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# Future Public Transportaion Plans in the San Francisco/San Jose Corridor Including Implementation of AB 1853

Assembly Committee on Transportation

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TRANSCRIPT OF PROCEEDINGS  
PUBLIC HEARING BEFORE THE  
ASSEMBLY COMMITTEE ON TRANSPORTATION

December 2, 1977

Council Chambers  
San Jose City Hall  
First & Mission Streets  
San Jose, California

**FUTURE PUBLIC TRANSPORTATION PLANS IN THE  
SAN FRANCISCO / SAN JOSE CORRIDOR  
INCLUDING IMPLEMENTATION OF AB 1853**



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# California Legislature

## Assembly Committee on Transportation

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FUTURE PUBLIC TRANSPORTATION PLANS IN THE SAN FRANCISCO/  
SAN JOSE CORRIDOR INCLUDING IMPLEMENTATION OF AB 1853

San Jose, California

December 2, 1977

78-4-369

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CHAIRMAN WALTER M. INGALLS: The meeting has started. I want the record to reflect the Chairman was here at 9:28 a.m. and was prepared to conduct this hearing at 9:30 a.m. and all the witnesses were here and Mr. Calvo was here. Unfortunately Mr. Papan is not with us yet but I understand he's driving here and knowing Mr. Papan's driving habits, he will be here very soon I'm sure. If the people on the morning's panel could come forward, I would appreciate it; then I'm going to do a ritual. It's called the opening statement. Mr. Jack Beckett is here; Alan DeMoss from Southern Pacific; Ron Pinto, Staff Counsel to the PUC; John Mauro, General Manager of Sam Trans; George Williams, Assistant Director of Planning for San Francisco representing Mr. John Wentz; and the Honorable Rodney Diridon, Supervisor, Santa Clara County Board of Supervisors. Hopefully, Rodney will join us soon. I'm sure whatever he's doing is more important than being here and we shall treat his eminent arrival with that same attitude.

This morning the Committee is in San Jose to explore the reasons behind Southern Pacific's threatened abandonment of the commuter rail service between San Jose and San Francisco, which I understand is of certain importance to some people in the Peninsula area. Quite a bit of effort and funds have been devoted to planning and improving transportation in this corridor. Central to these efforts is the continuation of the commuter rail service. Its discontinuance

can only be disruptive to the users of all modes of transportation in the corridor. I understand there are people who do want to leave San Jose from time to time.

And yet this area seems perilously close to losing this service. Final jurisdiction in this matter has now passed to the Interstate Commerce Commission from the Public Utilities Commission. The Committee wants to know why this situation has been allowed to escalate to this point and whether or not appropriate actions are being taken to prevent this loss.

We want to know why the Southern Pacific has continued to pursue abandonment knowing that public funds are available to cover its operating deficits. We also want to know what level of priority local communities place on this service and what actions are being taken by local agencies to implement Assemblyman Lou Papan's AB 1853 which was enacted during the last legislative session.

This bill authorized San Francisco and the transit districts of San Mateo and Santa Clara Counties to make bulk purchases of passenger tickets from Southern Pacific and Greyhound for resale to residents at discount prices. It also authorized the use of Transportation Development Act funds for subsidy of Southern Pacific's losses.

The Legislature is very interested in the resolution of this issue. Our involvement in the past through creation of transit districts in San Mateo and Santa Clara Counties, through funding of the Peninsula Transit Alternatives Project and through passage of AB 1853 to implement recommendations of this study, has been to provide the necessary legal framework for state and local action. It is my hope that this hearing will further our understanding of

current events in this area and suggest avenues for resolution of this issue.

We are very fortunate to have with us this morning some very capable and competent people to participate on our panel. I've chosen the panel format for the morning portion of today's hearing to encourage the presentation and discussion of the divergent views held by those who are most responsible for transportation on the Peninsula. I would like to thank each of the panel members in advance for taking the time to come here and be with us this morning and to help us with our deliberations.

This afternoon, Mr. Frank Herringer, General Manager of BART, will present BART's plans for service extensions and testimony will also be taken from the California Department of Transportation and from local communities.

Before I introduce the panel and proceed with the hearing, I would like to ask each of the Committee members present to limit their questions to panel members so that we may reserve as much time as possible for the actual interaction of the panel members. We are, in addition to staff which is here, we are two. Nosotros somos dos. Myself, I'm from Riverside, California, which is in the southern part of the state. It's famous because it's the county seat of the county in which Palm Springs is located, which indicates to you that I come here as a somewhat neutral party; and we have also with us a former supervisor of Santa Clara County and a very good friend and colleague of mine and a member of this Committee, Mr. Vic Calvo, who is also an Assemblyman from this area and is Chairman of the Committee on Natural Resources, Land Use, Energy, and anything that

moves or something like that. It's a pleasure to be here this morning. San Jose is a lovely place to come and visit and we are enjoying our visit here. We have with us a very distinguished panel, as I mentioned earlier, of some gentlemen who I think will add a great deal to our knowledge of what's going on here.

