

ORIGINAL

Decision No. 77764

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of SOUTHERN PACIFIC)
TRANSPORTATION COMPANY for autho-)
rity to increase suburban fares)
between San Francisco and San)
Jose and intermediate points.)

Application No. 51965
(Filed June 12, 1970)

W. Harney Wilson and Joseph L. Lemon, for
Southern Pacific Transportation Company,
applicant.

Thomas M. O'Connor, Milton Mares and Robert R. Laughead, for City and County of San Francisco; Christopher Harold Lovelock and Clarence Unnevehr, in propria personae,
interested parties.

Elinore C. Morgan, Counsel, for the Commission staff.

O P I N I O N

The Southern Pacific Transportation Company (SPT Co.) seeks authority to increase its current suburban passenger fares, applicable between San Francisco and San Jose and intermediate stations, by 5 percent and to cancel the round-trip discount coach fares published between such San Francisco peninsula points.^{1/}

Subsequent to SPT Co.'s notification to its patrons relative to the relief sought in Application No. 51965, duly noticed public hearings were held before Examiner Gagnon at San Francisco on July 28 and August 11, 12 and 14, 1970. Evidence in support of the sought fare increase was presented by two SPT Co. representatives. The Commission's staff also introduced evidence relative to the relief sought herein. No one appeared in opposition to applicant's sought fare increase.

The last upward adjustment in SPT Co.'s San Francisco peninsula fares was authorized by Decision No. 76454, dated November 18,

^{1/} The SPT Co.'s present San Francisco peninsula coach and commute fares are set forth in its Local Passenger Tariff D-No. 1, Cal. P.U.C. No. 5.

1969, in Application No. 51315. Said decision granted a 5 percent increase in applicant's suburban fares. A comparison of the present and proposed suburban fares between San Francisco - San Jose and intermediate peninsula points is summarized in Table 1.

Table 1

Present and Proposed Fares Between
San Francisco - San Jose and Intermediate Points

<u>Between:</u> San Francisco <u>And</u> :	<u>Class of Tickets</u>	<u>Adult Fares</u>	
		<u>Present</u>	<u>Proposed</u>
<u>ZONE 1</u>	One Way	.75	.80
Butler Road	Round Trip	1.40	1.60
So. San Francisco	Mo. (5-Day Week)	17.85	18.75
San Bruno	Monthly	19.25	20.25
Millbrae	Weekly	5.05	5.30
	20-Ride	12.60	13.25
<u>ZONE 2</u>	One Way	.95	1.00
Broadway	Round Trip	1.75	2.00
Burlingame	Mo. (5-Day Week)	21.55	22.65
San Mateo	Monthly	23.35	24.55
Hayward Park	Weekly	6.00	6.30
	20-Ride	15.15	15.90
<u>ZONE 3</u>	One Way	1.20	1.25
Hillsdale	Round Trip	2.05	2.50
Belmont	Mo. (5-Day Week)	25.20	26.50
San Carlos	Monthly	27.45	28.85
Redwood City	Weekly	6.95	7.30
	20-Ride	17.05	17.90
<u>ZONE 4</u>	One Way	1.45	1.55
Atherton	Round Trip	2.65	3.10
Menlo Park	Mo. (5-Day Week)	28.90	30.35
Palo Alto	Monthly	31.50	33.10
California Avenue	Weekly	8.20	8.65
	20-Ride	18.90	19.85
<u>ZONE 5</u>	One Way	1.70	1.80
Castro	Round Trip	3.00	3.60
Mountain View	Mo. (5-Day Week)	32.55	34.20
Sunnyvale	Monthly	35.95	37.75
	Weekly	9.45	9.95
	20-Ride	20.80	21.85
<u>ZONE 6</u>	One Way	1.85	1.95
Santa Clara	Round Trip	3.30	3.90
College Park	Mo. (5-Day Week)	35.20	37.00
San Jose	Monthly	38.45	40.40
	Weekly	10.75	11.30
	20-Ride	22.05	23.15

