's staff showed that in the 12-month period of 1967 the revenue passengers carried by Trains Nos. 51 and 53 combined totaled 50,475 while the total for Trains Nos. 52 and 54 was 51,881, making a total for the four trains of 102,356 revenue passengers.^{5/} The exhibit also showed that the total number of such passengers transported by these four passenger trains in the 12-month period from May 1967 to April 1968, inclusive, totaled 99,119.

^{5/} Figures were adjusted so as not to count twice passengers transferring at Lathrop between the San Joaquin Daylights and the Sacramento Daylights.

A substantial portion of the traffic of the San Joaquin Daylights consists of passengers transferring at Martinez from or to the Cascade (Trains Nos. 11 and 12). The staff exhibit shows that in the calendar year 1967, 13,100 passengers left Train No. 51 at Martinez and 14,579 passengers boarded Train No. 52 at that point. Representative origin and destination checks made by the staff engineer indicate that the great majority of these travelers were transferring from or to the Cascades. The staff study further indicates that about 25 percent of the passengers detraining at Los Angeles from the southbound Daylight board other trains at that point for destinations beyond. Also, about 30 percent of the passengers arriving at Sacramento on the northbound Sacramento Daylight were found, in the check, to continue their journey by other trains to points beyond. This check further indicated that about 30 percent of all revenue passengers riding the San Joaquin Daylights may be expected to use other Southern Pacific interstate trains to complete their journeys.

A substantial portion of the traffic handled by the trains here in issue, the traffic witnesses testified, consists of groups of school children accompanied by one or more adults. These trips are presumably educational in purpose. The children travel at half fare, representing revenue which is not attractive to the carrier. The trips, moreover, are usually quite short: for example, from Modesto to Merced, from Madera to Fresno, and from Tracy to Modesto. The average length of such trips, per passenger, on Trains Nos. 51 and 52 was 35.6 and 35.4 miles, respectively. On Trains Nos. 53 and 54 the average trip was substantially less. These figures are for the 12-month period from June 1967 to May 1968, inclusive. During that period 9,662 persons were transported on such tours, 77 percent of whom were children.

Connections With Other Trains

The extremely early scheduled departure of Train No. 51 from Los Angeles (5.40 a.m.) is made necessary, the passenger traffic manager testified, in order to make connection at Martinez with the northbound Cascade (Train No. 12). As hereinbefore indicated, a substantial portion of No. 51's traffic is transferred to the latter train. If No. 51's departure from Los Angeles were changed to a more reasonable hour, this witness said, and Train No. 12's departure were correspondingly changed to maintain the connection at Martinez, the latter train would arrive at Portland too late to enable passengers to transfer to a Great Northern Railway train destined to Seattle and Vancouver. Under such an arrangement, however, he testified, connection could be made with a later train going from Portland to Seattle. The departure times of trains leaving Portland for points north thereof, he pointed out, are under control of the roads operating those trains. It appears, however, that some adjustment of schedules might be worked out with those carriers.^{6/}

The early departure of Train No. 51 from Los Angeles prevents a reasonable connection with Southern Pacific's westbound Sunset (Train No. 1), which is scheduled to arrive there from New Orleans at 7.15 a.m. In the reverse direction the southbound San Joaquin Daylight does connect reasonably with Train No. 2, the eastbound Sunset. At Sacramento, the northbound Sacramento Daylight has a good connection with applicant's eastbound City of San Francisco (Train No. 102), which operates from Oakland to Ogden, Omaha and Chicago. It appears that formerly the westbound City of San Francisco (Train No. 101) also made

^{6/} Southern Pacific's Coast Daylight Trains Nos. 98, southbound, and 99, northbound, operate between Los Angeles and San Francisco via the Coast Route. No. 99 leaves Los Angeles at 9.15 a.m. and arrives at San Francisco at 7.00 p.m., too late to connect with the Cascade. A similar situation prevails southbound. In both directions an overnight layover at San Francisco would be necessary.

connection at Sacramento with the southbound Sacramento Daylight. However, such is no longer the case, the latter having taken its departure over two hours prior to the arrival of Train No. 101.

The following facts are here to be noted in connection with the foregoing recital of relationships of the trains here in issue to other Southern Pacific passenger trains. Shortly after July 18, 1968, while hearings were in progress in this proceeding, Southern Pacific filed with the Interstate Commerce Commission (ICC) a statement of its intention to discontinue operation of the Cascades between Oakland and Portland. Subsequently, that Commission issued its order requiring operation of the trains to be continued pending its investigation in the matter which it is conducting under Finance Docket No. 25209.

By its decision dated August 19, 1968 in Finance Dockets Nos. 24916 and 24918, the ICC denied applications of Southern Pacific to discontinue operation of the City of San Francisco (Trains Nos. 101 and 102) between Oakland and Ogden, and of the Western Pacific Railroad Company (Western Pacific) to discontinue operation of the California Zephyr (its Trains Nos. 17 and 18) between Oakland and Salt Lake City, respectively (333ICC525). Both of these sets of trains are required to be continued in operation for the statutory period of one year. In Finance Docket No. 25118, the ICC is investigating a proposal of Southern Pacific to discontinue operation of the Sunset (Trains Nos. 1 and 2) between Los Angeles and New Orleans.

Southern Pacific Estimates of the Results of Operating
Trains Nos. 51, 52, 53 and 54 and of Their Discontinuance

The assistant to the manager of applicant's Bureau of Transportation Research testified regarding the revenues and expenses of these trains. The costs were developed by the "Directly Assigned and Unit Cost Method". Certain expenses, such as wages and fuel, were

identified directly with the particular trains under study. To these items of expense were added costs covering expenses which, though not directly related to the particular trains, were legitimate charges which should be apportioned thereto. This was accomplished on a unit-cost basis in accordance with the amount of work done, the units employed being: gross ton-miles, locomotive unit-miles, yard engine hours, train-miles, and car-miles. Unit costs applicable to commute service were excluded.

In the development of the unit costs, the accounts as reported to the ICC were separated into two groups: (1) the variable costs, or those which vary with business volume; and (2) fixed costs, or those which would be incurred if no traffic were handled. The variable expenses only were assigned to the service units. Operating results were developed for the 12-month period from May 1, 1967 to April 30, 1968, inclusive, and projected operating results for the 12-month period from July 1, 1968 to June 30, 1969. The two sets of

revenues and expenses are set forth in detail in Appendices "B" and "C", hereof, respectively. The results are summarized in Table III, below.

Table III

(A)

Revenues and Expenses for Period
May 1, 1967 - April 30, 1968

	<u>Trains 51-52</u>	<u>Trains 53-54</u>	<u>Total</u>
Revenues	\$1,063,000	\$ 27,500	\$1,090,500
Expenses(Out of Pocket)	<u>2,245,000</u>	<u>155,100</u>	<u>2,400,100</u>
Net Loss Before Fixed Expenses	\$(1,182,000)	\$(127,600)	\$(1,309,600)
Fixed Expenses	<u>77,100</u>	<u>6,900</u>	<u>84,000</u>
Net Loss	\$(1,259,100)	\$(134,500)	\$(1,393,600)

(B)

Projected Revenues and Expenses for Period
July 1, 1968 - June 30, 1969

	<u>Trains 51-52</u>	<u>Trains 53-54</u>	<u>Total</u>
Revenues	\$ 781,900	\$ 21,200	\$ 803,100
Expenses(Out of Pocket)	<u>1,996,500</u>	<u>154,700</u>	<u>2,151,200</u>
Net Loss Before Fixed Expenses	\$(1,214,600)	\$(133,500)	\$(1,348,100)
Fixed Expenses	<u>72,000</u>	<u>7,000</u>	<u>79,000</u>
Net Loss	\$(1,286,600)	\$(140,500)	\$(1,427,100)

A comparison of the revenue portions of the two sections of Table III shows a decline from the recorded figure of \$1,090,500 in Section A to \$803,100 for the projected year in Section B. The principal factors in this estimated decline, as shown in Appendices B and C of this decision, are attributable to the loss of railway post

office revenue of \$112,600 and an estimated decline in revenue from passengers from the recorded figure of \$697,400 to \$550,800. This reflects an estimated decline of 21 percent for that category of passenger train revenue.