First we have Mr. John Beckett, who is Commissioner of the Metropolitan Transportation Commission, the Commission which has the responsibility for resolution of these kinds of issues, at least we like to think they do, Mr. Alan DeMoss, who is Vice President of the Southern Pacific Railroad Company and who is, I understand, an expert witness on matters relating to the Peninsula corridor, Mr. Rod Pinto, who is Staff Counsel for the Public Utilities Commission representing President Batinovich and the membership of that Commission, Mr. John Mauro, who is General Manager of the San Mateo County Transit District and a man who has appeared before our Committee before, Mr. George Williams, Assistant Director of Planning for the City of San Francisco and is representing, I believe, Mr. Wentz and the people of San Francisco and the mayor of that city, our former colleague and friend, George Moscone. We also have with us the Honorable Rodney Diridon, Supervisor of the Santa Clara County Board of Supervisors, who in addition to his duties as a member of the Board of Supervisors is becoming a regular before this Committee and giving testimony before this Committee. It's a pleasure to have you all here this morning. Why don't we, in that order, make a statement. If you have any statements that you want to make for the record as to what your various and respective positions are concerning this controversy starting with Mr. Beckett and then perhaps



we can develop some kind of interaction. I for one find it, and I must preface his, as an outsider, I don't live in this area....oh, here comes the star of the show. The last time we had a hearing on this railroad, is it train? The trains are running late and Mr. Papan got his picture on the cover, on the front page of the Examiner, was it?

ASSEMBLYMAN LOUIS PAPAN: It was a very newsworthy item.

CHAIRMAN INGALLS: Yes, yes. We have with us the Chairman of the Rules Committee, a senior member of the House, and a man who is most interested in the Southern Pacific corridor because he has constituents who are served by it and he also has a long interest in transportation having been on this Committee many years, the Honorable Lou Papan from San Mateo.

ASSEMBLYMAN PAPAN: Thank you, Mr. Chairman.

CHAIRMAN INGALLS: I for one find it interesting that we do have a great deal of funds in this area, TDA funds in the Bay Area, especially in the counties affected. I note that Santa Clara has a significant amount of money, that it has now coming in this half cent sales tax. We do have revenues that are available for subsidies if the subsidies are necessary and again that's a determination that really should be made between the Southern Pacific Railroad and the PUC as to exactly what the profitability posture is and how much deficit there is; but once we determine that, I'm concerned that if we do have a deficit that we either raise the revenues, and that's the PUC's province to grant rate increases and if we don't have the rates that cover the cost of this service that we find some way to get some public subsidy. If it is important -- I don't come from

here and no one's going to write me any nasty letters or camp out on my doorstep if SP abandons this rail corridor, but I assume there are a great many elected officials who would have a tremendous amount of feedback from their constituents if this were to happen. I don't want it to happen, but I would think it behooves all of the people in this area, both elected officials and the people they represent, especially those who are the commuters, to reach some sort of resolution of this problem and we look to you, Mr. Beckett, and the Metropolitan Transportation Commission, a creature of the Legislature, hopefully a viable creature, not a moribund creature, to give us some direction. Mr. Beckett.

MR. JOHN BECKETT: Thank you, Mr. Chairman and members of the Committee. First, let me say I have a prepared statement which I would like to leave with you.

CHAIRMAN INGALLS: Mr. Beckett, before we do that, can we have Mr. Gage up here some place? Nat, could you come up since you have a certain expertise to add as a staff person. I know Mr. Beckett is like myself who's in the public who has built up expertise in this area and I'd like to ask Mr. Gage if we could ask him to answer questions if it's at all possible.

MR. BECKETT: Thank you, Mr. Chairman. I think that's an excellent idea.

CHAIRMAN INGALLS: Please go ahead.

MR. BECKETT: With the help of Mr. Gage and other members of the MTC staff, we have a prepared statement in some detail.

CHAIRMAN INGALLS: Thank you.

MR. BECKETT: I obviously will not burden you with reading

it. It's much too long for that. I have a short statement I would like to make if I may.

CHAIRMAN INGALLS: Please.

MR. BECKETT: First, for the record, my name is Jack Beckett. I am a Commissioner on the Metropolitan Transportation Commission, known as MTC. I became an MTC Commissioner in 1971 when the Santa Clara County Board of Supervisors appointed me to represent the County on the Commission. I was elected Vice Chairman and served in that capacity until September of 1973 when I was elected Chairman, a position I held for three years. This Commission established the PENTAP Committee in 1975. That's the Peninsula Transit Alternatives Study Project, and requested that I serve as its Chairman.

I appear here today at the request of MTC's current Chairman, Louise P. Giersch, and in response to the concern expressed by this Committee over the status of the plan to implement the provisions of Assembly Bill 1853, and also the future of the transportation systems in the Westbay Corridor of the San Francisco Bay.

As you are aware, MTC is one of the protestants to the application that the Southern Pacific Transportation Company has filed with the State Public Utilities Commission for discontinuance of their Peninsula commute rail service between San Francisco and San Jose.

On October 21, 1977, and again on November 14, I presented testimony in the hearing being conducted in this matter and in support of MTC's position opposing this application.

My testimony in the PUC hearing can be summarized as follows:

(1) The Southern Pacific rail service between San Francisco

and San Jose is a vital part of the regional transportation system, and this transportation system is very important to the people of this region.