The applicant states that the proposed fare increase will generate approximately \$240,000 in additional gross annual revenues. This amount represents 5 percent of the gross revenue SPT Co. realized from each San Francisco suburban fare it sold during 1969, adjusted to reflect the 5 percent increase authorized by Decision No. 76454, effective December 3, 1969. It will be noted from Table 1 that if SPT Co. is authorized to cancel its present round-trip discount fares, which are 180 percent of the one-way fares, the applicant will publish, in lieu thereof, round-trip fares based upon double the full one-way fares.^{2/} Applicant presented evidence which indicates that similar local round-trip suburban fares have been authorized for the Metropolitan Chicago Area. The Interstate Commerce Commission has also authorized the publication of interstate round-trip fares which are double the otherwise applicable one-way fares.

Applicant's comparison (Exhibit 3) of its proposed peninsula commute fares with like fares applicable in the Chicago area shows that, for similar distances, the 5-day, monthly and weekly commute fares proposed by SPT Co. are lower than the current commute fares of the major rail carriers serving the Chicago Metropolitan Area. A similar comparison of the proposed one-way and round-trip fares with the established fares of rail carriers in the Chicago area indicates that the sought one-way and round-trip SPT Co. fares are about on the same level with those presently effective in the Chicago suburban area. The applicant also presented a comparison of SPT Co's 5-day monthly commute fares with the related fares of Western Greyhound Lines applicable between San Francisco and common peninsula points. In connection therewith, selected 20-ride

^{2/} SPT Co.'s witness testified that the proposed round-trip fares represent a 5.8 percent increase over the present effective round-trip discount fares.

trans-bay commute fares of the Alameda-Contra Costa Transit District were also shown. Said comparative statement of local fares is summarized in Table 2 below:

Table 2

COMPARISON OF SOUTHERN PACIFIC MONTHLY 5-DAY
COMMUTE FARE WITH GREYHOUND AND AC TRANSIT FARES

<u>Between San Francisco</u>	<u>SPT Co. Proposed 5-Day Commute</u>	<u>WGL 20-Ride (42 Rides)</u>	<u>AC Transit 20-Ride (42 Rides)</u>
<u>And</u>			
ZONE 1 South San Francisco San Bruno Millbrae	\$18.75	\$20.27 21.53 21.53	\$21.00 Oakland Berkeley
ZONE 2 Broadway Burlingame San Mateo Hayward Park	22.65	23.84 23.84 25.10 25.10	24.15 Richmond San Leandro El Cerrito San Pablo
ZONE 3 Hillsdale Belmont San Carlos Redwood City	26.50	25.10 27.41 27.41 27.41	27.30 Hayward Castro Valley
ZONE 4 Atherton Menlo Park Palo Alto California Avenue	30.35	29.72 29.72 32.13 32.13	31.50 Fairway Park
ZONE 5 Mountain View Sunnyvale	34.20	35.70 38.12	
ZONE 6 Santa Clara San Jose	37.00	40.43 42.84	

From Table 2 it will be observed that the proposed SPT Co. commute fares are lower than the like established fares of Greyhound in all instances except between San Francisco and Atherton and Menlo Park, ^{3/} if we assume all SPT Co. commuters using the 5-day commute

^{3/} The Western Greyhound Lines suburban commute fares were authorized by Decision No. 76455, dated November 18, 1969, in Application No. 51326.

ticket ride to and from work 21 days in each month. It will also be noted that the related trans-bay commute fares are higher than the proposed SPT Co. fares for like distances.

