

ORIGINAL

Decision No. 53664

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of Southern Pacific
Transportation Company for Authority
to Increase Suburban Fares Between
San Francisco and San Jose and
Intermediate Points Pursuant to
49 U.S.C. § 15a(4).

Application No. 54267
(Filed August 24, 1973)

INTERIM OPINION AND ORDER

The Southern Pacific Transportation Company, applicant, seeks authority to make effective on October 1, 1973 and January 1, 1974, respectively, various increases in its California intrastate suburban passenger fares applicable between San Francisco and San Jose and intermediate points.^{1/}

The purpose of the sought fare increases is to offset similar increases in applicant's San Francisco - Peninsula passenger service expenses which it will experience as a result of upward adjustments in payroll taxes under the Railroad Retirement Tax Act. The increases in suburban fares proposed to become effective on October 1, 1973 and January 1, 1974, respectively, are set forth in Appendix A hereof.

If the sought increases are granted applicant estimates revenues from its San Francisco - Peninsula suburban service will increase by six percent on October 1, 1973 and that this percentage would further increase to approximately eight percent on January 1, 1974. The additional annual gross revenue commencing January 1, 1974, estimated to result from the proposed fare increases, is \$345,000.

^{1/} The increases in fares sought in Application No. 54267 are independent of and in addition to the fare increase sought in Application No. 53666 presently awaiting decision by the Commission.

Applicant explains that the Congress of the United States by recent passage of Public Law 93-69 made certain amendments to Section 15a (Fair Return For Carriers) of the Interstate Commerce Act (49 U.S.C., Section 15a). These amendments are referred to as the Railroad Rate Adjustment Act of 1973 and are reflected in Section 15a(4). Section 15a(4)(d)(A) of the Act provides that carriers may apply to the State authority having jurisdiction over intrastate rate and fare increases for the increased expenses that carriers will incur as a result of any increases in taxes under the Railroad Retirement Act, as amended.^{2/} Section 15a(4)(d)(A) further states that:

" . . . Such State authority may grant an interim rate increase or a final rate increase. If such State authority grants any interim rate increases, it shall thereafter investigate and determine the reasonableness of such increases and modify them to the extent required by applicable law. To the extent that any such interim increases are reduced as a result of the action of a State authority, the carrier or carriers shall make such refunds (in the amount by which the initially increased rate collected exceeds the finally authorized increased rate) as may be ordered by such State authority, plus a reasonable rate of interest as determined by the State authority."

Applicant believes a public hearing in this matter is not necessary. However, should the Commission determine that a public hearing is required, appropriate ex parte interim relief is requested. In support of the sought fare increase applicant has attached several exhibits to its application containing financial and statistical data pertaining to the systemwide and San Francisco - Peninsula passenger operations of Southern Pacific Transportation Company. Applicant's computations of the increase in suburban revenues required to offset a like increase in payroll taxes resulting under the Railroad Rate Adjustment Act of 1973 are:

^{2/} Section 15a(4)(d)(A) requires the State authority to act within 60 days of the carrier filing.

Table 1

Southern Pacific Transportation Company
Increase in Suburban Service Expenses
Resulting Under the Railroad Adjustment
Act of 1973

Line No.	Description (a)	Actual Year 1972 (b)	Estimated 4th Qtr 1973 (c)	Estimated Year 1974 (d)
1.	Suburban service wages			
	a. Charged to operating expenses	\$5,009,208 ^{1/}	\$	\$
	b. Charged to investment (MofW&S)	12,324		
	c. Total wages	5,021,532	1,388,400 ^{2/}	5,791,600 ^{3/}
2.	System ratio of taxable compensation to total compensation	72.87%	76.78%	86.00%
3.	Suburban service compensation subject to retirement taxes (line 1 X line 2)	3,659,190	1,066,000	4,980,800
4.	Retirement tax rate ^{4/}	9.95%	15.35%	15.35%
5.	Suburban service Federal retirement taxes (line 3 X line 4) ^{5/}	364,089	163,700	764,400
6.	Excess of estimated taxes over what the corresponding amount would have been if calculated at the tax base (\$900 maximum) and tax rate (10.60%) in effect prior to October 1, 1973 ^{6/}	-	\$ 63,000	\$ 344,500

1/ Lines 1-5, Exhibit 5, Application No. 53666.