(2) The Metropolitan Transportation Commission, therefore, by its Resolution No. 479, urges the California Public Utilities Commission to deny the application submitted by the Southern Pacific Transportation Company on May 6, 1977, to discontinue rail passenger service between San Francisco and San Jose.

(3) MTC urges the California Public Utilities Commission to enjoin the Southern Pacific Transportation Company to work positively with the MTC to promote and provide viable public transportation in the Westbay Corridor of the San Francisco Bay Area, not only for the citizens living in the immediate area, but also for the residents of the entire nine-county Bay Area.

In order that this Committee have a complete overview of the transportation problems now confronting the nine counties of the San Francisco Bay Area, and especially the Westbay Corridor, I have submitted detailed prepared testimony. With some very minor changes, this is the same information which is now part of the records of the PUC hearing on the SP discontinuance application.

In 1975, MTC was mandated by the Legislature by the passage of SB 283, Chapter 1130, Section 14 of the Public Utilities Code, to conduct a study on alternative forms of transit development within the Westbay Corridor in the San Francisco Bay Area.

Senate Bill 283 called for MTC to determine the feasibility of implementing several transit alternatives, including upgrading SP's commute service to a transit level. MTC was to submit to the

Legislature by January 1, 1977, a report on its conclusions and recommendations.

To develop the required report, MTC established a project committee consisting of the six MTC Commissioners representing Santa Clara County, San Mateo County, and the City and County of San Francisco; the MTC Commissioners representing BCDC and the State Business and Transportation Agency; a PENTAP Advisory Committee representative; and an MTC Minority Citizens Advisory Committee representative. I was appointed Committee Chairman of that group. The committee became known as the PENTAP Committee, an acronym for Peninsula Transit Alternatives Project.

The committee met at least once each month and sometimes more often during the course of the project from October, 1975, to April, 1977. All meetings were open to the public and held in locations convenient to the public. The Citizens Advisory Committee held meetings in various locations throughout the Peninsula in order to allow as many people as possible to express their opinions and obtain information from the project and its purposes. In addition to the regular citizen's committee meetings, public forums were held in November in four locations: San Jose, Palo Alto, San Bruno, and San Francisco.

There was substantial press coverage of the work of the committee and its findings.

The PENTAP Committee initially considered some 25 transportation alternatives, ranging from very little change in the existing conditions to a full BART extension around the southern end of the Bay to Fremont.

Based on the initial analysis and advisory committee review, the PENTAP Committee examined the following five possibilities:

Alternative A: Leave train and bus services essentially as they are;

Alternative B: Improve train and bus service;

Alternative C: Improve train and bus service and extend BART from Daly City to the airport, San Francisco International Airport;

Alternative D: Improve bus service and substantially improve train service; and

Alternative E: Improve bus service and extend BART to the airport, but that meant abandoning the SP commuter service.

The choice of these alternatives by the PENTAP Committee stemmed from committee assessments of the chances of implementation and from the desire to concentrate the analysis on viable and realistic alternatives.

As a result of the analysis, the PENTAP Committee recommendations, and the final environmental impact report, the MTC adopted a policy for future Westbay Corridor transit development that corresponds to Alternative B, that is: (a) There should be a better utilization of fixed rail transit facilities in the near future; (b) Transit operations should be changed to improve or add service to meet the needs of groups not adequately served at present; and (c) Transportation facilities and options should be preserved for long range expansion and modernization of the transit system. For example, MTC has recommended that provisions be made for public acquisition of the Southern Pacific right-of-way south of Daly City, if that right-

of-way is abandoned. As I'm sure you know, the ICC has acted to abandon that.

One of the fundamental objectives of PENTAP was to decide on an implementable solution to the Westbay Corridor trunk system and implement it. Frankly, political jurisdictions affected were not able to agree beyond this level of transportation development. Alternative B does provide flexibility for further development. The PENTAP solution in any event begins with the fundamental notion that Southern Pacific rail passenger service in the corridor will stay.

On May 25, 1975, the MTC adopted Resolution 411. This resolution recommended implementing the rail element of the PENTAP plan in three phases:

Phase 1: Maintain existing service levels with a discount fare program and improved Southern Pacific/Muni interface service;

Phase 2: Improve existing service levels and standards of service as provided for by Alternative B under a purchase of service contractual arrangement. The emphasis in negotiations would be on defining service levels and standards to meet transit requirements, as opposed to how the specifics of the transportation services should be developed and operated;

Phase 3: The possible expansion of the improvement program for the rail service within the parameters of Alternative B.

Mr. Chairman, I indicated a date of adoption of May 25, 1975; That should be 1977.

PENTAP, Alternative B, and MTC's Resolution No. 411 were used by the Legislature as the basis for the content of AB 1853.

Addressing once again the immediate problem, the Southern

Pacific request for discontinuance of the Peninsula commute rail service, I wish to call your attention to the order issued on October 17, 1977, by the administrative law judge who was gathering testimony on this matter for the PUC. A copy of this order is included in the exhibit submitted by MTC to this Committee.

The administrative law judge addresses what we believe to be the heart of the matter with his question, "Who will pay the cost of this regional insurance against the uncertainties of tomorrow?" In the same order, he states, "In the interim period, CALTRANS, the Metropolitan Transportation Commission, and the three counties involved are directed to meet, consult, and plan toward whether they will be willing to obtain funds under the provisions of the Urban Mass Transportation Act and their own resources to meet the operating deficit of Southern Pacific's commute and transit operations."