In further justification of the sought increase, SPT Co. presented cost and financial data pertaining to applicant's peninsula suburban passenger operations. A statement of the percentage increases in the level of wages and so-called fringe benefits, for various classes of applicant's operating personnel, since 1965 was presented. The results of SPT Co.'s analysis of its wage costs relative to suburban passenger service are set forth in Table 3 hereof:

Table 3

Southern Pacific Transportation Company Suburban
Passenger Service Percentage Increases in Wages and
Fringe Benefits for Employees Since 1965
(Fare Structure Based on 1964-65 Cost Level)

<u>Employee Job Classification</u>	<u>Wage Increases</u>					<u>Cumulative</u>	
	<u>1966</u>	<u>1967</u>	<u>1968</u>	<u>1969</u>	<u>1970</u>	<u>1969</u>	<u>1970</u>
Engineers	-	6.0	5.0	7.2	(1)	19.3	-
Firemen	6.0	-	6.1	5.1	(1)	18.2	-
Conductors	-	6.0	5.0	7.0	(1)	19.1	-
Brakemen	6.0	-	6.1	5.1	(1)	18.2	-
Switchmen	-	5.0	6.1	5.1	(1)	17.1	-
Telegraphers-Agents	4.0	5.0	6.8	11.6	(1)	27.9	-
Station Clerks	4.0	5.0	7.7	5.1	(1)	22.5	-
Shop Crafts	4.0	9.3	8.2	10.4	8.9	-	47.1
Signalmen	2.0	7.0	13.0	5.1	(1)	29.6	-
Maintenance-Way	4.0	5.0	10.1	5.1	(1)	25.4	-
<u>Increases in Fringe Benefits</u>							
Health & Welfare	3.0	-	18.0	-	27.2	-	54.6
Payroll Taxes	16.1	6.5	16.2	5.7	4.0	-	54.0
Vacations	(2)	(2)	(2)	(2)	(2)	-	-

(1) Wage and fringe benefit currently being negotiated.

(2) Not computed.

From the labor cost study summarized in Table 3 above, a Senior Transportation Analyst for SPT Co. concludes that applicant's

suburban passenger service has experienced an increase in labor costs of approximately 30 percent since 1965. In view of the fact that labor has been shown to constitute about 70 percent of the total operating expenses incurred in SPT Co.'s peninsula suburban service (Exhibit 10), the analyst submits that the total costs for said passenger service has risen about 20 percent due to increases in applicant's labor costs. The witness further contends that the 5 percent suburban fare increase which became effective December 3, 1969, pursuant to Decision No. 76454, did not fully offset the increases in wages incurred by SPT Co.'s peninsula passenger operations since 1965. In authorizing the 5 percent increase in fares, said decision stated, in part, as follows:

"... 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."

The transportation analyst for SPT Co. also presented a statement (Exhibit 9) relative to the results of applicant's suburban operations for the year 1969. Said statement is summarized in the following table:

Table 4

Southern Pacific Transportation Company
Results of Suburban Operations - 1969

<u>Revenues</u>	
Passenger	\$3,939,364
Station	51,032
Total Revenues (1)	<u>\$3,990,396</u>
<u>Expenses</u>	
Maintenance of way and structures	\$ 329,615
Maintenance of equipment	1,798,006
Traffic	36,615
Transportation	3,288,533
General	49,990
Taxes	246,392
Total Expenses (1)	<u>\$5,749,151</u>
Operating Profit or (Loss)	(\$1,758,755)

(1) Excludes parking lot revenue and expenses.

Decision No. 72615, 67 Cal. PUC 211, 322.

Decision No. 76523 of 12-9-69 in Case No. 8697.

The SPT Co. witness explained that the operating deficit from suburban operations shown in Table 4 reflects direct expenses only. The transportation analyst stated that the total operating expenses shown in Table 4 excludes indirect and other related expenditures for 1969 amounting to approximately \$929,000 (Exhibit 18). The 1969 revenues from SPT Co.'s suburban service as set forth in Table 4 above do not reflect the \$200,000 additional revenue anticipated from the 5 percent fare increase authorized by Decision No. 76454 nor the \$240,000 increase in suburban revenue sought in the instant proceedings. It is clear, however, that the inclusion of said increases in applicant's suburban operating revenues would not make any appreciable reduction in its 1969 suburban direct operating deficit of \$1,758,755 as shown in Table 4 herein.