2/ Wage level is 10.9% over 1972 average, after allowing for reduction in trainmen's roster August 1972.

3/ Wage level is 4.0% over 4th quarter of 1973.

4/ Taxable base per employee per month - \$750 in 1972, \$900 in 1973, and \$1,050 in 1974.

5/ Excludes supplemental annuities and unemployment taxes.

6/ Determined by applying to line 1-c the 1972 ratio of retirement taxes to total compensation (7.25%) and deducting line 5-c.

From Table 1 it will be noted that applicant estimates its San Francisco suburban passenger service expenses will increase by \$344,500 for the year 1974 due to increases in railroad retirement taxes. This payroll tax increase is proposed to be offset by an estimated increase of \$345,000 in annual gross revenues contemplated under the sought increases in fares, effective January 1, 1974. To what extent the \$63,000 increase in retirement taxes for the fourth quarter of 1973 would be offset by the proposed suburban fare increases on October 1, 1973 was not specifically demonstrated by applicant. The underlying data supporting the estimated additional overall revenues contemplated under the proposed fare increases were not included in the application.

Applicant states that granting the sought fare increases will have no appreciable effect upon its rate of return. Applicant's Exhibit F attached to the application indicates the 1972 book results of operation for the San Francisco - Peninsula suburban service to be a net loss in excess of \$3,000,000. Applicant's Exhibit G shows the estimated results of its suburban operations for the year 1972 adjusted to reflect the proposed fare levels in the event the Commission grants Application No. 53666 now pending before the Commission. A summary of Exhibit G follows:

Table 2

Southern Pacific Transportation Company
 Estimated Results of Suburban Operations
 Year 1972 Revenues Adjusted to Proposed Fare Level
 Year 1972 Expenses Adjusted to April 1, 1973 Level

Description (a)	1972 Amount (b)	Percent Increase (c)	Amount of Increase (d)	Adjusted Amount (e)
<u>Revenues:</u>				
Passenger Station 1/	\$4,187,748	10.57%	\$442,645	\$4,630,393
	<u>46,644</u>	-	-	<u>46,644</u>
Total Revenues	\$4,234,392		\$442,645	\$4,677,037
<u>Expense:</u>				
Operating expenses	\$6,394,413	8.14%	\$520,505	\$6,914,918
Depreciation 2/	320,087	-	-	320,087
Federal payroll taxes	400,487	19.55%	78,295	478,782
Other taxes	<u>187,319</u>	-	-	<u>187,319</u>
Total Expenses and Taxes	\$7,302,306		\$598,800	\$7,901,106
Equipment trust interest	\$ 123,863	(9.00%)	(\$ 11,148)	\$ 112,715
Grand Total Expenditures	\$7,426,169		\$587,652	\$8,013,821
Net Profit or (Loss)	(\$3,191,777)		(\$145,007)	(\$3,336,784)

1/ Excludes revenue and expenses of parking lots.

2/ Year 1972 results adjusted by eliminating group depreciation charges on older locomotives and passenger cars, and using 1973 ICC rate on gallery cars.

Table 2 indicates that the additional revenue expected to be generated by the proposed level of fares will not have any appreciable effect upon the net operating losses experienced by applicant's San Francisco - Peninsula suburban service. Whether the two fare increases proposed to be made effective on October 1, 1973 and January 1, 1974 will, in fact, do no more than directly offset the like increases in the San Francisco - Peninsula suburban expenses which applicant will incur as a result of increases in taxes under the Railroad Retirement Tax Act has not been clearly demonstrated by applicant's presentation to date. The underlying supporting data for distributing the sought increases over applicant's existing fare structure is also unknown at this time. The additional required evidence should be made the subject of a public hearing in Application No. 54267. Pending such hearing, interim authority to establish the October 1, 1973 schedule of fare increases proposed by applicant for its San Francisco - Peninsula suburban passenger service is justified.

