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Decision 91-12-048 December 18, 1991

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of State of California)
 Department of Transportation for an)
 Order Permitting the Southern)
 Pacific Transportation Company to)
 Increase Passenger Fares Between)
 San Francisco, San Jose, and)
 Intermediate Points, to Impose a)
 Surcharge of \$1.00 (One Dollar) for)
 Tickets Purchased on Board Where)
 Stations are Open.)

ORIGINAL

Application 91-05-057
(Filed May 29, 1991)

Joseph A. Montoya, for California Department
 of Transportation, applicant.
James J.P. Jones, Ed Adams, and Mike
 Anderson, for United Transportation Union,
 interested party.
James Quinn, Attorney at Law, for the Commission.

OPINION

On May 29, 1991, the California Department of Transportation (Caltrans) made application to this Commission for an increase in several fares for transportation on Southern Pacific Transportation Company's (SP) Peninsula Line, which runs between San Francisco and San Jose with intermediate stops. The service for which the fare increases were sought is primarily a commuter service operated by SP under a contract with Caltrans and is commonly referred to as Caltrain. In addition to the fare increases, Caltrans sought an increase in fees for parking in station parking lots, increase in the monetary penalty for purchasing a ticket on board a train when the ticket could have been purchased at a station, and elimination of the weekly ticket.

In Decision (D.) 91-09-028 dated September 6, 1991, the Commission granted the requested changes with the exception of elimination of the weekly ticket, and with the deletion from a filed tariff of language which the Commission felt misstated SP's common carrier obligations with respect to passenger service on the Peninsula Line. With respect to the weekly ticket issue, the Commission found that there was no convincing evidence at that time to support the request for elimination of the weekly ticket and ordered a further public hearing to be held as soon as possible limited to the issue of the elimination of the weekly ticket.

The tariff deletion is not at issue in this proceeding; thus, the only matter to be determined is whether Caltrans may eliminate the weekly ticket as an option available to travelers on Caltrain.

A duly noticed public hearing was held before Administrative Law Judge Robert L. Ramsey on October 7, 1991. At that hearing, Caltrans appeared by counsel, the Commission's Transportation Division appeared by counsel, and the United Transportation Union appeared through its lay representatives. A witness testified on behalf of Caltrans and was subject to cross-examination by the other parties, documents were marked and received in evidence, and each party's representative was afforded the opportunity to make an opening statement and closing argument. Following closing arguments by the various parties, letters opposing the elimination of the weekly ticket were received from Peninsula Rail 2000, a ridership group, and from Caltrain Citizens Advisory Committee (CCAC), a committee created by Caltrans in 1984 to act as liaison between Caltrain ridership and Caltrans Management and to serve in an advisory capacity on matters of marketing, customer service, and long-range planning. CCAC's position in opposing elimination of the weekly ticket is that the widest possible range of ticketing options should be made available as it contributes to the appeal of Caltrain as a transit option.

In addition, letters from several individual members of the public urging retention of the weekly ticket were received. At the completion of the hearing, the matter was submitted.

Discussion

Testimony at the hearing indicates that at the present time approximately 3% of the total ridership on Caltrain utilize the weekly ticket (see also Exhibit 2). This ticket is valid for a one-week period commencing 12:01 a.m., on Sunday, and terminating at midnight the following Saturday and may be purchased up to 3 weeks in advance of its validation date only at stations. It is, in common parlance, a "flash pass" which is shown to, but not punched or collected by the train conductor, and is good for unlimited rides between stations or zones designated on the pass during its valid period. It is a deeply discounted ticket (current cost is 7 times the applicable one-way fare) which appeals to its users because of its relatively low cost, ease of use, and flexibility and, according to the conductor's union, appeals to conductors because it is simple to check, requires no collecting, punching, or any other servicing, and for those reasons, provides additional time for the conductors to perform those duties on other types of tickets which require such servicing. It is for these reasons that the conductors, through their union representative, also urge retention of this class of ticket.

If the weekly ticket were to be used for a single round trip between the stations designated on the ticket each day for the full life of the ticket (7 days), the cost of transportation would be 50% less than if 14 individual one-way tickets between the same stations were used. Even if utilized only to commute to and from work (one round trip per day) during a 5-day workweek, the total cost would reflect a 30% discount from 10 one-way fares. Obviously, the more this ticket is used, the greater the discount will be and the greater the savings realized.

In 1988-89, a comprehensive fare structure review was undertaken by Caltrans preparatory to a fare increase request at that time, and that review culminated in a Final Report dated June 1989 (Exhibit 1). According to that report, one of the alternatives considered at that time was the elimination of the weekly ticket (Exhibit 1, pp. 4-6). After consideration of that and other possible alternatives, it was decided that elimination of the weekly ticket was not the most favorable alternative at that time.