The figure of 21 percent was developed by the passenger traffic manager. It resulted from a comparison of the revenues received from passengers on these trains during the eight-month period from September 1, 1966 to April 30, 1967, with those received during the corresponding period from September 1, 1967 to April 30, 1968. This selection excludes the heavy summer travel period. The witness pointed out that traffic was abnormally high in the summer of 1966 because of the airline strike. To use the figures of the summer of 1965 for comparison with the corresponding period in 1967, he felt, would not be proper, since conditions had substantially changed since the earlier year. It appears, however, that a more accurate development of the trend in passenger revenues would have been obtained if the period May-August 1965 and 1968, respectively, had been included.

The Staff's Estimates of the Results of Operating
the Valley Daylight Trains and Their Discontinuance

It will be seen from Table III, above, that Southern Pacific calculates that operation of Trains Nos. 51, 52, 53 and 54 during the period from May 1, 1967 to April 30, 1968 resulted in a loss of \$1,393,600 and estimates that if the trains should continue operating through June 30, 1969, the loss sustained during the 12-month period ended with that date would amount to \$1,427,100. Applicant also calculates that had the trains not operated during the 12-month period ended April 30, 1968 the saving to the company would have totaled \$1,309,600.

The Commission staff presented exhibits in which certain adjustments were made in the out-of-pocket expense data set forth in the applicant's statement for the period ended April 30, 1968; the staff's estimate of the out-of-pocket loss was \$453,400. The staff had not made similar adjustments in Southern Pacific's estimate of operating results for the projected year. However, the staff witness surmised that such adjustments would result in a loss for such period in the neighborhood of \$500,000 (as contrasted with applicant's estimate of \$1,348,100, as shown in Section B of Table III, above).

Staff adjustments were made in the following items of expense: repairs to diesel locomotives, station employees, joint terminal expense at Los Angeles Union Passenger Terminal, a traffic reservation clerk, depreciation on passenger cars, and interest on locomotives. Applicant's amounts for the last three items were completely eliminated, and substantial reductions made in the first three items. As in past studies, the staff developed unit-cost expense for repairs to locomotives by the use of both locomotive ton-miles and trailing ton-miles with further adjustment. Applicant predicated its expense development of unit-costs for this item entirely on locomotive ton-miles. Joint terminal expense was reduced from \$164,300 to \$93,100 because the staff determined that only 30 percent of the total expense was variable, and alone constitutes the savings in this item which would obtain in the event of train discontinuance. Passenger car depreciation expense was eliminated because it was expected that, whether the cars now used in these trains would be assigned to other trains or stored, depreciation expense would continue to be recorded and there would be no out-of-pocket saving in this item. In accordance with past decisions, the staff completely eliminated interest expense as not being properly an element to be included in an out-of-pocket cost study.

The foregoing staff adjustments reflect a total reduction in out-of-pocket expense of \$357,100, reflecting an adjusted net loss of \$952,500. Additional adjustments were made, as follows: estimated expenses which, in the event of discontinuance, would be incurred in the transportation, by other means, of company material and of employees traveling on company business. A Southern Pacific witness testified that little, if any, company material moves on these trains; moreover, a check of employee pass riders on business in two weeks of June 1968, expanded to one year, produced \$5,219 as the Southern Pacific estimate of the equivalent cost of alternate means of transportation for such employees, the staff estimate being \$20,900. Additionally, the staff estimated the "feeder value" of revenues to other trains from passengers transferring from or to the Daylights to or from such other trains, as \$587,000. It further estimated the cost of providing the service on the connecting lines as 50%, thus arriving at a figure of \$294,000 as the net annual loss to applicant by reason of the loss of passengers to connecting trains if the Daylights are discontinued. Southern Pacific made no allowance for feeder value, apparently because discontinuance of each of its connecting trains had been, or was expected to be, sought when its studies were made.

The foregoing adjustments further reduced the out-of-pocket expenses to a net operating loss (or amount which would have been saved had the trains not operated during the 12-month study period) of \$647,700. The staff then reduced this figure by a 30 percent income tax credit, reflecting the amount of additional income tax to be paid on the additional net income which applicant would receive by reason of the annual saving of \$647,700 on discontinuance of the subject trains. An effective rate of 27 percent was adopted by the

A. 50211 Mjo

staff, plus the 10 percent 1968 surcharge, rounded off to a total of 30 percent. This credit of \$194,300 further reduced the net savings to the above-stated figure of \$453,400 previously mentioned.

Cost of Money

A representative of the Commission's Division of Finance and Accounts introduced a report reflecting its study of the cost of capital and selected financial data. In Table IV below is shown, from the study, the upward trend of average interest rates on railroad bonds for the past 12 and a fraction years. The data were taken from Federal Reserve Bulletins.

Table IV

Railroad Bond Yields

	<u>Percent</u>
1956 average	3.65
1960 average	4.92
1963 average	4.65
1965 average	4.72
1966 average	5.37
1967 average	5.89
1967 January	5.63
1967 July	5.88
1967 December	6.63
1968 April	6.79

This exhibit also shows various comparisons of 15 railroads with Southern Pacific during the 5-year period from 1963 through 1967. The averages are summarized as follows:

Table VComparison of Southern Pacific and
15 Railroads - Financial Data

	<u>Fifteen Railroads</u>	<u>Southern Pacific</u>
Return on Total Capitalization	4.52%	5.10%
Common Equity Ratio	61.99	68.28
Return on Common Equity	4.87	5.67
Ratio of Operating Expense to Operating Revenues	90.24	90.53
Current Ratios	1.74	1.51
Retained Earnings as a Percentage of Total Capitalization	40.52	50.70

With respect to internally generated funds as a percentage of Southern Pacific's total financing, a table shows that this figure ranged from 90.07 percent in 1958 to a low of 54.09 percent in 1964, since which time the trend has been generally upward: 74.35 percent (1965), 63.29 percent (1966) and 76.03 percent (1967).

The cost of money to Southern Pacific as of December 31, 1967 was as follows:

<u>Item</u>	<u>Capital Ratios</u>	<u>Cost Factor</u>	<u>Weighted Cost Total</u>
Long-term Debt	30.92%	4.39%	1.36%
Minority Interest18	15.90	.03
Common Stock	68.90	5.04	3.47
	100.00%		4.86%

According to the staff witness, the operations involved in the instant proceeding are such a small part of total company operations that the earnings level of the company is negligibly affected by them.

Advertising Program

The manager of applicant's advertising department testified concerning the carrier's past program of advertising of the San Joaquin Daylight. He introduced an exhibit summarizing the expenditures in this category which were made during the years 1959 to 1965, inclusive. These figures are set forth in Table VI, below:

Table VISan Joaquin Daylight Advertising

<u>Year</u>	<u>Type of Advertising</u>	<u>Cost</u>	<u>Total</u>
1959	Newspaper	\$ 6,853.32	\$ 9,032.82
	Magazine	2,179.50	
1960	Newspaper	31,423.05	48,025.17
	Magazine	16,602.12	
1961	Newspaper	4,731.66	10,803.03
	Magazine	6,071.37	
1962	Newspaper	4,946.45	15,653.00
	Magazine	10,706.55	
1963	Newspaper	760.55	1,597.25
	Magazine	836.70	
1964	Newspaper	361.25	7,785.55
	Magazine	7,424.30	
1965	Newspaper	5,514.54	5,620.43
	Magazine	105.89	

Southern Pacific spent over \$11,500,000 from 1946 to 1958 on passenger advertising, a good portion of which was devoted to promoting the San Joaquin Daylight trains. The peak system year in this period was 1954 when over \$1,000,000 was spent. Individual figures for the San Joaquin Daylight for the year prior to 1959 were not supplied.