Findings

1. The Southern Pacific Transportation Company's suburban passenger service between San Francisco and San Jose and intermediate points will incur additional operating expenses as of October 1, 1973 and January 1, 1974 as a result of increases in payroll taxes under the Railroad Retirement Tax Act.
2. Applicant has made a prima-facie showing that the present operating results of its San Francisco - Peninsula suburban passenger service reflects net operating losses in excess of three million dollars.
3. The increases in suburban service expenses which applicant will incur as a result of increases in taxes under the Railroad Retirement Tax Act amounts to \$63,000 for the fourth quarter commencing October 1, 1973, and approximately \$345,000 annually thereafter starting January 1, 1974.

4. The railroad retirement payroll tax increases which applicant will experience effective as of October 1, 1973 and January 1, 1974, respectively, are not now reflected in the current level of suburban fares.

5. The sought tax offset fare increases will have no appreciable effect upon applicant's current results of operations for the San Francisco - Peninsula suburban service.

6. The schedule of tax offset fare increases proposed to become effective October 1, 1973 has been shown to be justified on an interim basis pending public hearing for the receipt of evidence relative to Application No. 54267.

7. The interim relief pending public hearing found justified in Finding 6 is in consonance with the statutory mandates set forth in Section 15a(4) of the Interstate Commerce Act and the related provisions of the California Public Utilities Code.

The Commission concludes that the Southern Pacific Transportation Company should be granted interim authority to establish the schedule of tax offset fare increases proposed to become effective October 1, 1973, pending public hearing of Application No. 54267. The interim authority should be made subject to the refund provisions specified in the order herein.

IT IS ORDERED that:

1. The Southern Pacific Transportation Company is authorized to establish the schedule of increases in fares proposed to become effective October 1, 1973 in Application No. 54267. 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. All rates increased pursuant to the authority contained in this order shall be subject to a refund provision which shall read substantially as follows:

In the event any increases resulting from the application of these rates exceed increases subsequently approved or prescribed by the California Public Utilities Commission the difference between the increase resulting from the application of these rates and any increase which may subsequently be approved by the California Public Utilities Commission will be refunded with 4 percent interest.

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

4. A public hearing shall be scheduled in this proceeding for the receipt of evidence on this application and full disposition thereof.

5. The Southern Pacific Transportation Company is hereby directed to post and maintain in its passenger cars operated on its local San Francisco - Peninsula suburban service and in its depots at San Francisco, San Jose, and intermediate stations, a notice of the increased fares authorized herein pending public hearing of Application No. 54267. 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 the date hereof.

Dated at Los Angeles, California, this 16th day of OCTOBER, 1973.

Vernon L. Johnson
President
William J. Lyons

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

Commissioner D. W. Holmes, being necessarily absent, did not participate in the disposition of this proceeding.

[Signature]