The Commission's staff took no position relative to applicant's sought increase. The staff introduced, however, a projection of SPT Co.'s 1969 results of suburban operations for a future rate

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year (Exhibit 14). Applicant's suburban revenues for 1969 were adjusted by the staff to reflect the \$200,000 annual increase in revenues contemplated from the 5 percent fare increase, which became effective December 3, 1969, pursuant to Decision No. 76454; plus the \$240,000 additional annual increase in suburban revenues anticipated from the proposed further 5 percent increase in fares. The staff also suggested that the suburban operating expenses developed by applicant for the year 1969 be reduced by \$1,211,000 for a like future rate year. This reduction was brought about by a difference of opinion as between applicant and staff experts regarding the proper allocation procedures to be employed when determining the portion of various joint operating expenses that are actually generated by SPT Co.'s suburban passenger service and not its freight or other passenger operations. The staff also recommends that an income tax saving of some \$374,000 be credited to SPT Co.'s peninsula service; thereby allocating the amount of income tax saving the staff contends was generated by the deficit operations of said suburban service and ultimately enjoyed by the consolidated interests of the Southern Pacific Company.

Under the historical and projected operating results of SPT Co.'s suburban service, as developed by applicant and the Commission staff, respectively, it has been demonstrated that the established level of SPT Co.'s peninsula fare structure does not produce sufficient revenues to fully recover the direct operating expenses allocated to applicant's suburban service. In the circumstances, further comment relative to the merits or propriety of the procedures employed by either the applicant or the staff for allocating the operating expenses chargeable to SPT Co.'s suburban operation is, in this particular instance, unnecessary.

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Two public witnesses presented oral testimony. While said witnesses did not object to the sought fare increase, they made several suggestions for applicant's consideration concerning improved service and patronage.

The Commission finds that:

1. The fares for Southern Pacific Transportation Company's suburban passenger service between San Francisco and San Jose and intermediate points were last increased, effective December 3, 1969, by 5 percent pursuant to Decision No. 76454, dated November 18, 1969, in Application No. 51315.

2. Applicant's established level of fares does not produce sufficient revenues to enable the recovery of the direct operating expenses for said suburban service.

3. Applicant's sought increase in its suburban fares will produce additional operating revenues of approximately \$240,000. The increased revenues for suburban service sought herein will not fully cover applicant's direct operating expenses allocated to said service.

4. The proposed fare increase has been shown to be justified.

The Commission concludes that Application No. 51965 should be granted.

O R D E R

IT IS ORDERED that:

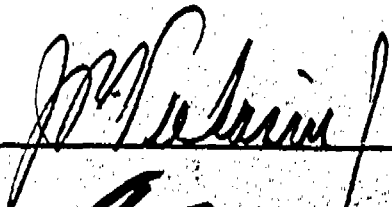
1. The Southern Pacific Transportation Company is authorized to establish the increased fares proposed in Application No. 51965. Tariff publications authorized to be made as a result of the order herein shall be filed not earlier than the effective date of this order and may be made effective not earlier 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.

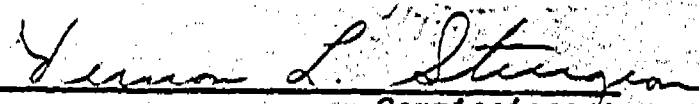
3. Southern Pacific Transportation Company is hereby directed to post and maintain in its passenger cars operated on its local San Francisco Peninsula service and in its depots at San Francisco, San Jose and intermediate stations, a notice of the increased fares herein authorized. Said notice shall be posted not less than five days prior to the effective date of the increased 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 22nd day of SEPTEMBER, 1970.



Chairman



Commissioners

Commissioner William Symons, Jr., being necessarily absent, did not participate in the disposition of this proceeding.

Commissioner Thomas Moran, being necessarily absent, did not participate in the disposition of this proceeding.