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ORIGINAL

Decision No. 79355

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of Southern Pacific
Transportation Company for author-
ity to increase suburban fares
between San Francisco and San
Jose and intermediate points.

Application No. 52613
(Filed May 12, 1971)

W. Harney Wilson and Joseph L. Lemon, Attorneys
at Law, for Southern Pacific Transportation
Company, applicant.
Christopher Harold Lovelock, in propria persona,
protestant.
Janice E. Kerr, Attorney at Law, for the Com-
mission staff.

O P I N I O N

In this application Southern Pacific Transportation Company (Southern Pacific) seeks authority to increase the fares for its San Francisco-San Jose suburban commute train operations by amounts ranging from 8 to 12 percent and averaging 10 percent.^{1/}

Public hearing was held before Examiner Mallory at San Francisco on July 8 and 9, 1971, and the matter was submitted on the latter date. Testimony and exhibits in support of the requested fare increase were presented by three witnesses for Southern Pacific. Two persons who use the Peninsula commute service appeared in opposition to the fare increase. A transportation engineer from the Commission's staff presented estimates of revenues and expenses under proposed fares but took no position with respect to sought fare increases.

^{1/} Examples of present and proposed fares are set forth in Appendix A.

Applicant's traffic witness presented exhibits showing present and proposed fares, comparisons of Southern Pacific commute fares with commute fares of several railroads operating in the Chicago area, comparisons of Southern Pacific commute fares with Greyhound and Alameda-Contra Costa Transit District fares, and records of automatic ticket-by-mail plan sales of commute tickets for a two-year period. The fare comparisons indicate that proposed Southern Pacific fares are no higher than similar fares for the same distances maintained by Greyhound and A. C. Transit and are generally less than Chicago-area rail commute fares. The automatic mail-out plan ticket sales are 9.8 percent greater in the twelve-month period ended June, 1971 than for the prior year's period and averaged 2,252 tickets per month.

An engineer in Southern Pacific's Public Projects Section presented exhibits showing average daily traffic in the two principal freeway systems on the Peninsula. These exhibits indicate that as new freeway segments are opened or as lanes are added to existing segments, automobile traffic immediately increases over such routes. These data were presented to show that improvements in the freeway system tend to increase automobile traffic to the detriment of public transportation services in the same area.

An employee of Southern Pacific's Bureau of Transportation Research presented in evidence exhibits showing the results of operation for Southern Pacific's suburban passenger operations between San Francisco and San Jose.^{2/}

The actual revenues and direct expenses for suburban operations for year 1970 as developed by this witness in Exhibits 10 and 11 are summarized in the following table.

^{2/} The record shows said suburban operations are the only remaining passenger services conducted by Southern Pacific; its intercity passenger operations were transferred to AMTRAK, effective May 1, 1971.

TABLE 1

Southern Pacific Transportation Company
Results of Suburban Operation
Year 1970

Revenues

Passenger Station	\$ 4,001,177 <u>43,044</u>
Total (a)	\$ 4,044,221

Expenses

Maintenance of Way and Structures	\$ 301,823
Maintenance of Equipment	1,723,880
Traffic	37,940
Transportation	3,539,996
General	51,240
Taxes	<u>363,311</u>
Total (b)	\$ 6,018,190

Net Profit (Loss) (\$ 1,973,969)

(a) Excludes revenue from parking lots.

(b) Excludes expenses for additions/betterments and depreciation/retirements of maintenance of way and structures accounts; also excludes general office overhead, property taxes, interest on investment (equipment trusts, underlying mortgages, etc.) and parking lot expense.

The witness presented an analysis showing that labor represents 70.0 percent of the expenses in Table 1 (exclusive of taxes). The witness also presented a tabulation of wage and benefit increases for employees in suburban passenger train service and compared these data with fare increases authorized since 1965. This tabulation shows that employees have been granted cumulative wage increases in the years 1966 through 1970 ranging from 32.9 percent for switchmen to 47.9 percent for shop crafts; health and welfare benefits have increased 54.6 percent; and payroll taxes have increased 57.9 percent.

In the same period fares have been increased by 10.3 percent.^{3/} In 1971 additional wage and benefit increases have been awarded to engineers, telegrapher-agents, station clerks, and maintenance-of-way employees. Wage contracts for other crafts were being negotiated at the time of hearing.

The witness estimated that for a year ending October 1, 1971, applicant's revenues, including the sought increase, would be \$4,571,000, and the corresponding direct expenses, including annualized wage cost increases, would be \$6,217,000, resulting in a net operating loss of \$1,646,000 under proposed fares.