The PUC administrative law judge's charges to MTC to participate with all the other protestants in developing a financial plan, which will be used to keep this vital SP rail service in operation, is for all intents and purposes similar to what is required under Section 10 of AB 1853. This section requires that the MTC shall submit to the Legislature: (a) Not later than February 1, 1978, a detailed financing plan to meet the goals outlined in the study, that is the PENTAP study, to be achieved during the first two years of implementation of the study; and (b) Not later than September 1, 1978, a detailed financing plan to meet the goals outlined in the study to be achieved after the first two years of implementation of the study.

There is no simple answer to the dilemma faced by the MTC



and the three counties of the Westbay Corridor in developing a viable plan to maintain the Southern Pacific commute service. Since AB 1853 and the order of the PUC administrative law judge required considerable effort on the part of the MTC, I reconvened the Peninsula Transit Alternatives Committee on November 17, 1977.

At this meeting of the committee, a discussion was held concerning the financial decisions which must be made by the three transit operators in the Westbay counties. It has become quite evident that the transit districts in San Mateo and Santa Clara Counties, which have just begun to achieve some measure of success, are being hard put to change the priorities they have assigned in their programs. The first of such decisions concerns the bulk purchase of SP commute tickets. Now they must determine how other high priority programs can be revised in order to make available funds for Phase 2 of Alternative B, the improvement of SP service and the contract to purchase services of the railroad.

From what we learned during the course of the PENTAP study and what was discussed at our November 17th meeting, new sources of revenues are going to be required at some point in time. What these sources may be will be an element of the reports required by AB 1853, that we must of course report during 1978.

The MTC, through its PENTAP Committee, will be studying the various sources of funds which might be used to support the recommended system. Whether CALTRANS is to negotiate a contract for the purchase of service from the Southern Pacific will ultimately depend entirely on just how much money the counties of San Mateo, San Francisco and Santa Clara are willing to make available for such a contract.

It is hoped that as a result of these hearings, and the reports which the MTC will make to the Legislature early next year, the necessary decisions will be made to deal with this very important matter.

I wish to state here that the MTC is ready to participate in any effort to insure that the services now provided by the Southern Pacific Peninsula commute service do not deteriorate. Further, as we will determine from our continued study, the MTC will develop financial requirements which will be needed to provide for an improved commuter rail service and express bus service from the Peninsula.

Mr. Chairman, this concludes my presentation. We appreciate this opportunity to be here this morning.

CHAIRMAN INGALLS: Thank you, Mr. Beckett. One of the things that your statement didn't cover was the amount of funds that are available to support the various alternatives that the three counties have at their disposal. Could you or Mr. Gage give us some idea of what's available in terms of resources that the counties of San Mateo, San Francisco, and Santa Clara have to bring to bear upon the solution of any deficits...

MR. BECKETT: Well if I may lead off and then call on Mr. Gage, so far as the first phase is concerned, the bulk purchase of tickets, to maintain the existing service with a subsidy to the commuter himself, that is a discount from the tickets, those funds are available and either have or are being made available and were budgeted as a part of our MTC planning. As recently as this Monday, the Santa Clara County Board of Supervisors took action to support the program of a 30% discount. Those funds are part of the County's

funds. They can come either from the half-percent sales tax that the Santa Clara County voted or they can come from the TDA funds and that's a matter which can be mutually worked out in the budget of San Mateo County. John Mauro is here and has taken similar action. I understand that similar action is in process in San Francisco. It's not fully completed. Now as to Phase 2, it's going to take a substantially greater amount of money to upgrade, improve and increase the service and if I may, I'll call on Nat Gage to comment on that.

CHAIRMAN INGALLS: Mr. Gage.

MR. NAT GAGE: In terms of the discretionary funds for the three counties, the TDA, the Transportation Development Act funds total about \$20 million a year for the three counties. In terms of the UMTA Section 5, Operating Capital Assistance Funds, that's about \$15 million. And Santa Clara, of course, has a one-half cent sales tax which is \$20 plus million.

CHAIRMAN INGALLS: How about San Mateo?

MR. GAGE: San Mateo has the authority to invoke the one-half cent sales tax which is authorized in their legislation, but they have not elected to do so as yet.

CHAIRMAN INGALLS: Was that by vote of the people or by vote of the transportation district board?

MR. GAGE: It can be enacted by the board. In the case of San Francisco, San Francisco now has a property tax which contributes on the order of \$30 million a year to transit.

MR. BECKETT: For the record, in the case of San Mateo County, it should be made clear that the people did vote to authorize that sales tax, but the implementation of it, or the beginning of the collection is up to the board.

CHAIRMAN INGALLS: Alright, we'll here about that later. But there are sufficient revenues, then, or the potential for revenues amongst the three counties to support any deficits that might arise, both from monies they receive from the state in the form of TDA funds and also monies they generate locally from their sales tax?

MR. GAGE: Mr. Chairman, I believe it's a question of the priorities. There are revenues there, but as you will hear from the others, they now consider that these are committed to other programs.

CHAIRMAN INGALLS: Now, it's a matter of priorities and that's why they get elected to local level - to make those tough decisions.