Commissioners

APPENDIX A
Page 1 of 6

SCHEDULE OF INCREASES PROPOSED TO BECOME EFFECTIVE OCTOBER 1, 1973

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

<u>AND</u>	<u>Class of Tickets</u>						
S.F. 3rd St. 23rd St. Paul Avenue Bayshore	One Way Round Trip	\$0.05 .10					
<u>ZONE 1</u>			<u>ZONE 1</u>				
Butler Road	One Way Round Trip	.05 .10	<u>\$0.05</u> .10				
So. S.F. San Bruno Millbrae	Mo. (5-Day Wk.) Monthly Weekly 20-Ride Family	1.25 1.50 .40 1.10	- 1.25 .35 .95				
<u>ZONE 2</u>			<u>ZONE 2</u>				
Broadway	One Way Round Trip	.05 .10	.05 .10	<u>\$0.05</u> .10			
Burlingame San Mateo Hayward Park	Mo. (5-Day Wk.) Monthly Weekly 20-Ride Family	1.50 1.75 .45 1.25	- 1.50 .40 1.10	- 1.25 .35 .95			
<u>ZONE 3</u>			<u>ZONE 3</u>				
Hillsdale	One Way Round Trip	.05 .10	.05 .10	.05 .10	<u>\$0.05</u> .10		
Belmont San Carlos Redwood City	Mo. (5-Day Wk.) Monthly Weekly 20-Ride Family	1.75 2.00 .50 1.40	- 1.75 .45 1.25	- 1.50 .40 1.10	- 1.25 .35 .95		
<u>ZONE 4</u>			<u>ZONE 4</u>				
Atherton	One Way Round Trip	.10 .20	.05 .10	.05 .10	.05 .10	<u>\$0.05</u> .10	
Menlo Park Palo Alto California Ave.	Mo. (5-Day Wk.) Monthly Weekly 20-Ride Family	2.00 2.25 .60 1.55	- 2.00 .50 1.40	- 1.75 .45 1.25	- 1.50 .40 1.10	- 1.25 .35 .95	
<u>ZONE 5</u>			<u>ZONE 5</u>				
Castro	One Way Round Trip	.10 .20	.10 .20	.05 .10	.05 .10	.05 .10	<u>\$0.05</u> .10
Mountain View Sunnyvale	Mo. (5-Day Wk.) Monthly Weekly 20-Ride Family	2.25 2.50 .65 1.70	- 2.25 .60 1.55	- 2.00 .50 1.40	- 1.75 .45 1.25	- 1.50 .40 1.10	- 1.25 .35 .95
<u>ZONE 6</u>			<u>ZONE 6</u>				
Santa Clara	One Way Round Trip	.10 .20	.10 .20	.10 .20	.05 .10	.05 .10	.05 .10
College Park San Jose	Mo. (5-Day Wk.) Monthly Weekly 20-Ride Family	2.50 2.75 .70 1.85	- 2.50 .65 1.70	- 2.25 .60 1.55	- 2.00 .50 1.40	- 1.75 .45 1.25	- 1.50 .40 1.10

APPENDIX A
Page 2 of 6

STUDENT FARES

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

<u>AND</u>	<u>Class of Tickets</u>	<u>ZONE 1</u>					
ZONE 1	Monthly	\$1.00	\$0.80				
	Weekly	.30	.25				
ZONE 2	Monthly	1.15	1.00	<u>ZONE 2</u>			
	Weekly	.35	.30	\$0.80	.25		
ZONE 3	Monthly	1.30	1.15	1.00	<u>ZONE 3</u>		
	Weekly	.40	.35	.30	\$0.80	.25	
ZONE 4	Monthly	1.45	1.30	1.15	1.00	<u>ZONE 4</u>	
	Weekly	.45	.40	.35	.30	\$0.80	.25
ZONE 5	Monthly	1.65	1.45	1.30	1.15	1.00	<u>ZONE 5</u>
	Weekly	.50	.45	.40	.35	.30	\$0.80
ZONE 6	Monthly	1.85	1.65	1.45	1.30	1.15	1.00
	Weekly	.55	.50	.45	.40	.35	.30
						<u>ZONE 6</u>	
						\$0.80	
						.25	

Stations located in each zone will be the same as shown on Page 1.