According to the 1989 report (chart facing p. 47), as of the date of the report (June 1989), fully 6.7% of the total ridership utilized the weekly ticket. If we add the then existing 0.6% student weekly ticket ridership to this category, the ridership utilizing some form of weekly ticket in 1988-89 amounted to 7.3% of the total ridership on Caltrain.

As noted above, currently only 3% (approximately) of the total ridership utilize the weekly ticket. The reason for this apparent 55 to 59% (depending upon whether the 1988-89 figure utilized for comparison is 6.7% or 7.3%) decline in the use of the weekly ticket is not fully understood, nor was it conclusively demonstrated at the hearing. A comparison of the percentage of ridership utilizing various types of tickets in 1988-89 and that in 1991 may, however, shed some light on this question. According to the 1989 study (Exhibit 1, chart facing p. 47), single trips constituted 29.5% of the then total ridership. In 1991 that figure had increased to 35% (Exhibit 2). Thus, the percentage of those utilizing multi-ride tickets declined from 70.5% in 1988-89 to 65% in 1991. The multi-trip breakdown for these two periods is as follows:

<u>Ticket type</u>	<u>1988-89</u>	<u>1991</u>
Monthly	55.2%	53%
Weekly	6.7%	3%
20-Ride	4.1%	5%
Student Weekly	0.6%	N/A
Student Monthly	3.9%	N/A
Youth Monthly	N/A	4%
TOTAL	70.5%	65%

An "across the board" decline totalling 5.5% would not account for the entire decrease in weekly ridership, and it is unlikely that the entire decline in multi-trip ridership was confined to the weekly ticket category. Thus, the specific reason(s) for the shift in type of ticket used by the ridership in general and in weekly ticket ridership in particular remains somewhat of a mystery. In any event, whatever the cause, the available evidence does indicate that the weekly ticket option has suffered a dramatic decline in usage since 1989. The question then becomes is elimination of the weekly ticket now justified?

The main reasons given for Caltrans' current desire to eliminate the weekly fare are: (1) As currently priced, the weekly ticket is unfair to or discriminates against other ticket classes, (2) the weekly ticket is "cumbersome", and (3) the weekly ticket serves no market need.

The first main reason postulated by Caltrans is only partially supported. If we assume one-round trip per day on normal business days, the discount rates calculate as follows: Weekly ticket: 30% based on stated cost of 7 times the one-way fare divided by the number of trips ($7 \div 10 = 70\%$ of cost of 10 one-way fares); 20 ride ticket: 15% based on stated cost of 17 times the one-way fare divided by the number of trips ($17 \div 20 = 85\%$ of cost of 20 one-way fares); and Monthly ticket: 40% based on stated cost of 26.5 times the one-way fare divided by the number of trips ($26.5 \div 44$ [22 business days/month] = 60% of cost of 44 one-way fares).

If multiple trips per day or week are taken by holders of weekly or monthly passes, the discount rate increases proportionately as the cost remains the same while the number of trips increases.

Using our first set of assumptions, the weekly ticket would discriminate against the 20-trip ticket because the discount for the weekly ticket (30%) is greater than that of the 20 trip (15%), but would not discriminate against the monthly ticket because the discount for the weekly ticket (30%) is less than that for the monthly ticket(40%). If multiple daily use of the weekly and monthly tickets occurs, the weekly ticket will still discriminate against the 20-trip ticket because the discount of the weekly ticket will increase proportionate to the increase in use, but may or may not discriminate against the monthly ticket depending upon usage.

The second main reason given by Caltrans for desiring to discontinue the weekly ticket - it's cumbersome - likewise does not stand up to scrutiny. Eric Schatmeier, Caltrans' Manager of Management and Marketing, testified that present and contemplated Caltrain ticket machines are configured to be capable of handling [presumably validate and dispense] weekly ticket stock as well as other types of machine dispensed tickets. Weekly ticket stock is readily available from Caltrans' supplier. The ticket may be purchased only at stations, thus no mailing expense to Caltrans is involved. Being a "flash pass" it requires little on board servicing. In short, there is nothing in the record that would lead one to conclude that this type of ticket is "cumbersome".

The third reason given by Caltrans in support of elimination of the weekly ticket--that it serves no market need--is open to question. As noted above, evidence presented at the hearing (Exhibit 2) indicates that approximately 3% of the total Caltrain ridership utilizes the weekly ticket. To say that it serves no market need is misleading. It clearly serves a small, but apparently loyal percentage of Caltrain's total market. One

can only speculate what the market would be if Caltrans promoted this ticket through a vigorous media campaign directed at out of town business people who were in town for only a week, and who preferred a hotel in one city, such as San Francisco, and did their business in another city along the Caltrain route, such as in the "Silicon Valley". Caltrans has not chosen to do so, however, and any growth of this segment of the market would, in all probability, be dependent upon word-of-mouth advertising.