ASSEMBLYMAN PAPAN: Mr. Chairman.

CHAIRMAN INGALLS: Yes.

ASSEMBLYMAN PAPAN: To expand your question to Mr. Gage just one step further. Are you familiar with the upgrading in crossings and the monies that are available in that area and what has been historically the posture of that Transportation Company with respect to making an effort with the public segment and upgrading those crossings and how much money is available?

MR. GAGE: I'm afraid I'm not familiar, Mr. Papan, in detail. I'm aware that there's a new bill now where there are possible funds...

ASSEMBLYMAN PAPAN: Right.

MR. GAGE: I do not know the status of these funds.

ASSEMBLYMAN PAPAN: It would be interesting to note, Mr. Chairman, that historically the crossings have been of low priority for the public segment and the Southern Pacific Transportation

Company, that there is pending legislation to make monies available to upgrade crossings, which has not occurred in any great...

CHAIRMAN INGALLS: I assume that makes the trend more proper while making it faster, or what?

ASSEMBLYMAN PAPAN: It would and it would undoubtedly lend itself to whatever plans PENTAP does come up with with regard to what's going to happen down the line in that right-of-way.

CHAIRMAN INGALLS: If I could ask you Mr. Beckett or you Mr. Gage, how much money are we talking about? We are going to have some disputed testimony before the Public Utilities Commission and the Southern Pacific Railroad as to exactly what kind of deficit we're talking about. Does MTC have an independent evaluation of what the deficit is? How much money are we talking about?

ASSEMBLYMAN PAPAN: I can tell you the range, Mr. Chairman. It's from \$4 million to \$29 million.

CHAIRMAN INGALLS: I have seen those figures, but I thought that MTC might have been able to narrow that gap down. It gives us quite a leeway for discussion.

MR. BECKETT: Mr. Chairman, are you inquiring as to the present services or are you talking about Alternative B and the implementation of that and the monies required to develop it?

CHAIRMAN INGALLS: Give us both if you've got those figures.

MR. BECKETT: Well I think the PUC would have to give you the answer to the present operation. In terms of the magnitude of simply the bulk purchase of tickets we're talking in the order of, for the three counties, over a two-year period, it must be \$2.5 to \$3 million at the present level. Now if you go into the full

implementation of Alternative B, you're talking about approximately \$48 million of capital improvement, and you're talking about annual operating costs rising to a level estimated to be around \$34 million a year, so we're talking about substantial amounts of money and a substantial improvement in the type of service that would be offered.

CHAIRMAN INGALLS: Have you done a profile on the kind of people who use the SP Railroad commuter line?

MR. BECKETT: I don't recall that our consultants did that precisely. The part we did do had to do with whether the transit dependent used the SP and what were their concerns regarding use of the SP service in that corridor and that is covered in our summary report, Mr. Chairman, beginning on Page 4-2 and itemized in detail on 4-3 and 4-4. So when you asked if we looked at the profile of all of the people, I'm not sure that we really did. What we did look at intently was the question would transit dependent use it more under certain conditions. And they obviously would if the connecting service from their home to the SP stations were substantially improved and if the delivery to their destination were improved, they would. But without those links, it is hard for many of them to use it.

CHAIRMAN INGALLS: I'm very concerned about subsidies in the Bay Area that go to transit because a lot of them go to people who can afford to ride transit and are subsidized. BART is a classical example. You have a bedroom community that was transporting itself to work in San Francisco on the Greyhound Buses, commuter buses that are non-subsidized private enterprise. Somebody decided to help some of the populars in downtown San Francisco to enhance their property rather remarkably without taxing them on the incremental

benefits so they decided to put in BART to save downtown San Francisco, at least assist in its being enhanced. So they put in this heavy subsidized commuter rail line, that's all BART is really, from the bedroom communities of Contra Costa County across the Bay, and now we are paying a rather substantial subsidy to take these same people to work with probably a little more comfort and ease, but on a publicly-owned system that is heavily subsidized. I for one have some questions. We are talking about priorities of subsidizing people who can afford to pay their way back and forth to work and now we are going to subsidize them. I would like to know the profile of who rides...

MR. BECKETT: As I say, I don't know that we have the specific data, but I would make this observation. The Southern Pacific commuter service from the very beginning was designed to take people from their places of residence on the Peninsula to jobs in downtown San Francisco and it still does that.

CHAIRMAN INGALLS: I appreciate that...

MR. BECKETT: It's the nature of the jobs in downtown San Francisco which pretty well establish who rides the SP.

CHAIRMAN INGALLS: I have a vague idea who is going to go downtown to work in San Francisco.

MR. BECKETT: The reason I stress that point is that our plan for improving the service is to provide service in the other direction to jobs in Santa Clara County particularly, as well as jobs in San Mateo County, so that it operates more as a transit system, but still a commuter service, but its commuting in reverse direction as well and those jobs which are largely manufacturing

and other types of employment will, I think from our studies, clearly develop a cross-section of ridership very similar to the people living in the area.

CHAIRMAN INGALLS: Thank you. Any further questions of this witness? I think we will ask you to stay there and when we get into the panel discussion, perhaps you can assist us in shedding some more light on this initial item. Mr. Calvo.

