

Decision No. 76454

ORIGINAL

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of THE ATCHISON, TOPEKA )  
AND SANTA FE RAILWAY COMPANY, NORTH- )  
WESTERN PACIFIC RAILROAD COMPANY, )  
SOUTHERN PACIFIC COMPANY, and UNION )  
PACIFIC RAILROAD COMPANY, to subject )  
intrastate passenger fares to 5 )  
percent general increase. )

Application No. 51315  
(Filed August 12, 1969;  
Amended September 23, 1969)

W. Harney Wilson, Leland E. Butler and Rick Kopf,  
for applicant rail carriers.  
R. W. Russell, by K. D. Walpert, for the City of  
Los Angeles, interested party.  
D. C. Meany, Counsel, Al L. Gielegem, and Ora Phillips,  
for the Commission staff.

O P I N I O N

In this proceeding, The Atchison, Topeka and Santa Fe Railway Company, Northwestern Pacific Railroad Company, Southern Pacific Company, and Union Pacific Railroad Company seek a general increase of five per cent on all local and joint rail passenger fares and charges (including suburban fares of Southern Pacific between San Francisco and San Jose and intermediate points), excess baggage charges and parlor car seat charges, applicable to California intrastate traffic. No increase is sought in the San Francisco-Los Angeles coach fares involved in Applications Nos. 50670 and 51304.<sup>1/</sup>

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<sup>1/</sup> Decision No. 75940 dated July 22, 1969, authorized Southern Pacific to increase special coach fares by 10 percent. Similar authority was granted to Santa Fe pursuant to Decision No. 76336, dated October 26, 1969, in Application No. 51304.

Public hearing was held before Examiner Mallory on October 20 and 21, 1969 at San Francisco and October 23, 1969 at Los Angeles, and the matter was submitted on the latter date. No one opposed the granting of the sought fare increases.

Evidence was adduced on behalf of applicants by the Vice Chairman of the Western Railroad Passenger Association, and representatives of Southern Pacific Company (Southern Pacific) and The Atchison, Topeka and Santa Fe Railway Company (Santa Fe).

The last general increase in intrastate first class and coach fares was authorized by Decision No. 74199, dated June 5, 1968, in Application No. 49881. The last increase in Southern Pacific's Peninsula commute fares was authorized by Decision No. 72889, dated August 15, 1967 in Application No. 49531. Applicants allege that since fares were last adjusted, they have encountered increases in operating expenses greater than the five percent increase in fares sought herein. Also applicants point out that their California intrastate coach and first class fares historically have been maintained on the same cents-per-mile level as their corresponding interstate fares. Interstate fares on the levels sought herein were established effective June 15, 1969, pursuant to authority granted by the Interstate Commerce Commission.

The following tables set forth applicants' latest available estimates of their revenues, expenses and net operating loss for their intrastate passenger services.

TABLE 1

California Intrastate Passenger Service Operating Results  
For Periods Shown

	(Thousands of Dollars)		
	<u>Revenues</u>	<u>Expenses</u>	<u>Net Loss</u>
The Atchison, Topeka and Santa Fe Railway Company (1963 adjusted to 1966)	1,896	6,874	4,977
Northwestern Pacific Railroad Company (1968)	31	88	57
Union Pacific Railroad Company (1960)	88	94	6

A witness for Santa Fe testified that its system passenger operations have been conducted at a loss for several years; that California intrastate operating results are developed by allocating system expenses to California operations; that no new studies separating or allocating system expenses have been made since 1963 (which data were up-dated to 1966 for a prior fare proceeding); that allocation studies are complicated, time-consuming and expensive; and that, because passenger operations both system-wide and within California have shown a deficit for many years, new allocations studies did not appear to be necessary or justified for the purposes of this proceeding.

Another Santa Fe witness estimated that the fare increase sought herein would produce \$42,000 additional revenue annually. He stated this additional revenue would not make a significant change in Santa Fe's annual intrastate passenger loss.

The following table sets forth Southern Pacific's California intrastate passenger operating results for the year 1968:

TABLE 2  
Southern Pacific Company  
California Intrastate Passenger Operations  
Year 1968

<u>Description</u>	<u>Revenues</u>	<u>Expenses</u>	<u>Profit or (Loss)</u>
Suburban	\$4,028,340	\$ 5,132,400 (2)	(\$1,104,060)
Intercity trains	2,039,933	5,831,094 (3)	(3,791,161)
Other	(180,275) (1)	-	(180,275)
Total	\$5,887,998	\$10,963,494	(\$5,075,496)

## Notes:

- (1) Revenue debit due to substitute highway service charges.
- (2) Excludes interest on investment, property taxes, depreciation of track and structures and general office overhead.
- (3) Excludes interest on investment.