The amounts shown in Table VI, above, do not include the cost of producing the ads; the figures relate only to the investment in space in magazines and newspapers. Some of the ads related exclusively to the San Joaquin Daylight. Many of them mentioned other

trains, as well, not particularly emphasizing Trains Nos. 51 and 52. During this same period (1959-1965), the manager testified, Southern Pacific additionally spent \$284,000 in general passenger advertising, not mentioning specific trains, to promote rail travel.

Table VI shows a jump from \$9,033 spent in 1959 to \$48,025 in 1960. This reflected a special effort to secure more passengers. However, the result was that fewer passengers rode these trains in 1960 than in 1959, and fewer still in 1961. The experiment was deemed a failure.

This witness further testified that since 1965 the company has spent no money on promotional passenger advertising for any of its trains. It has concluded, he indicated, that no amount of advertising will bring back passengers to the trains from their automobiles, the buses or the planes.

Efforts of Southern Pacific to
Retain its Passenger Traffic

In the latter 1940's and early 1950's the passenger traffic manager testified, great efforts were made by applicant to retain and increase its passenger traffic. In the decade prior to 1958 the company spent \$50,000,000 for new passenger equipment. A part of this expenditure was used to refurbish the San Joaquin Daylight with new cars. This program was backed up by an aggressive advertising campaign, which received national awards.

After 1954, however, when it became apparent that, in spite of all the company's efforts to attract traffic, the losses and the decline in loadings could not be stemmed, Southern Pacific entered into another phase of its passenger operations. This, the witness testified, was to effect economies which would permit it to continue operating its best trains on each route. The steps included

discontinuance of Trains Nos. 55 and 56 and of the West Coast, accompanied by transfer of the through north Pacific coast business of the latter onto the San Joaquin Daylight for transfer to or from the Cascade; replacing coffee shop cars, which were not being used extensively, with hamburger grill cars, and eventually replacing the latter with automatic buffet cars.

Successively, other steps were taken to curtail expenses, such as elimination of through car service between Sacramento and Los Angeles; discontinuance of chair car porter service during the off-peak season, on the Sacramento Daylight and south of Fresno on the San Joaquin Daylight; the substitution of station luggage carts for station porters. The discontinuance by the Post Office Department of railway post office cars prompted the discontinuance, under ICC authorization, of checking of baggage on interstate trips.^{7/} Other economies were also effected.

By 1965 Southern Pacific saw no hope for the passenger business. It discontinued promotional advertising of its passenger service, and the payment of commissions to travel agents.

Alternate Transportation

Applicant's traffic witnesses testified that alternate means of transportation are now available to take care of the passengers now using the trains here in issue. First, the private automobile. All points along the routes of the Valley Daylight trains are served by modern highways, a large portion of which are freeways. It was pointed out that for travelers between San Joaquin Valley

^{7/} It is to be noted that Santa Fe, Union Pacific, Great Northern, Northern Pacific and Western Pacific (except to and from stations between Oroville, California, and Salt Lake City, Utah), among western roads, still provide interstate checked baggage service. Southern Pacific still provides this service on the line between Ogden, Utah, and San Francisco.

points and Los Angeles the highway distance over the segment south of Bakersfield is much more direct than is the corresponding segment of the railroad.^{8/} When Interstate Highway 5 is completed to Los Angeles the highway route will be even shorter and faster.

Frequent, fast and comfortable bus service is available. The traffic vice-president of Western Greyhound Lines testified regarding the high quality of bus service provided by his company. All buses are air-conditioned, have lavatory facilities and are provided with comfortable seats. Frequent service is provided along the route of the Daylights and in many instances the transit time is less than that of the trains.^{9/} Additionally, practically always the fare by Greyhound is less than that between the same points by train. This witness testified that Greyhound would be able to accommodate all the traffic now handled by the Valley Daylights, should the application be granted.

An exhibit was introduced by the assistant passenger traffic manager depicting airline schedules between San Francisco Bay points, Sacramento and Los Angeles, on the one hand, and San Joaquin Valley points, on the other. The record indicates that there is considerable room for improvement. One carrier operates jet equipment now, and another is expecting to introduce jet service some time after January 1, 1969. It appears that Fresno now has the best air service of the Valley points. Service between San Francisco-Oakland and Los Angeles is also shown. The frequency and expedition of this service

^{8/} The railroad route is through Mojave and Lancaster. It is approximately 50 miles longer than the main highway route, and involves more miles of mountain grades.

^{9/} An exception as to frequency of schedules and convenience is found in service from and to Lancaster and other points in the Antelope Valley. Travel by bus between these points and points north of the Tehachapis involves a bus transfer either at Saugus or Los Angeles.

are, of course, of the highest order. Another exhibit shows the increase in airline traffic, as above described, from 1961 to 1966. Between Los Angeles and Fresno, for example, the number of passengers increased 105 percent, from 43,970 to 90,260.

Passengers between San Francisco Bay points and the Los Angeles area, the traffic witnesses pointed out, will still be able to ride the Coast Daylight, which is a better train than the San Joaquin Daylight. The southbound Coast Daylight leaves San Francisco at 8.25 a.m., arriving at Los Angeles at 6.15 p.m.; northbound, the train leaves the latter point at 9.15 a.m., arriving at San Francisco at 7.00 p.m. In the opinion of the passenger traffic manager, the Coast Daylight has sufficient capacity to handle all the passengers now using the San Joaquin Daylight between San Francisco Bay points and Glendale-Los Angeles.

There would still remain, also, the Santa Fe's Trains Nos. 1 and 2, the San Francisco Chief, which operate between Richmond (with bus connections from and to East Bay points and San Francisco) and Chicago via Stockton, Fresno, Bakersfield and Mojave.^{10/} The schedules of these trains were recently revised. Eastbound, departure from San Francisco is at 3.45 p.m., with arrival at Bakersfield at 9.55 p.m. Westbound, Train No. 1 leaves Bakersfield at 3.30 a.m., Fresno at 5.45 a.m., and Stockton at 8.00 a.m., arriving at San Francisco at 10.45 a.m.

^{10/} At the outset of the hearings, counsel for Santa Fe, appearing as an interested party, urged that, in judging whether the public interest will permit the relief sought by applicant, the Commission not base its decision in any way upon continued future availability of alternate rail service now afforded by Santa Fe Trains Nos. 1 and 2. Heavy losses, due both to increased expenses and to decline in traffic, are being sustained by these trains. Unless there is a substantial change in conditions, he said, Santa Fe shall be forced, in the relatively near future, to consider seeking discontinuance of these trains under Section 13(a)(1) of the Interstate Commerce Act.

In response to a request from Commissioner Mitchell for certain information, applicant introduced a series of exhibits through the manager of its Bureau of Transportation Research. One exhibit showed the carrier's gross capital expenditures annually for locomotives and car equipment for the years 1957 to 1967 inclusive, and the total for that period. Freight and passenger equipment purchases were shown separately. The total expenditures for the period are summarized as follows:

<u>Freight Equipment</u>	
Locomotives	\$223,887,000
Cars	579,228,000
Total	<u>\$803,115,000</u>

<u>Passenger Equipment</u>	
Locomotives	\$ 3,170,000
Cars	15,561,000
Total	<u>\$ 18,731,000</u>

The passenger locomotive total reflects a single purchase of ten such locomotives in 1967. Passenger diesel locomotives are equipped with steam boilers for train heat. Such locomotives may also be used in freight service. This is particularly true of these locomotives, which are 3600 horsepower units, geared for a maximum speed of 70 miles per hour.

The passenger car purchases include some of the gallery cars used in San Francisco commutation service; they also include some "head-end" (baggage-mail-express) cars. During the period in question passenger equipment constituted only 2.28 percent of total equipment purchases.

A second exhibit compared passenger and freight revenues for the same period. The ratio of passenger to total revenues steadily declined from 8.09 percent in 1957 to 3.14 percent in 1967; the corresponding ratio for the entire period was 6.33 percent.