ASSEMBLYMAN VICTOR CALVO: May I ask a question? I have just read through some of the background information and there is a mention of TDA funds and the half-cent sales tax. We mentioned the sums available, \$40 million or \$45 million, and then you mention that \$1.1 million has been committed for upgrading the service out of the revenues, is that correct? Where did this \$1.1 million come from and how is that distributed? In this background paper that Mr. Lucas has prepared, he makes a point that that is not nearly enough and that we have got to look toward Phase 2 and generate more revenue.

MR. GAGE: \$1.1 million represents, Assemblyman Calvo, TDA funds, \$500,000 from Santa Clara County for this year, for the first year; \$600,000 from San Mateo County and \$50,000 from San Francisco County. Now, because the program will probably start late this year, it is probably more than will be required to implement the first stage, the bulk purchase of tickets for this year.

CHAIRMAN INGALLS: Any further questions? Thank you, Mr. Beckett. Now let us hear from Mr. Alan DeMoss, Vice President, Southern Pacific Transportation Company. Mr. DeMoss.

MR. ALAN DeMOSS: Mr. Chairman, earlier I passed to you a



copy of my prepared testimony. At this time, I would ask Mr. Gage, if he will, to pass to Assemblyman Papan and Assemblyman Calvo copies, please.

Mr. Chairman, I appreciate the opportunity to present to this Committee Southern Pacific's position concerning its Peninsula commute service. We are a public service transportation company serving a wide variety of industries and consumers, cities in rural areas throughout the eleven western states in which we operate. In order to continue to provide these transportation services upon which so many depend, our corporate entity and each individual transportation service must return a fair and reasonable profit.

ASSEMBLYMAN PAPAN: What is a fair and reasonable profit in your opinion, sir?

MR. DeMOSS: Well, Assemblyman Papan, later I will indicate to you the serious problem that the railroad industries have. Southern Pacific, as I will say in a few moments, has a rate of return of 2.76 percent. I would like to say that the California Public Utilities Commission has stated that the regulated utilities should obtain at least about 9.2 percent return. So I would like to think that we would be at least entitled to the rate of the monopolistic regulated industries and here we are in severe competition with the highway trucks, other railroads, etc. and if I may, I would like to continue because I think I'll answer your question.

ASSEMBLYMAN PAPAN: The percentages are of some importance to everyone concerned. Wasn't your profit that two plus percent that you are talking about some hundred and twenty million dollars last year?

MR. DeMOSS: The profit of a hundred and twenty million dollars is, of course, again on our gross investment about 2.76 percent. Now, I think you understand that we have been through double digit inflation, that our locomotives now cost \$700,000 a piece. They used to cost \$250,000. An ordinary box car is \$26,000 that used to cost...

ASSEMBLYMAN PAPAN: Let me ask you, as long as you want to throw those figures around, how much public money, not in this particular case, did your Southern Pacific Transportation Company receive during its time of inception, every other section of land. I'm sure that has been double digitated considerably as well.

MR. DeMOSS: Mr. Chairman, may I digress from my prepared testimony?

CHAIRMAN INGALLS: I think Mr. Papan has a few questions he wants to ask you.

ASSEMBLYMAN PAPAN: How much money? Has that ever been computed as to what was received in the form of a public subsidy to Southern Pacific?

MR. DeMOSS: Those acres, Assemblyman, were about ten cents an acre in those days.

ASSEMBLYMAN PAPAN: What is the figure today?

MR. DeMOSS: In fairness to me, may I answer his question?

CHAIRMAN INGALLS: Mr. Papan, let's let him answer the question.

MR. DeMOSS: First let me say that between San Jose and San Francisco there is absolutely no land grant property. All of

that is purchased, was purchased and owned by the original owners of the railroad company which in turn was purchased by the Southern Pacific.

With regards to the land grant question, between the years 1869 and 1945 when Congress recognized that there was an undue burden to interstate commerce, the railroads, the land grant railroads by virtue of discounted rates for government troops and supplies repaid the federal government over a billion dollars. Now I think that's the answer to the Assemblyman's question.

ASSEMBLYMAN PAPAN: Not entirely. Let's start at the beginning again, you and I.

What was the figure at the time that you received these grants and the value of that figure on your books?

MR. DeMOSS: They were worthless, Assemblyman. You couldn't sell them to anybody. There was nothing but jackrabbits and rattlesnakes out here at the time.

ASSEMBLYMAN PAPAN: What are they worth to you today on the books?

MR. DeMOSS: I don't know.

CHAIRMAN INGALLS: I think we'll stipulate, Mr. Papan, that the railroads took America for a ride during the last half of the 19th Century, and took a great deal of public subsidy and they provided a vital service. They connected up the country and opened it up and they were given a substantial incentive to do so. I don't think we need to dwell on the history...individual histories of the Jay Goulds, the Fisks, the Stanfords, et al, shall we say, there were some who made a hell of a lot of money, but I think we should dwell on the problems of today.

ASSEMBLYMAN PAPAN: It is part of the problem today. Let me tell you the line of questioning that I was trying to pursue, Mr. Chairman, they have publicly stated some reluctance to public subsidy. Isn't that the case, Mr. DeMoss?

MR. DeMOSS: Yes, sir, and I'll go into that in great detail later in my testimony.