APPENDIX A
Page 3 of 6

SCHEDULE OF INCREASES PROPOSED TO BECOME EFFECTIVE JANUARY 1, 1974

<u>BETWEEN</u>		San Francisco 3rd St. 23rd Street Paul Avenue Bayshore					
<u>AND</u>	<u>Class of Tickets</u>						
S.F. 3rd St. 23rd Street Paul Avenue Bayshore	One Way Round Trip	- -					
<u>ZONE 1</u>			<u>ZONE 1</u>				
Butler Road	One Way Round Trip	- -	- -				
So. S.F.	Mo. (5-Day Wk.)	\$0.60	-				
San Bruno	Monthly	.70	.60				
Milbrae	Weekly	.20	.15				
	20-Ride Family	.50	.45				
<u>ZONE 2</u>				<u>ZONE 2</u>			
Broadway	One Way Round Trip	- -	- -	- -			
Burlingame	Mo. (5-Day Wk.)	.70	-	-			
San Mateo	Monthly	.80	.70	.60			
Hayward Park	Weekly	.20	.20	.15			
	20-Ride Family	.55	.50	.45			
<u>ZONE 3</u>					<u>ZONE 3</u>		
Hillsdale	One Way Round Trip	- -	- -	- -	- -		
Belmont	Mo. (5-Day Wk.)	.80	-	-	-		
San Carlos	Monthly	.90	.80	.70	.60		
Redwood City	Weekly	.25	.20	.20	.15		
	20-Ride Family	.60	.55	.50	.45		
<u>ZONE 4</u>						<u>ZONE 4</u>	
Atherton	One Way Round Trip	- -	- -	- -	- -	- -	
Menlo Park	Mo. (5-Day Wk.)	.90	-	-	-	-	
Palo Alto	Monthly	1.00	.90	.80	.70	.60	
California Ave.	Weekly	.25	.25	.20	.20	.15	
	20-Ride Family	.70	.60	.55	.50	.45	
<u>ZONE 5</u>							<u>ZONE 5</u>
Castro	One Way Round Trip	- -	- -	- -	- -	- -	- -
Mountain View	Mo. (5-Day Wk.)	1.00	-	-	-	-	-
Sunnyvale	Monthly	1.15	1.00	.90	.80	.70	.60
	Weekly	.30	.25	.25	.20	.20	.15
	20-Ride Family	.75	.70	.60	.55	.50	.45
<u>ZONE 6</u>							<u>ZONE 6</u>
Santa Clara	One Way Round Trip	- -	- -	- -	- -	- -	- -
College Park	Mo. (5-Day Wk.)	1.10	-	-	-	-	-
San Jose	Monthly	1.25	1.10	1.00	.90	.80	.70
	Weekly	.30	.30	.25	.25	.20	.20
	20-Ride Family	.80	.75	.70	.60	.55	.50

APPENDIX A
Page 4 of 6

STUDENT FARES

BETWEEN

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

<u>AND</u>	<u>Class of Tickets</u>							
ZONE 1	Monthly	\$0.40	<u>ZONE 1</u> \$0.30					
	Weekly	.10	.10					
ZONE 2	Monthly	.50	.40	<u>ZONE 2</u> \$0.30				
	Weekly	.15	.10	.10				
ZONE 3	Monthly	.60	.50	.40	<u>ZONE 3</u> \$0.30			
	Weekly	.15	.15	.10	.10			
ZONE 4	Monthly	.65	.60	.50	.40	<u>ZONE 4</u> \$0.30		
	Weekly	.20	.15	.15	.10	.10		
ZONE 5	Monthly	.75	.65	.60	.50	.40	<u>ZONE 5</u> \$0.30	
	Weekly	.20	.20	.15	.15	.10	.10	
ZONE 6	Monthly	.85	.75	.65	.60	.50	.40	<u>ZONE 6</u> \$0.30
	Weekly	.25	.20	.20	.15	.15	.10	.10

Stations located in each zone will be the same as shown on Page 3.