A third exhibit set forth all of the train discontinuances accomplished by Southern Pacific (including one pair of Northwestern Pacific Railroad trains) from 1957 to the present, and the estimated savings therefrom. The exhibit listed 21 pairs of California intrastate trains with a total estimated savings of \$5,640,000; and 16 pairs of trains other than California intrastate, with a total estimated savings of \$11,017,000. The witness pointed out that the savings estimates for both groups of trains were those made by the carrier in its showings in the discontinuance proceedings. He was unable to indicate to what extent those savings had been realized.

In a third pair of exhibits were listed all freight or passenger agency stations of Southern Pacific and its subsidiaries, respectively, which have been closed from 1957 to the present time. The totals for the period in question were 141 Southern Pacific agencies and 41 agencies of subsidiaries, with estimated savings of \$881,250 and \$243,750, respectively.

In the final exhibit of this group were set forth estimated cash savings to California industries in selected rate reductions made by Southern Pacific during the period from 1957 through 1966. Savings on California intrastate traffic and all California traffic were shown separately. The commodity groups for which rate reductions were listed were grapes, lettuce, lumber, wine, canned goods, dried fruit, automobiles and parts, iron ore, sugar and sugar beets. Only the last three commodities were shown under the intrastate heading. The total savings for the rate adjustments listed were \$4,013,000, intrastate, and \$143,276,000, all California traffic (including intrastate).

The witness stressed the fact that this was by no means an exhaustive list, that the shortness of time required the development of an exhibit showing only representative rate reductions made during the period in question. He stated also that the monetary savings shown reflected estimates which were made at the time the respective rate adjustments were being worked out.

Practically all rate adjustments shown in the exhibit are designated as "incentive loading" reductions; that is, the rates thus established were made subject to higher minimum weights than those prescribed for the previously published rates, in order to encourage heavier loadings and fuller utilization of equipment. The wine rate reduction of 1959 was indicated as having been made "to encourage rail movement."

The request for this exhibit was prompted by a letter dated April 12, 1968 (received as Exhibit 1 in this proceeding), from applicant's vice president and chief counsel setting forth his view that savings made by Southern Pacific through passenger train discontinuances have been passed on to its shippers through freight rate reductions. It seems reasonable to conclude that all of these rate reductions would have been made, whether any passenger trains had been discontinued or not during the same period, simply as a part of the carrier's on-going program to develop freight traffic and to maximize freight revenues.

The Staff Service Study

The associate transportation engineer from the Commission's Transportation Division Operations and Passenger Branch testified concerning a study he had made of the trains here in issue. Some of the data contained in the report in which the results of his study are summarized have been hereinbefore set forth. Others should also be recounted.

Records of arrivals of Trains Nos. 51 and 52 at final destination during the 12-month period ended April 1968 were checked for on-time performance. Trains which are not more than 15 minutes late are considered to be on time. It was found that Train No. 51 was about 77 percent on time arriving at Oakland and that Train No. 52 was 70 percent on time arriving at Los Angeles during that period. In July and December, 1967 the arrivals were significantly poorer. As a comparison, the Coast Daylights during this same period were found to be on time 86 percent northbound and 90 percent southbound. The witness concluded that improvement in on-time performance of the San Joaquin Daylights was definitely needed.^{11/}

The witness had made a round trip on Trains Nos. 51 and 52 from Los Angeles to San Francisco and return on June 23 and 28, 1968, respectively. He observed instances in which passengers were bewildered and dismayed on learning that their baggage, in view of the new rule heretofore mentioned, could not be checked to out-of-state points. Moreover, he found congestion and delay created by passengers handling their own luggage onto the train at Los Angeles. Lack of sufficient train porters to assist passengers with their baggage was noted.

In general, the equipment was clean, including windows, with adequate supplies for the trip, except that for part of the trip there was no drinking water in one of the coaches. The food in the automatic buffet car was edible, served "picnic style" in paper containers

^{11/} A check of applicant's records, made by its general superintendent of transportation, for the 12-month period ended June 30, 1968, showed the following on-time arrivals: Train No. 51, 84 percent; No. 53, 82.3 percent; No. 54, 95.9 percent.

or plates. No public timetables were in evidence for use of the passengers. Some of the cars had inadequate baggage racks and baggage was stacked in the seats.

Sixty-nine passengers detrained at Martinez. Baggage was unloaded onto a baggage carrier by a porter for transfer to the Cascade. Arrival at San Francisco was 45 minutes late, the loss in time having occurred between Los Angeles and Bakersfield.

On the southbound trip the experiences were approximately the same, except that the automatic buffet car was better supplied, and arrival at Los Angeles was only 20 minutes behind schedule.

Subsequently, on July 21, 1968, this witness rode Trains Nos. 51 and 53 from Los Angeles to Sacramento. His only comment on the Sacramento Daylight was that he was dismayed by the lack of cleanliness in the coaches: the lint, the hair on the seats, the torn seat cushions.

Based on his study of the subject trains, the staff engineer came to the conclusions and recommendations stated below:

Conclusions

- (1) There is a substantial volume of travel on the "San Joaquin Daylights" and "Sacramento Daylights", averaging 235 revenue passengers per day in each direction in July and August, 1967, and 136 per day during the 12 months ending April, 1968, with a total of 99,119 revenue passengers in that period. This clearly demonstrates a definite and substantial demand for rail service over other available modes of transportation.
- (2) The passenger traffic on these trains for the months of January-April, 1968 is not significantly below that for the same months in 1967.
- (3) Traffic on these trains will increase as a result of the schedule change effective June 15, 1968, for Santa Fe's northbound San Francisco Chief.

- (4) These trains provide an important service between Los Angeles, Sacramento and the Bay Area through the San Joaquin Valley and Antelope Valley, and they are the last remaining passenger trains affording through rail service through and between those areas.
- (5) They provide a vital link in the remaining minimum national rail-passenger network and the only through connection between Southern Pacific Company's "Sunset" and "Cascade" trains, without an overnight layover in San Francisco.
- (6) Discontinuance of the "San Joaquin Daylights" will have a serious detrimental effect on the continued operation of the "Cascades" and "Sunsets".
- (7) Southern Pacific Company has not demonstrated that it has made a sincere effort to compete in the open market with other modes of transportation by the manner in which it presently operates the "Daylight" trains.
- (8) Public convenience and necessity require the continued operation of the "San Joaquin and Sacramento Daylight" trains.

Recommendation

In view of the above conclusions, and other considerations, it is recommended that the request of Southern Pacific Company to discontinue Trains Nos. 51, 52, 53 and 54 be denied. In addition, the company should be required to inform the public of the available service through regular publicity and to operate the trains with a quality of service which will be attractive to and meet the needs of the public.

A supervising transportation engineer from the Commission staff testified that he had reviewed the report of the preceding witness and that he concurred in the conclusions and recommendations of that witness, stating other considerations also which entered into such concurrence.

This witness also presented an exhibit which compares the relationship of money spent for passenger advertising to passenger revenues as experienced by six western railroads, including Southern Pacific, during the year 1967. Subsequently, the Southern Pacific introduced the same exhibit, but showing in addition the relationship of passenger deficits to passenger revenues for the same year. All of

the monetary figures are taken from annual reports to the ICC. In Table VII, below, all of these data are set forth.