Mr. Schatmeier did testify that one of the things that motivated Caltrans to seek elimination of the weekly ticket was the desire to "streamline" Caltrans' operation by making fewer ticket options available to the riding public. If this is true, and we have no reason to believe it is not, then there is some merit to the argument. Fewer available ticket options means that fewer different types of ticket stock must be purchased, processed, and accounted for with resultant savings at all levels which presently deal with such tickets. In addition, elimination of the weekly ticket will force current users to purchase other, less heavily discounted, multi-trip tickets, or compel them to resort to purchase of the least economical alternative--single trip tickets.

Elimination of the weekly ticket option, while increasing revenue by forcing some riders to go to a lower discount fare option, does have a negative side. Not all present weekly ticket users can be expected to switch to another type of ticket. Instead, some would switch to another mode of transportation. Presumably not all current weekly ticket patrons would desert Caltrans, but even if everyone did, it would constitute no more than a 3% loss of business. Caltrans argues that, at most, only 3% of its total ridership would be affected, and because this percentage is so small, elimination of the weekly ticket is not contrary to the public interest.

It has long been the established policy of the Commission to "paint with a broad brush" when it comes to matters concerning

management decisions within a utility. We are not desirous of running utilities on a day-to-day basis, nor do we wish to engage in micro management to the extent of "second guessing" individual business decisions. To the contrary, in matters affecting a relatively few consumers, in a relatively minor way, resulting in little overall impact on the general public, the Commission believes it best to maintain an oversight role and allow utility managers the widest discretion possible in exercising their individual expertise, the power of their offices, and in making ordinary business decisions.

Caltrans has suggested that, while in the exercise of its best business judgment, elimination of the weekly ticket is the best solution, as an alternative, the Commission could order the retention of the weekly ticket but grant a substantial fare increase. While we clearly recognize we have this option, we choose to reject it. First, while Caltrans suggests that an increase in the 23% range would be appropriate, there is insufficient financial data in the record concerning the weekly ticket upon which to calculate any such increase. Second, we choose to refrain from substituting our judgment for that of Caltrans management.

In the final analysis, on the facts of this case, the decision whether to eliminate the weekly fare is a simple business decision. Each side of the equation has pluses and minuses, and they appear to roughly balance. Whatever decision is made will affect relatively few consumers and have relatively little overall economic impact. In this case, we believe the most prudent course of action is to honor management's business decision and allow Caltrans to discontinue the weekly ticket. If the future proves both Caltrans and this Commission to have been imprudent in following that course of action, Caltrans may apply for reinstatement of this type ticket.

Findings of Fact

1. Approximately 3% of the ridership of the commuter rail service (Caltrain) operated by the California Department of Transportation (Caltrans) over Southern Pacific Transportation Company's Peninsula Line utilize the weekly ticket option.
2. Caltrans desires to eliminate the weekly ticket.
3. Elimination of the weekly ticket will force some riders to purchase tickets having less of a discount than the weekly ticket, resulting in somewhat higher commuting costs for those riders.
4. Elimination of the weekly ticket will result in an unknown number of riders switching to other modes of transportation.
5. Elimination of the weekly ticket will result in some monetary savings to Caltrans through a reduced need to purchase multiple types of ticket stock.
6. There is no compelling public interest reason to either retain or eliminate the weekly ticket.
7. Caltrans should be allowed to discontinue the weekly ticket on Caltrain.

Conclusions of Law

1. The elimination of the weekly ticket on Caltrain will not adversely affect the public interest in any significant way.
2. The application for elimination of the weekly ticket on Caltrain should be granted.
3. Because the elimination of the weekly ticket will have minimal impact upon the general ridership on Caltrain, this order should be effective today.

ORDER

IT IS ORDERED that the application for elimination of the weekly ticket on Caltrain is granted.

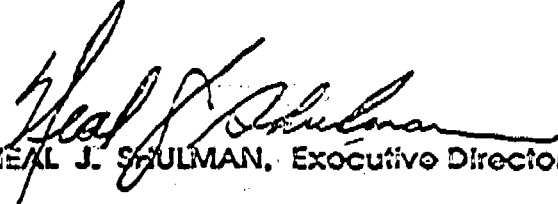
This order is effective today.

Dated December 18, 1991, at San Francisco, California.

I CERTIFY THAT THIS DECISION
WAS APPROVED BY THE ABOVE
COMMISSIONERS TODAY

PATRICIA M. ECKERT
President
JOHN B. OHANIAN
DANIEL Wm. FESSLER
NORMAN D. SHUMWAY
Commissioners

PS


NEAL J. SHULMAN, Executive Director