ASSEMBLYMAN PAPAN: The reason that I would like to set that kind of ground work is I would like you to tell us, hopefully, in the testimony when your posture changed with regards to public subsidy.

CHAIRMAN INGALLS: I don't know that it ever changed. We subsidized railroad crossings. In fact, there was a bill in this Legislature supported by Southern Pacific to increase the public contribution to railroad crossings. Didn't you carry that bill, Mr. Papan?

ASSEMBLYMAN PAPAN: Surely.

CHAIRMAN INGALLS: I find that a rather odd response by the Southern Pacific Railroad to say they are against public subsidy.

ASSEMBLYMAN PAPAN: If we could get a statement from Mr. DeMoss that he is against public subsidy. Are you against public subsidy, sir?

MR. DeMOSS: Yes, we are and particularly in the case of the Peninsula commute. May I address the subject of the grade crossing alleged subsidy? When you have a grade crossing, there are two people involved. The highway and the railroad. The so-called subsidy that you are alluding to has to do with the

maintenance of all the crossing gates, flashing lights and all the kind of what we call grade crossing warning systems in the State of California. That's no subsidy. That's a fair share part of cities, counties and the State of California for an intersection that's equally your responsibility. That's no subsidy.

CHAIRMAN INGALLS: We just had a bill to increase our share of that...

MR. DeMOSS: The Governor vetoed it.

CHAIRMAN INGALLS: Did he veto that bill?

MR. DeMOSS: He sure did.

CHAIRMAN INGALLS: Well I can't be responsible for what the Governor does.

ASSEMBLYMAN PAPAN: Let's put it this way, there was an effort by your Company to secure that subsidy.

CHAIRMAN INGALLS: Please, Mr. Papan, let's let this gentleman go forward. I think our posture, at least yours, having read the San Francisco Examiner and Chronicle on this issue and the Southern Pacific's is clear and I think if we let him go through his testimony then we can ask some questions.

ASSEMBLYMAN PAPAN: Well, if he would like to defer the questions, I'll defer asking them, but I hope in your statement, which I haven't seen yet, you are going to tell us what you view the posture of Southern Pacific Transportation Company is with regard to the public concerns for which we presently are holding these hearings and that is public transportation. I want to know what your posture is in very concise language.

MR. DeMOSS: I think I have it in here, sir.

CHAIRMAN INGALLS: Thank you. Please, Mr. DeMoss.

MR. DeMOSS: Mr. Chairman, as the result of the bankruptcy of the North Eastern Railroads, including the Penn Central, as well as the financial difficulties of most Chicago area commuter railroads, public policy has been established at the federal level that rail commute service should no longer be cross-subsidized by other railroad activities. Rail commute services which are to be continued in existence must be financially self-sustaining. Southern Pacific Company's overall rate of return on investment averaged only 2.76 percent for the last ten years. Increasing losses from our Peninsula commute service have placed us in a position of having the commute services' multimillion dollar losses absorbed by our interstate and intrastate shippers and all consumers who purchase from those shippers. Despite a low fare, safe comfortable ride and excellent on-time performance, the number of riders have declined on our commute system between December, 1974, and October, 1977, from about 9,500 daily riders to about 7,000 daily riders.

CHAIRMAN INGALLS: It's just a Peninsula commute service?

MR. DeMOSS: That's correct. We have no other commute service, and any other passenger service on our railroad, Mr. Chairman, is operated by Amtrak.

At the same time, our annual operating losses increased from about 5.7 million dollars to about 9 million dollars and this is without the 25% fare increase. The ridership losses...

CHAIRMAN INGALLS: What do you mean by that? Without... you didn't increase, supposed to or didn't?

MR. DeMOSS: No, the fare increase, Mr. Chairman, took place about August 10th of this year.

CHAIRMAN INGALLS: So, even with that 25% increase is what you are saying.

MR. DeMOSS: Yes, correct. In other words, our losses would have been in the magnitude of ten to eleven, perhaps even twelve million a year, had we not gotten the 25% increase.

CHAIRMAN INGALLS: Just a matter of semantics trying to clear that up...

MR. DeMOSS: The ridership losses took place in the face of no increase in fares and no reduction in service and, in fact, our train schedules have not been reduced since the mid 1960's despite the completion of I-280, which is as you may know that famous freeway up above that has plenty of capacity and, of course, the other freeway which parallels us which is causing us problems is the Bay Shore Freeway, and so our ridership in this period from the mid 60's to present have declined by about one-third. Now, because of the magnitude of our continuing annual losses, in August of 1974, we filed an application to the California Public Utilities Commission for a fare increase of about one hundred eleven percent, which would bring us to a break-even point. On July 12th, 1977, this year, almost three years later, the California PUC, by a three to two decision, voted to allow us to increase our commute fare by 25% in August of this year. The administrative law judge who heard the case had recommended an immediate 40% increase and an additional 30% increase, depending upon certain negotiations for public assistance.

ASSEMBLYMAN PAPAN: Just a minute, may I ask also that you tell us how many increases you received since 1965?

MR. DeMOSS: We have received...the number of increases, Mr. Papan, is a matter of public record and were submitted in our fare increase case and I should say, just from memory perhaps, five or ten, somewhere in that magnitude.