Table VII

Comparison of Advertising Expense and Passenger Deficit
With Passenger Revenue for Five
Major Western Railroads - Year 1967

Great Northern Railway Company

1. Passenger Revenue	\$ 9,586,785
2. Passenger Deficit	16,193,705
3. Passenger Advertising	507,299
4. Percent Advertising to Revenue	5.3%
5. Percent Passenger Deficit to Revenue	168.9%

Union Pacific Railroad Company

6. Passenger Revenue	\$18,416,117
7. Passenger Deficit	36,543,431
8. Passenger Advertising	514,436
9. Percent Advertising to Revenue	2.8%
10. Percent Passenger Deficit to Revenue	198.4%

The Western Pacific Railroad Company

11. Passenger Revenue	\$ 2,142,178
12. Passenger Deficit	3,549,845
13. Passenger Advertising	67,283
14. Percent Advertising to Revenue	3.1%
15. Percent Passenger Deficit to Revenue	165.7%

The Atchison, Topeka and Santa Fe Railway Company

16. Passenger Revenue	\$33,751,349
17. Passenger Deficit	47,978,875
18. Passenger Advertising	1,343,706
19. Percent Advertising to Revenue	4.0%
20. Percent Passenger Deficit to Revenue	142.2%

Southern Pacific Company

21. Passenger Revenue	\$15,456,154
22. Passenger Deficit	19,697,996
23. Passenger Advertising	29,444
24. Percent Advertising to Revenue	0.2%
25. Percent Passenger Deficit to Revenue	127.4%

The amount of \$29,444 shown for Southern Pacific is for timetable printing and for supervision. With respect to the deficit figures shown for each of the roads, applicant's witness did not know whether the ICC had formally found that any of them were actually the losses experienced. The staff witness pointed out that the percentage relationship of passenger advertising to passenger revenue ranged from 2.8 to 5.3 percent for all the roads shown, exclusive of Southern Pacific.

In another exhibit this staff witness showed the trend of revenue passenger miles of six western roads during the period from 1960 to 1967, inclusive. The total for each road for each year is shown and the mileage for each year following 1960 is expressed as a percentage of the mileage for that base year. The exhibit is reproduced in Table VIII.

TABLE VIII
REVENUE PASSENGER MILES
OF SIX MAJOR WESTERN RAILROADS
1960 THROUGH 1967

Year	S.P. Co.		The West. Pac.		The A.T.&S.F.		G.N.R. Co.		No. Pac. Ry. Co.		Union Pac. Co.	
	Psg. Miles (000)	Index	Psg. Miles (000)	Index	Psg. Miles (000)	Index	Psg. Miles (000)	Index	Psg. Miles (000)	Index	Psg. Miles (000)	Index
1960	1,022,133	100.0	115,168	100.0	1,639,324	100.0	409,356	100.0	323,244	100.0	1,232,604	100.0
1961	1,002,256	98.1	109,155	94.8	1,695,803	100.4	432,010	105.5	356,201	110.2	1,149,737	93.3
1962	973,801	95.3	109,109	94.7	1,698,834	100.6	502,782	122.8	391,385	121.1	1,173,616	95.2
1963	843,176	82.5	104,332	90.6	1,617,038	95.7	411,971	100.6	322,269	99.7	1,068,517	86.7
1964	735,733	72.0	110,133	95.6	1,704,758	100.9	422,553	103.2	339,601	105.1	1,055,943	85.7
1965	634,618	62.1	111,368	96.7	1,653,006	97.9	424,383	103.7	332,064	102.7	1,012,699	82.2
1966	585,078	57.2	108,265	94.0	1,679,515	99.4	434,714	106.2	368,620	114.0	998,076	81.0
1967	434,800	42.5	92,779	80.0	1,431,506	84.7	396,807	96.9	(not available)		815,918	66.2

Passenger miles from Southern Pacific commute operations were excluded from the exhibit and table. The contrast between the percentage decline in passenger miles, by 1967, of that road with the experience of the other roads was pointed out. The witness admitted that 1968 figures for Santa Fe would, no doubt, show a substantial drop from 1967 because of several discontinuances effected by that road late in that year. Also, it was indicated that the relatively high percentages reflected in the 1966 figures for the several carriers were due, at least in part, to the airlines' strike in that year. The general conclusion which the witness drew from the data in Table VIII, considered with Table VII, was that the railroads which advertise and promote their passenger service the most had the least loss in passengers as reflected in passenger miles operated.

Support for the Application

Five bodies, the Greater San Francisco Chamber of Commerce, Kingsburg Chamber of Commerce, Delano District Chamber of Commerce, Los Angeles Area Chamber of Commerce and San Leandro Chamber of Commerce, also the secretary of the last-named, testifying in his own behalf, supported the applicant in its request for relief. The chambers acted through resolution by their boards of directors. Generally, the basis for their positions was that operation of the trains is resulting in substantial deficits, which must be underwritten and subsidized by the users of the freight traffic service; and that the public generally no longer requires the use of the trains in question, having turned to other means of transportation.

Opposition to the Proposals

Granting of the application was opposed by 19 public bodies and organizations. Among these were the State of Arizona, the Public

Utility Commissioner of the State of Oregon, and the City of Portland, City and County of San Francisco, and City of Los Angeles.^{12/} In this group should also be included a State senator and two State assemblymen, who, no doubt, had the interests of their constituents in mind. The protests of the cities and counties, as well as of some others, were set forth in resolutions adopted by the boards of supervisors, city councils or other governing bodies. The State of Arizona was represented by the chairman of the Arizona Corporation Commission, who testified.

The principal reasons given by these protestants for their position were: the Valley Daylights are the last Southern Pacific trains via the Valley route; they are the last hookup with the Cascades to and from the northwest, and if they are eliminated they will cause deterioration of patronage and revenues of the Cascades; they are the only bridge between the northwest and Arizona and easterly thereof via Los Angeles; they provide feeder value to other trains; Southern Pacific has almost completely failed to compete with other means of travel by advertising and improvement of the service to make it attractive; air service to and from the Valley is unsatisfactory; monetary profit is not the only consideration--these trains constitute a great public convenience, service and necessity; Federal legislation is now pending aimed at curtailing the decline in rail passenger service until completion of a comprehensive study of the need for a national transportation passenger system; the status quo should be maintained awaiting outcome of the Federal proposals.

^{12/} The other entities are Counties of Los Angeles, San Joaquin, Fresno and Tulare; the Cities of Sacramento, Modesto, Fresno, Bakersfield and Tehachapi; South San Joaquin Division - League of California Cities; Chambers of Commerce of Lancaster and Tehachapi; Sacramento Optimist Club; Rail, Bus and Sightseeing Committee, Southern California Chapter, American Society of Travel Agents.

Among the protestants were five employee organizations.^{13/}

Two of these presented evidence. A witness for the Brotherhood of Locomotive Engineers testified regarding time that could be cut out of the schedule of Train No. 52 between Mojave and Los Angeles. He is a locomotive engineer assigned to this train on that segment of its route. Since mail is no longer handled at Mojave and Lancaster, there is a certain amount of dead time which would permit shortening the schedule by about 10 minutes. This witness also testified that the maximum speed limit of 79 miles per hour, which had formerly applied over about 40 miles of his run, had been reduced to 70 miles per hour.^{14/}

A witness for the Brotherhood of Railroad Trainmen testified regarding the number of train service positions which will be eliminated if the subject trains are discontinued. A total of 23 positions would be affected, he indicated. This would be exclusive of the engine crews which would also be involved.

A total of thirty-two individuals testified in opposition to the granting of the application. Such witnesses testified at all hearing places except Stockton; the largest groups were at Fresno, Bakersfield and Los Angeles. All of these have ridden the San Joaquin Daylight or both Daylights here in issue; some have been and are consistent riders; most stated or clearly indicated that they would continue to ride the trains if the trains continue to operate.

^{13/} They were the Brotherhood of Locomotive Engineers, the Brotherhood of Locomotive Firemen and Enginemen, the Order of Railway Conductors and Brakemen, the Brotherhood of Railroad Trainmen, and the Brotherhood of Railway and Airline Clerks.

^{14/} Applicant's general superintendent of transportation testified that practically everywhere on the system the maximum passenger speed is now 70 miles per hour under company rules. The new SDP 45 series of locomotives is geared for that speed.