An engineer from the Commission's Transportation Division staff presented in evidence his estimates of suburban passenger service revenues and expenses for a future year, giving effect to the increased revenues from sought fares and to current labor costs. The Commission staff's estimates are summarized in the following table.

TABLE 2

Commission Staff Estimates of Results of Operation
of Southern Pacific Transportation Company
Suburban Services for a Future Year

Revenues

Passenger Revenues	\$ 4,569,300
Station Revenues	<u>43,044</u>
Total	\$ 4,612,344

Expenses

Total After Staff Adjustments	\$ 5,597,715
Net Operating Profit (Loss)	(\$ 985,371)
Income Tax Credit	\$ 452,826
Net After Adjustment	(\$ 532,545)

^{3/} The most recent fare increase was 5 percent effective October 10, 1970, pursuant to Decision No. 77764, dated September 22, 1970, in Application No. 51965.

The staff adjusted maintenance-of-way and structures expense and diesel locomotive repairs expense to the average of unit cost for Southern Pacific's system operations. Further adjustments were made to reflect reduced labor expenses. The difference between the staff's and applicant's expense estimates need not be resolved herein, inasmuch as the end result of both the staff and applicant's showing is that applicant's suburban passenger operations will be conducted at a loss under the fares sought herein considering only direct operating expenses. Based on the staff showing, this loss will exceed \$500,000 annually.

A witness who regularly uses Southern Pacific's service between San Francisco and San Jose objected to a further increase in commute fares because of a delay resulting from a suicide on June 4, 1971. The witness urged that Southern Pacific use a by-pass track when such delays occur rather than hold commute trains until the track is cleared.

Another witness who periodically uses Southern Pacific service between Palo Alto and San Francisco testified in opposition to the fare increase and presented evidence designed to show inequities in the present and proposed fare structures. The witness also proposed that Southern Pacific take certain steps to improve its services and to reduce its operating costs before any further increases in fares are granted. Specifically, the witness proposed that:

1. The request to increase one-way, round-trip and 20-ride fares be denied, because such fares are out of line with related fares in the Bay area.
2. The request to increase the three categories of commutation tickets (monthly, monthly less Saturdays and Sundays, and weekly) be critically evaluated under criteria outlined in Section 451 of the Public Utilities Code.

3. Southern Pacific should be required to initiate the following matters within six to twelve months:

- a. Research commuters' and occasional travelers' opinions and, based thereon, make reasonable improvements in scheduling and terminal facilities.
- b. Undertake a reasonable level of advertising and public relation activity to promote increased usage of services, especially during off-peak periods.
- c. Introduce new low-priced fares valid outside of main commute hours on weekdays and throughout weekends to encourage off-peak travel.
- d. Draw plans for the replacement of all remaining 40 to 50 year old cars and buy new gallery cars at an early date.
- e. Engage in discussions with local authorities concerning the forming of a Peninsula Transit District.

Discussion

It is clear that applicant's current revenues from its suburban passenger services fail to cover the directly assigned operating costs of providing such service, and that such situation will not be changed if the proposed fare increases are granted.

Although the two public witnesses testified that service is poor, the record indicates that applicant provides a reasonable level of service. The Commission has no authority to direct the formation of a Transit District. This can only be accomplished by a favorable vote of the majority of electors in the area.

The record shows that Southern Pacific's one-way and round-trip fares are not out of line with fares for similar distances currently maintained by Greyhound and A. C. Transit.

The proposal that Southern Pacific initiate a poll or take steps to research travelers' needs was not based on any investigation as to the costs or methods of conducting such a program. The record contains no facts from which an evaluation can be made of the possible results of such a project versus the cost thereof. We may state parenthetically that research of this kind and directives concerning advertising of off-peak service have been made with respect to transit

operations conducted by bus operators in various localities, without material increase in patronage resulting therefrom.

The witness offered no specific plan in connection with his recommendation that Southern Pacific replace existing 40 to 50 year old cars with new gallery cars. Such a directive should not be issued without full exploration on the record of the cost of new cars, the length of time to construct new cars, the number of cars required, and methods of financing such cars.

Findings and Conclusion

The Commission finds that:

1. It has not been shown that existing one-way and round-trip fares are discriminatory with respect to commutation or discount fares of Southern Pacific for its suburban service.
2. Southern Pacific's suburban passenger service is currently being conducted at a loss, considering only directly assignable operating expenses.
3. Southern Pacific's suburban passenger service will continue to be operated at a loss under the increased fares proposed herein, considering only directly assignable operating expenses.
4. The increased fares sought herein are justified.