The SP witness presenting the foregoing operating results stated that since the last consideration of Peninsula suburban fares, SP had inaugurated new accounting procedures which more closely reflect expenses for said service. The operating results for suburban service indicate that a net operating loss of \$1,104,000 was incurred in 1968. Said operating loss excludes expenses for property taxes, interest on investment, depreciation of track and structures, and general office overhead. A five percent increase for suburban service would result in additional annual revenues of approximately \$200,000, which falls short of removing the estimated annual loss in 1968 of over \$1,000,000.

A Southern Pacific witness presented in evidence Exhibit 12, which shows the cumulative percentage increases in wages and benefits occurring since 1965. The exhibit shows that in the 1965-1969 period, wages for operating employees have increased from a low of

17.1 percent (switchmen) to a high of 23.6 percent (station clerks), and appear to average about 19 percent for all operating employees. Health and welfare benefits for operating employees have increased by 21.5 percent and taxes by 51.9 percent. The witness testified that approximately 60 percent of Southern Pacific's operating expenses are labor and related expenses. The witness stated that the five percent revenue increase sought herein is less than that necessary to recover the increased wage expenses for SP's suburban service since passenger fares were last adjusted.

The Santa Fe and Southern Pacific witnesses testified that their California intrastate freight operations are conducted at a loss; therefore, such freight operations cannot absorb passenger operating deficits, as is the case for the carriers' interstate operations. Witnesses for applicants also testified that they expected no appreciable diversion of traffic because of the sought fare increases; they reasoned that the amount of the fare increase is small and selection of rail service in lieu of alternative forms of transportation reflects long established patterns. The witnesses also urged that the sought increases be granted to avoid discrimination against interstate traffic.

A comparison of railroad coach fares with fares of Greyhound Lines, Inc. and major airlines, presented by a witness for applicants, indicates railroad fares will not be higher than bus fares and will be less than air fares between principal markets.

A member of the Commission's Finance and Accounts Division staff introduced the last quarterly reports of revenues and expenses filed with this Commission for all applicants. Said reports show that applicants' system operations were conducted at a profit. The reports contain no breakdown of passenger operating results.

We find that:

1. The preponderance of traffic moving at the fares in issue in this proceeding is handled by Southern Pacific and Santa Fe.

2. Approximately two-thirds of Southern Pacific's intrastate passenger revenues are from its Peninsula suburban service; the preponderance of Southern Pacific's other traffic and the preponderance of the traffic handled by Santa Fe moves between San Francisco, Los Angeles and points intermediate thereto via the Coast and Valley routes or between Los Angeles, San Diego and points intermediate thereto.

3. There has been and is only minor use of first class fares by California intrastate passengers.

4. Coach and first class fares of applicants (other than for Southern Pacific's Peninsula suburban service and other than San Francisco-Los Angeles special coach fares) were last adjusted pursuant to Decision No. 71499 dated June 5, 1968. (Southern Pacific and Santa Fe recently have been authorized to increase San Francisco-Los Angeles coach fares in Applications Nos. 50670 and 51305, and said fares are not involved in this proceeding.)

5. California intrastate passenger operations of applicants have been conducted at a loss since 1963.

6. Fare increases proposed herein will not cause California intrastate passenger operations of applicants to be conducted at a profit.

7. Fares for Southern Pacific's Peninsula suburban passenger service were last adjusted pursuant to Decision No. 72889, dated August 15, 1967, in Application No. 49531. Said decision reflects operating revenues, expenses and other economic data for a 1964-1965 fiscal year.

8. Since Southern Pacific's suburban fares were last adjusted, wages and related expenses for Southern Pacific's operating employees have increased by an average of 19 percent. Said wage costs are approximately 60 percent of Southern Pacific's passenger operating expenses for its suburban services. The increased operating revenues for suburban service sought herein fall short of covering the related increased wage expenses incurred by Southern Pacific since its suburban fares were last adjusted. Suburban services will be conducted at a loss under proposed fares, before consideration of overhead expenses.

9. The proposed fare increases are reasonable and are justified.

The Commission concludes that the application should be granted.

O R D E R

IT IS ORDERED that:

1. The Atchison, Topeka and Santa Fe Railway Company, Northwestern Pacific Railroad Company, Southern Pacific Company, and Union Pacific Railroad Company, are authorized to establish the increased fares and other charges proposed in Application No. 51315. Tariff publications authorized to be made as a result of the order herein may be made effective not earlier than five days after the effective date hereof on not less than five days' notice to the Commission and to the public.

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

3. Southern Pacific Company be and is hereby directed to post and maintain in its passenger cars operated on its local peninsula service and in its depots at San Francisco, San Jose and intermediate stations a notice of the increased fares herein authorized. Such notice shall be posted not less than five days prior to the effective date of such fares and shall remain posted for a period of not less than thirty days.

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

Dated at San Francisco, California, this 17<sup>th</sup> day of NOVEMBER, 1969.

William Johnson, Jr.  
President

Automas

J. P. Vukasin, Jr.

Thomas L. Sturgeon

Commissioners

Commissioner J. P. Vukasin, Jr., being necessarily absent, did not participate in the disposition of this proceeding.