Among the reasons given for keeping these trains in operation were the following: the Daylights are comfortable, clean and relaxing; driving is objectionable, with the highways so crowded; buses are cramped and uncomfortable; some do not like to fly; airports are congested, and air fares to and from Valley points are higher than rail fares; elderly people, travelers with small children and handicapped persons all find the train more practicable than bus or plane; the trains are essential in foggy and other bad weather; the food and service are good; the dome car and the scenic route between Bakersfield and Los Angeles are attractions; Daylights make good connection with the eastbound Sunset; this is the last train serving the San Joaquin Valley--to discontinue its operation would be tragic.

Although these witnesses want the train to continue, many of them had complaints about it and made suggestions for improving the service and increasing the train's patronage. Among these were the following: delays are encountered at Martinez, waiting for the Cascade; the Los Angeles departure time for Train No. 51 is unreasonably early; the trains often run late; scheduled running time is too long--cut out the dead time and shorten the schedule; automatic buffet cars are inadequate for long distance trips; the food is poor; the train is still good, but it is run down; cars are not as neat and clean as they should be; upholstery was worn; there were no timetables--they should be provided; there were evidences of improper maintenance of the equipment; the porter should be restored to year-round service and there should be more porters; the through coach between Sacramento and Los Angeles should be restored, as the transfer at Lathrop is difficult for elderly people; also the connection at Sacramento between Train No. 101 (the westbound City of San Francisco,

and the southbound Sacramento Daylight) should be restored; pillows should be restored; the interstate checking of baggage should be restored; stations at Martinez, Fresno, Bakersfield and Lancaster are run-down and should be modernized; ^{15/} the parking space at Fresno and Lancaster is inadequate; modernize the equipment, upgrade the service generally, and advertise it so that people will know the trains are still running.

Two tour operators, one also an individual travel agent, testified in opposition to applicant's proposal. They emphasized the difficulties created by the new policy of Southern Pacific of not paying commissions to travel agents. They use the San Joaquin Daylight in their routings, particularly in connection with the Cascade via Martinez. One of these witnesses would not object to discontinuance of the San Joaquin Daylight if the schedules of the Coast Daylight and Cascade could be adjusted so as to make a reasonably direct connection, without overnight layover at San Francisco, between those two trains.

One individual protestant filed an unsworn statement of position.

Discussion, Findings and Conclusions

At the outset it should be observed that all revenue, expense and traffic estimates for the future made by applicant in its presentation, the record shows, are predicated on the assumption that the Cascade and Sunset trains will continue to operate indefinitely.

^{15/} The Mayor of Fresno introduced a series of photos showing the generally run-down and unattractive condition of applicant's station there. He urged, among other things, that the service and facilities be updated to accommodate the rapidly growing population of the Fresno area.

Likewise, the Commission's conclusions and order in this proceeding will necessarily be predicated on that assumption, since the proceedings in which discontinuance of those trains is sought are now pending before the Interstate Commerce Commission.

Under both the carrier's and the Commission staff's estimates of operating results for the 12-month period ended April 30, 1968 substantial losses are reflected, though of much greater magnitude according to the carrier than to the staff. The modifications made by the staff in Southern Pacific's out-of-pocket expense figures and the further adjustments which it made appear reasonable, with the following exceptions: salary (\$7,500) of the traffic clerk should be restored; the adjustment in the figure for repairs to diesel locomotives (from \$233,900 down to \$113,900) should be revised to restore the 25 percent reduction the staff made to reflect the relative levels of expense in this item incurred by certain other western roads, thus revising the figure of \$113,900 to \$151,900; haul of company material and value of alternate transportation should be reduced from \$10,100 and \$20,900, respectively, to \$1,000 and \$5,000, respectively; in view of the interrelationship of discontinuance proceedings involving the connecting Daylights and Cascade, the feeder value figure of \$294,000 should be reduced by 50 percent to \$147,000. These adjustments result in a revised estimated net out-of-pocket loss of \$592,900 for the test period (See Appendix D).

The experience of applicant with the San Joaquin and Sacramento Daylights has been the old story of the vicious circle. As the heavy traffic on these trains, which reached a peak about 1952, declined and continued to decline in spite, apparently, of continued advertising, applicant began to modify the high quality of its service by easy stages to reduce operating costs. Several of the ways, but

not all, in which the quality of service and the expenses were gradually curtailed have been hereinbefore described. Then, as the quality of service declined, and riding on the Valley Daylights became less attractive the volume of traffic further declined, which, in turn, dictated further curtailment in expenses.

Applicant's traffic witnesses made vigorous efforts in their testimony and by exhibits to show that the service rendered with these trains is still attractive. But the fact remains, as reflected by the staff service study (much of which has not herein been detailed) and by the testimony of passenger witnesses that the service currently provided on, by and auxiliary to these trains is not attractive. There is ample testimony to the effect that even normal maintenance has been downgraded. Then, as to the quality of food provided in the automat cars, while one or two witnesses said the food was good, others were very critical, and thought it a poor substitute for coffee shop car or diner service.

Then there is the cumulative effect of train discontinuances. As earlier stated, formerly there were three other sets of Southern Pacific and two sets of Santa Fe Golden Gate trains operating in and through the San Joaquin Valley. These, together with the set of Daylights, provided many people with an attractive choice of schedules. As train after train was removed the choice became more and more limited, and travel by train less useful, so that former passengers drifted away to other means of travel.

Another cumulative effect is found in the increasing burden of expenses on the remaining trains. The cost of maintaining facilities, as an example, must be apportioned among fewer and fewer trains.

A highly important factor in the development of traffic is advertising; this goes without saying. Yet, applicant's witnesses frankly testified that the carrier has completely given up on passenger advertising. It does not even make available sufficient timetables to supply adequately its trains and stations with them. The amounts spent by applicant on passenger advertising in the 1950's appear to have been substantial, but it is not clear how much was spent on these trains. The impression obtained from the testimony is of economy. The advertising should have been kept up through the years, as the intensity of competition increased. In this day and age it is inconceivable that any business should expect to market its product successfully without large and unremitting doses of advertising. It is, therefore, astounding to find in this record that as of October 1965 Southern Pacific completely abandoned all passenger advertising. It is to be wondered that anyone rides these Daylights, under these circumstances.

But the record shows that in a recent 12-month period 100,000 passengers made trips on the trains in question, bearing in mind that a fair portion of these were children on short excursions. The San Joaquin Daylight performs an important function in connection with the Cascade in the movement of traffic to and from the northwest. It is of great importance to the people of the Antelope Valley, as the only convenient means of public transportation between that valley and points Bakersfield and north thereof.^{16/} Other respects in which these Daylights fill a useful and necessary function have been mentioned earlier in this proceeding.

^{16/} One of applicant's exhibits shows that in a recent 12-month period a total of 4,719 passengers boarded or alighted from Trains Nos. 51 and 52 at Lancaster.

Applicant's traffic witnesses stressed the pessimistic outlook for passenger trains across the nation, citing certain passages of a pamphlet issued by the Association of American Railroads and bearing the title of "The Case of the Vanishing Passenger Train". Sections of this publication bear subtitles such as "Railroads Tried Hard", "Efforts Futile", and "Situation Hopeless". A document to which frequent reference was made during the hearings bears the title "Intercity Rail Passenger Service in 1968" and the subtitle "Report and Recommendations of the Interstate Commerce Commission to the Senate Committee on Commerce and the House Interstate and Foreign Commerce Committee". It is dated June 25, 1968. ^{17/} Passages of this report pointing out the sharp decline in the number of passenger trains in recent years and the way in which former passengers have deserted the trains in intercity, noncommuter transportation, and the apparent hopelessness in the situation were read into the record by the rail witnesses.

Staff counsel and witnesses, however, drew attention to the statement of the ICC in the above-mentioned report to the effect that railroads still retain the fundamental obligation to provide service if the public convenience and necessity require it and that this obligation is not automatically extinguished by an operating loss. Attention was drawn also to that Commission's recommendation in the report that a comprehensive study be undertaken on the need for a "National Rail Passenger System" and the methods for developing a modern rail network if such a system is desired. The staff further directed attention to the ICC's statement that, in the interim, steps should be taken to maintain a minimum level of essential railroad passenger service.