APPENDIX A
Page 5 of 6

OCTOBER 1, 1973, AND JANUARY 1, 1974, INCREASES COMBINED

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

<u>AND</u>	<u>Class of Tickets</u>						
S.F. 3rd St.	One Way	\$0.05					
23rd Street	Round Trip	.10					
Paul Avenue							
Bayshore							
<u>ZONE 1</u>			<u>ZONE 1</u>				
Butler Road	One Way	.05	\$0.05				
	Round Trip	.10	.10				
So. S.F.	Mo. (5-Day Wk.)	1.85	-				
San Bruno	Monthly	2.20	1.85				
Millbrae	Weekly	.60	.50				
	20-Ride Family	1.60	1.40				
<u>ZONE 2</u>			<u>ZONE 2</u>				
Broadway	One Way	.05	.05	\$0.05			
	Round Trip	.10	.10	.10			
Burlingame	Mo. (5-Day Wk.)	2.20	-	-			
San Mateo	Monthly	2.55	2.20	1.85			
Hayward Park	Weekly	.65	.60	.50			
	20-Ride Family	1.80	1.60	1.40			
<u>ZONE 3</u>			<u>ZONE 3</u>				
Hillsdale	One Way	.05	.05	.05	\$0.05		
	Round Trip	.10	.10	.10	.10		
Belmont	Mo. (5-Day Wk.)	2.55	-	-	-		
San Carlos	Monthly	2.90	2.55	2.20	1.85		
Redwood City	Weekly	.75	.65	.60	.50		
	20-Ride Family	2.00	1.80	1.60	1.40		
<u>ZONE 4</u>			<u>ZONE 4</u>				
Atherton	One Way	.10	.05	.05	.05	\$0.05	
	Round Trip	.20	.10	.10	.10	.10	
Menlo Park	Mo. (5-Day Wk.)	2.90	-	-	-	-	
Palo Alto	Monthly	3.25	2.90	2.55	2.20	1.85	
California Av.	Weekly	.85	.75	.65	.60	.50	
	20-Ride Family	2.25	2.00	1.80	1.60	1.40	
<u>ZONE 5</u>			<u>ZONE 5</u>				
Castro	One Way	.10	.10	.05	.05	.05	\$0.05
	Round Trip	.20	.20	.10	.10	.10	.10
Mountain View	Mo. (5-Day Wk.)	3.25	-	-	-	-	-
Sunnyvale	Monthly	3.65	3.25	2.90	2.55	2.20	1.85
	Weekly	.90	.85	.75	.65	.60	.50
	20-Ride Family	2.45	2.25	2.00	1.80	1.60	1.40
<u>ZONE 6</u>			<u>ZONE 6</u>				
Santa Clara	One Way	.10	.10	.10	.05	.05	.05
	Round Trip	.20	.20	.20	.10	.10	.10
College Park	Mo. (5-Day Wk.)	3.60	-	-	-	-	-
San Jose	Monthly	4.00	3.60	3.25	2.90	2.55	2.20
	Weekly	1.05	.95	.85	.75	.65	.60
	20-Ride Family	2.65	2.45	2.25	2.00	1.80	1.60

APPENDIX A
Page 6 of 6

STUDENT FARES

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

<u>AND</u>	<u>Class of Tickets</u>							
			<u>ZONE 1</u>					
ZONE 1	Monthly	\$1.40	\$1.10					
	Weekly	.40	.35					
				<u>ZONE 2</u>				
ZONE 2	Monthly	1.65	1.40	\$1.10				
	Weekly	.50	.40	.35				
					<u>ZONE 3</u>			
ZONE 3	Monthly	1.90	1.65	1.40	\$1.10			
	Weekly	.55	.50	.40	.35			
						<u>ZONE 4</u>		
ZONE 4	Monthly	2.10	1.90	1.65	1.40	\$1.10		
	Weekly	.65	.55	.50	.40	.35		
							<u>ZONE 5</u>	
ZONE 5	Monthly	2.40	2.10	1.90	1.65	1.40	\$1.10	
	Weekly	.70	.65	.55	.50	.40	.35	
								<u>ZONE 6</u>
ZONE 6	Monthly	2.70	2.40	2.10	1.90	1.65	1.40	\$1.10
	Weekly	.80	.70	.65	.55	.50	.40	.35

Stations located in each zone will be the same as shown on Page 5.