The Commission concludes that the application should be granted.

The fares authorized are in the lower zone of reasonableness and are consistent with the purposes of the Federal Government's economic stabilization program in that applicant's current revenues from its suburban passenger services fail to cover the directly assigned operating costs of providing such service and that such situation will not be changed if the proposed fare increases are granted.

O R D E R

IT IS ORDERED that:

1. Southern Pacific Transportation Company is authorized to establish the increased fares proposed in Application No. 52613.

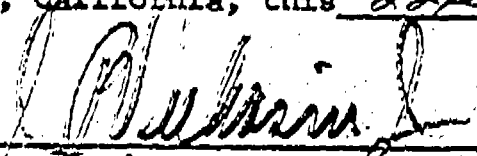
Tariff publications authorized to be made as a result of the order herein shall be filed not earlier than the effective date of this order and may be made effective not earlier than five days after the effective date hereof on not less than five days' notice to the Commission and to the public.

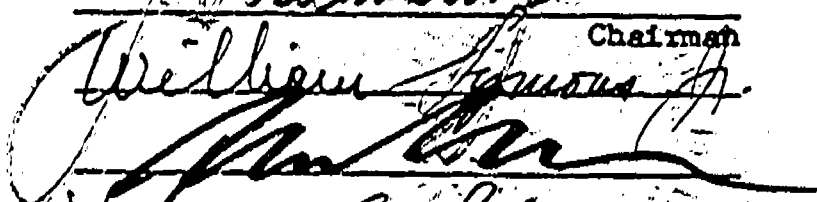
2. The authority granted herein shall expire unless exercised within one hundred and twenty days after the effective date of this order.

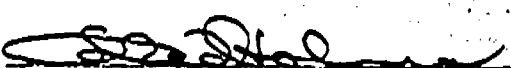
3. Southern Pacific Transportation Company is directed to post and maintain in its passenger cars operated in suburban service on the San Francisco Peninsula and in its depots at San Francisco, San Jose and intermediate stations a notice of the increased fares herein authorized. Said notice shall be 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.

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

Dated at San Francisco, California, this 22nd day of NOVEMBER, 1971.



Chairman


Commissioners


Commissioners

APPENDIX A

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

BETWEEN

San Francisco 3rd St.
 23rd Street
 Paul Avenue
 Bayshore

AND

San Francisco 3rd St.
 23rd Street
 Paul Avenue
 Bayshore

Class of TicketsPresentProposed

One Way
 Round Trip

\$ 0.45
 .90

\$ 0.50
 1.00

ZONE 1

Butler Road
 So. San Francisco
 San Bruno
 Millbrae

One Way
 Round Trip
 Mo. (5-Day Week)
 Monthly
 Weekly
 20-Ride

.80
 1.60
 18.75
 20.25
 5.30
 13.25

.90
 1.80
 21.00
 22.75
 6.00
 15.00

ZONE 2

Broadway
 Burlingame
 San Mateo
 Hayward Park

One Way
 Round Trip
 Mo. (5-Day Week)
 Monthly
 Weekly
 20-Ride

1.00
 2.00
 22.65
 24.55
 6.30
 15.90

1.10
 2.20
 25.00
 27.25
 7.00
 17.85

ZONE 3

Hillsdale
 Belmont
 San Carlos
 Redwood City

One Way
 Round Trip
 Mo. (5-Day Week)
 Monthly
 Weekly
 20-Ride

1.25
 2.50
 26.50
 28.85
 7.30
 17.90

1.40
 2.80
 29.00
 31.75
 8.00
 20.00

ZONE 4

Atherton
 Menlo Park
 Palo Alto
 California Ave.

One Way
 Round Trip
 Mo. (5-Day Week)
 Monthly
 Weekly
 20-Ride

1.55
 3.10
 30.35
 33.10
 8.65
 19.85

1.70
 3.40
 33.00
 36.25
 9.50
 22.00

ZONE 5

Castro
 Mountain View
 Sunnyvale

One Way
 Round Trip
 Mo. (5-Day Week)
 Monthly
 Weekly
 20-Ride

1.80
 3.60
 34.20
 37.75
 9.95
 21.85

2.00
 4.00
 37.00
 41.00
 10.85
 24.10

ZONE 6

Santa Clara
 College Park
 San Jose

One Way
 Round Trip
 Mo. (5-Day Week)
 Monthly
 Weekly
 20-Ride

1.95
 3.90
 37.00
 40.40
 11.30
 23.15

2.15
 4.30
 40.00
 43.75
 12.25
 25.50