17/ Official notice is here taken of the report.

This record shows that passenger train service in the West has been reduced to a mere skeleton. Over each route west of the Rockies and south of Portland, Oregon, only one passenger train is in operation. The recommendations and statements of the ICC, as set forth above, point to the conviction that, in any event, the "bare bones" of the rail passenger network should be kept intact pending the completion of the study envisioned in its report, which will entail Congressional action and cooperation of State and Federal agencies. The ICC's decision to require continued operation of the City of San Francisco and California Zephyr trains comports with that conviction.

The trains here under consideration, as has been shown, are an essential part of the rail passenger skeleton. Assuming that the Cascade and/or Sunset should be required to continue in operation, discontinuance of the San Joaquin and Sacramento Daylights would disrupt the aforesaid network and greatly diminish the value of rail passenger service to the areas now served by the Daylights as well as to through passengers.

We find that:

1. The patronage on the San Joaquin and Sacramento Daylights has been steadily declining for at least the past 10 years.
2. Southern Pacific discontinued all promotional advertising for passenger trains in 1965.
3. Applicant has not demonstrated that it has made a sincere effort to compete in open market with other modes of transportation by the manner in which it presently operates the aforesaid trains.
4. The adequacy and attractiveness of Trains Nos. 51, 52, 53 and 54 have gradually declined as traffic has diminished; this has been the result of the combination of the lack of desire of applicant to attract passengers and efforts to reduce operating costs.

5. The out-of-pocket loss, after allowance for income taxes at an effective rate of 30 percent, for the 12-month period ended April 30, 1968 amounted at least to \$592,900.

6. The loss for the 12-month period ending June 30, 1969 will probably be greater than the amount stated in Finding 5.

7. In spite of their drawbacks, the trains in issue are used by a substantial number of persons. These trains averaged 235 revenue passengers per day in each direction in July and August 1967 and 136 per day in the 12-month period ended April 30, 1968, with a total of 99,119 passengers in that period.

8. The passenger traffic on these trains for the first four months of 1968 was about 15 percent below that for the corresponding period of 1967.

9. These trains provide an important service between Los Angeles, Sacramento and the San Francisco Bay area, through the San Joaquin and Antelope Valleys and they are the last remaining passenger trains affording through rail service through and between those areas.

10. These trains provide a vital link in the remaining minimum national rail passenger network and the only through connection between Southern Pacific's Sunset and Cascade trains, without an overnight layover in San Francisco.

11. Discontinuance of the San Joaquin Daylights will have a detrimental effect on the continued operation of the Cascade and Sunset trains.

12. Southern Pacific should be directed to provide each coach on each of the trains here in issue with a supply of timetables showing the current schedules of said trains; to provide each station at which each of these trains stops with a supply of said timetables

adequate for the needs of passengers and inquirers; and to see that such supplies are regularly maintained.

13. Public convenience and necessity require the continued operation of Southern Pacific's Trains Nos. 51, 52, 53 and 54.

We conclude that:

1. The declining patronage of the San Joaquin and Sacramento Daylights is attributable partially, if not largely, to the lack of promotional advertising, the diminished adequacy and attractiveness of the service and the failure to make the effort necessary to compete effectively with other modes of transportation.

2. The continuation of the operation of the San Joaquin and Sacramento Daylights is essential to provide the public with a necessary and convenient rail passenger service for numerous California communities and areas, to retain the last passenger trains between Los Angeles and Sacramento and the San Francisco Bay area via the San Joaquin and Antelope Valleys and to preserve the California section of the remaining national rail passenger network through service provided by connecting trains serving the Pacific Northwest and points east of California.

3. Despite Southern Pacific's failure to provide modern and attractive service and its negative and indifferent attitude on passenger service generally, there is still substantial patronage of the Sacramento and San Joaquin Daylights.

4. It is the public utility obligation of Southern Pacific Company to continue passenger service provided by the Sacramento and San Joaquin Daylights notwithstanding operating losses since there is a substantial public need for the service in question and although Southern Pacific apparently incorrectly assumes that it may divest itself of all unprofitable operations.

5. Application No. 50211 should be denied.

O R D E R

IT IS ORDERED that:

1. Application No. 50211 is denied.
2. Southern Pacific Company is directed to provide for passengers and the public adequate supplies of timetables showing the schedules of Trains Nos. 51, 52, 53 and 54, in the manner set forth in Finding 12 in the preceding opinion.

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

Dated at San Francisco, California, this 15th
day of OCTOBER, 1968.

William J. Symmes, Jr.
President

Augustus
Frederic P. Monnssey
Commissioners

I command and shall
take any measures
possible
William L. Dence

APPENDIX A

(List of Appearances)

FOR APPLICANT:

W. Harney Wilson and Kenneth E. Johnson.

FOR PROTESTANTS:

- (a) E. T. Williams Jr., Chairman, Arizona Corporation Commission, for State of Arizona; Leon L. Hagen, for Sam E. Haley, Public Utility Commissioner of Oregon; William C. Taylor and Robert R. Laughead, for City and County of San Francisco; Ronald L. Schneider, for County of Los Angeles; Thomas M. Zuckerman, for County of San Joaquin; Wayne Robertson, for Tulare County Board of Supervisors; Kenneth W. Hoagland, for City of Bakersfield; M. Dwain Smith, for City of Tehachapi and Tehachapi Chamber of Commerce; J. M. McFadden, by Vincent B. Tobin, for City of Palm Springs.
- (b) C. H. Purkiss, D. H. Brey, J. E. Howe, K. R. Burns, G. W. Ballard, R. H. Woodhams, J. L. Evans, Howard A. Bliss, Earl P. Kinsinger, G. R. Mitchell, Henry F. McBride, James Laurence Montel, Donald E. Green, Herbert F. Green and L. L. Lane, for various railroad employee organizations.
- (c) John Morris, Bruce Heard, Frank Finley, Timothy Lemucchi, Bonny M. Packer and Lanier Walker, in propriae personae.

FOR INTERESTED PARTIES:

Roger Arnebergh, by Charles E. Mattson, for City of Los Angeles; Joseph S. Coomes, Jr., for City of Sacramento; James M. Cooper, for San Francisco Chamber of Commerce; Leland E. Butler, for The Atchison, Topeka and Santa Fe Railway Company; and William V. Ellis, in propria persona.

FOR THE COMMISSION STAFF:

Vincent V. MacKenzie, Counsel.

APPENDIX B

REVENUES AND EXPENSES OF PASSENGER TRAINS 51-52-53-54
BETWEEN LOS ANGELES, OAKLAND AND SACRAMENTO, CALIFORNIA

May 1, 1967 - April 30, 1968

<u>Line</u> <u>No.</u>	<u>Description</u>	<u>Trains</u> <u>51-52</u>	<u>Trains</u> <u>53-54</u>	<u>Total</u>
<u>Revenues:</u>				
1	Passenger	\$ 676,900	\$ 20,500	\$ 697,400
2a	Mail, RPO*	112,600	-	112,600
2b	Mail, Other	160,900	6,900	167,800
3	Other transportation	16,200	100	16,300
4	Dining and buffet	96,400	-	96,400
5	Total revenues	\$ 1,063,000	\$ 27,500	\$1,090,500
<u>Variable Expenses:</u>				
6	Wages - train and enginemen	\$ 485,200	\$ 60,100	\$ 545,300
7	Servicing - diesel locomotives	75,500	5,500	81,000
8	Servicing - passenger cars	177,800	11,600	189,400
9	Repairs - diesel locomotives	218,200	15,700	233,900
10	Repairs - passenger cars	348,800	15,200	364,000
11	Maintenance of way and structures	84,500	3,600	88,100
12	Switching	40,100	4,600	44,700
13	Station employees	69,300	7,100	76,400
14	Station custodial service	3,200	200	3,400
15	Tickets and timetables	800	-	800
16	Injuries to persons	40,000	3,900	43,900
17	Traffic reservation clerks	7,500	-	7,500
18	Dining and buffet	124,300	-	124,300
19	Increased wages and prices, lines 7-11	7,000	400	7,400
20	Health and welfare for lines 6-18	43,100	3,300	46,400
21	Payroll taxes for lines 6-18	125,100	9,500	134,600
22	Train fuel	62,700	4,300	67,000
23	Trans-bay bus service (WGL)	19,500	-	19,500
24	Joint terminals (LAUPT)	164,300	-	164,300
25	Depreciation - diesel locomotives	62,000	4,900	66,900
26	Depreciation - passenger cars	66,900	2,800	69,700
27	Interest - locomotives	19,200	2,400	21,600
28	Subtotal expenses on lines 6-27	\$ 2,245,000	\$ 155,100	\$ 2,400,100
29	Net profit or (loss) before expenses on lines 30-36	\$(1,182,000)	\$(127,600)	\$(1,309,600)
30	All other maintenance of equipment	\$ 17,000	\$ 900	\$ 17,900
31	General	38,700	3,900	42,600
32	Haul of company material	13,800	1,400	15,200
33	Increased wages & prices, lines 30-32	600	100	700
34	Health and welfare for lines 30-32	1,800	200	2,000
35	Payroll taxes for lines 30-32	5,200	400	5,600
36	Subtotal expenses on lines 30-35	\$ 77,100	\$ 6,900	\$ 84,000
37	Net profit or (loss)	\$(1,259,100)	\$(134,500)	\$(1,393,600)

* RPO service discontinued September 29, 1967.

APPENDIX C

PROJECTED REVENUES AND EXPENSES OF PASSENGER TRAINS 51-52-53-54
BETWEEN LOS ANGELES, OAKLAND AND SACRAMENTO, CALIFORNIA

July 1, 1968 - June 30, 1969

<u>Line No.</u>	<u>Description</u>	<u>Trains 51-52</u>	<u>Trains 53-54</u>	<u>Total</u>
<u>Revenues:</u>				
1	Passenger	\$ 534,300	\$ 16,500	\$ 550,800
2	Mail	165,200	4,600	169,800
3	Other transportation	5,500	100	5,600
4	Dining and buffet	76,900	-	76,900
5	Total revenues	\$ 781,900	\$ 21,200	\$ 803,100
<u>Variable Expenses:</u>				
6	Wages - train and enginemen	\$ 490,500	\$ 63,400	\$ 553,900
7	Servicing - diesel locomotives	51,600	4,600	56,200
8	Servicing - passenger cars	156,500	11,100	167,600
9	Repairs - diesel locomotives	149,100	13,200	162,300
10	Repairs - passenger cars	290,900	13,700	304,600
11	Maintenance of way and structures	62,100	3,900	66,000
12	Switching	36,800	4,300	41,100
13	Station employees	73,500	7,500	81,000
14	Station custodial service	3,200	200	3,400
15	Tickets and timetables	700	-	700
16	Injuries to persons	37,300	3,800	41,100
17	Traffic reservation clerks	7,900	-	7,900
18	Dining and buffet	116,400	-	116,400
19	Increased wages and prices, lines 7-11	41,300	2,700	44,000
20	Health and welfare for lines 6-18	45,300	3,800	49,100
21	Payroll taxes for lines 6-18	118,000	10,000	128,000
22	Train fuel	45,800	3,900	49,700
23	Trans-bay bus service (WGL)	19,100	-	19,100
24	Joint terminals (LAUPT)	133,400	-	133,400
25	Depreciation - diesel locomotives	33,200	4,100	37,300
26	Depreciation - passenger cars	55,000	2,500	57,500
27	Interest - locomotives	28,900	2,000	30,900
28	Subtotal expenses on lines 6-27	\$ 1,996,500	\$ 154,700	\$ 2,151,200
29	Net profit or (loss) before expenses on lines 30-36	\$(1,214,600)	\$(133,500)	\$(1,348,100)
30	All other maintenance of equipment	\$ 13,200	\$ 800	\$ 14,000
31	General	35,700	3,800	39,500
32	Haul of company material	12,700	1,400	14,100
33	Increased wages & prices, lines 30-32	3,600	300	3,900
34	Health and welfare for lines 30-32	1,900	200	2,100
35	Payroll taxes for lines 30-32	4,900	500	5,400
36	Subtotal expenses on lines 30-35	\$ 72,000	\$ 7,000	\$ 79,000
37	Net profit or (loss)	\$(1,286,600)	\$(140,500)	\$(1,427,100)

APPENDIX D

SOUTHERN PACIFIC COMPANY TRAINS NOS. 51, 52, 53 AND 54 ESTIMATED RESULTS OF OPERATION

: Line:	:	:	: S.P. :	: C.P.U.C. :	:	: Total :
: No.:	Reference :	Item :	Expense :	Expense :	Difference :	Amount :
(1)		(2)	(3)	(4)	(5)	(6)
					(3) less (4)	
		<u>Revenues</u>				
1		S.P. Exhibit _____ Statement A Line 5				\$1,090,500
		<u>Expenses</u>				
2		S.P. Exhibit _____ Statement A Line 23				2,400,100
		<u>Expense Modifications by C.P.U.C. Staff</u>				
3		Repairs to Diesel Locomotives	\$233,900	\$151,900	\$ 82,000	
4		Station Employees	76,400	31,200	45,200	
5		Traffic Reservation Clerk	7,500	7,500	-	
6		Joint Terminals	164,300	71,200	93,100	
7		Depreciation Passenger Cars	69,700	-	69,700	
8		Interest - Locomotives	21,600	-	21,600	
9	L3 to L8	Total Difference				\$ 311,600
10	L2 less L9	Expenses as Modified by C.P.U.C. Staff				\$2,088,500
11	L1 less L10	Net Loss as Modified by C.P.U.C. Staff				\$ 998,000
		<u>Adjustments</u>				
12		Haul of Company Material				\$ 1,000
13		Feeder Value				147,000
14		Value of Alternate Transportation				5,000
15	L11,12 less L13, 14	Operating Loss After Adjustments				\$ 847,000
16	L15 x 30%	Income Tax Credit				\$ 254,100
17	L15 less L16	Net Operating Loss				\$ 592,900

A. 50211

WILLIAM M. BENNETT, Commissioner, Concurring Opinion


I concur in today's order. The Southern Pacific Company has been admonished by me many times to give to the State of California first class passenger train service. Southern Pacific has the rights of way, the equipment and the financial ability to do that which is necessary to give a growing state an alternative means of transportation to bus and plane. Europeans enjoy passenger train service which is a marvel of efficiency. The Japanese have exceeded this nation in providing outstanding rail service. The public responsibilities of Southern Pacific demand that its executive hierarchy undertake long range planning for the transportation needs of a state which will have a population of almost 40 million by the year 2000.

It is heartening that the Interstate Commerce Commission and even this Commission after having permitted the abandonment of most of the passenger trains of the United States and of California -- as witness the recent Lark decision -- has finally come to the conclusion that the railroad industry in reporting its losses upon passenger train service has been less than accurate. So it has always been here in California.

Considering the great gifts of public lands to the Southern Pacific, its undisputed obligation toward the public

A. 50211

as a regulated entity, I continue to hold my views that the management of Southern Pacific is indifferent to its public service obligations. It displays no imagination and apparently no knowledge of the great changes in technology as evidenced by the European and Japanese train systems. Whereas once America was first in railroad passenger train service we are now second rate and California is second rate as well. The public should be aware of the fact that there is a legal compact between themselves, the givers through government of valuable franchises, and railroad management. Railroad management has the absolute obligation to carry people as well as property and regulatory agencies and particularly the Interstate Commerce Commission have the obligation to see that such a compact is enforced.


WILLIAM M. BENNETT
Commissioner

DATED: October 15, 1968
San Francisco, California