ASSEMBLYMAN PAPAN: Five or ten. Now let me ask you the next question. Then obviously the increases have been no solution to the depletion of your patronage?

MR. DeMOSS: That's correct.

ASSEMBLYMAN PAPAN: That's a good statement. So you are continuing a policy irrespective of information that indicates any fare increases means a reduction of patronage.

MR. DeMOSS: That's correct because we found out what we have is an inelastic demand.

ASSEMBLYMAN PAPAN: That's the company policy. We will ask for fare increases regardless of what it does to patronage. Is that the case?

MR. DeMOSS: No, it's not the case. Let me tell you about the fare increase. I have already stated. On a passenger mile basis, our fare in the Bay Area is lower than any other fare. That's Greyhound, BART, Muni, or...

CHAIRMAN INGALLS: What is the fare from San Jose to San Francisco if you buy a monthly pass or whatever your cheapest fare is? Give me an idea of range of fares we are talking about.

MR. DeMOSS: Mr. Chairman, I usually carry the schedule, the reason I don't is I solved my problem by moving to San Francisco. I no longer commute.

CHAIRMAN INGALLS: San Francisco's Mayor, George Moscone, thanks you for the gesture.



MR. DeMOSS: If we look on our schedule and we're in the so-called brown zone, San Jose to San Francisco...

CHAIRMAN INGALLS: That's a good way to describe San Jose, the brown zone.

MR. DeMOSS: You have a range here. The most expensive ticket and... Does this include the 25% fare increase? It doesn't. So we would have to add 25% on top of this but the most expensive monthly commute ticket every day is \$52.75 seven days a week. Now, if you want to buy a five-day monthly ticket, that means that each working day you could go from (keeping in mind you have to add 25%) its \$48.50.

CHAIRMAN INGALLS: \$48.50 and you add \$60. So you divide that by 20, it's \$3 a day round trip.

ASSEMBLYMAN PAPAN: Just as a matter of information, Mr. Chairman, what has the profit been on that commuter line with respect to your freight operation?

MR. DeMOSS: I have no idea, but...

ASSEMBLYMAN PAPAN: I would be very interested in that figure. Could you get it for us?

MR. DeMOSS: There is no way I could get it for you because we are engaged in interstate commerce and many of the shipments that originate and terminate on that line do so in the east and because of the divisions of revenue and allocations of cost, I can't give...

ASSEMBLYMAN PAPAN: Let me tell you, your company really has one hell of a problem establishing what revenues might be in this instance on that particular line, but does real well with telling us what your losses are on the passenger service. This is a constant

on-running concern that I have had with this railroad of yours. When it's convenient you can come up with those figures at the drop of a hat...

CHAIRMAN INGALLS: Why don't we do it this way. Let's have Mr. DeMoss or his staff (I see he has one staff member over here) or anybody else provide this Committee with some idea of what your freight income is off that stretch of railroad. Some vague idea.

MR. DeMOSS: We have addressed that subject, Mr. Chairman, and that was a question in cross examination, I think, on either the discontinuance or the fare increase case and we will provide an answer.

CHAIRMAN INGALLS: A letter to the Chairman with a copy to Mr. Papan, Mr. Calvo, would you do that?

MR. DeMOSS: We will certainly do that.

CHAIRMAN INGALLS: Does that answer your question, Mr. Papan?

ASSEMBLYMAN PAPAN: That's fine, in order for us to get a handle, Mr. Chairman, on what they are saying because we had the Auditor General go in to try to establish what the losses are. The accounting procedures quite frankly, that the railroad uses and is required to use leaves something to be desired. I think that's a fair statement, Mr. DeMoss, isn't it?

MR. DeMOSS: Well, in regards to the Auditor General and the State of California, you will recall that we went to a great deal of expense to hire Price Waterhouse to verify that our own calculations were correct.

CHAIRMAN INGALLS: We just want to know that information.

ASSEMBLYMAN PAPAN: But I said, as required, because the law requires them to do certain things. It might be that we could modify the accounting procedures and arrive at something a lot less than what has been stated as a loss to Southern Pacific. You are required by law to maintain a certain accounting procedure and I think that that leaves something to be desired if the law requires you to do that.

CHAIRMAN INGALLS: Please continue Mr. DeMoss and Mr. Papan, we've got quite a bit of material to cover yet this morning so let's try to hold our questions.

MR. DeMOSS: We felt that the 25% increase authorized by the majority of the California Public Utilities Commission was completely unfair and unreasonable and so did two commissioners who made the following statement in their dissent and I'll quote, "The strange result in the decision of the majority is a travesty of justice. Ironically, it is so bad it is likely to even jeopardize the interest of the one group who seems to benefit, that is the present SP commuters who are being so heavily subsidized by others. Danger to commute interest comes from the real possibility that the ICC may require abandonment of train commute service because it finds the present intolerable situation constitutes an undue burden on interstate commerce. From our involvement in the case (now these are the dissenting two commissioners) we have seen nothing that could be used to prove that the ICC is wrong in taking this unfortunate action." Now we filed an application to discontinue commute service with the California PUC in May of this year. When the staff of the PUC

indicated that it would not be prepared to present its case until May 1, 1978, we felt the delay to be unreasonable and a good example of continuing regulatory lag which is so detrimental to regulated utilities. Although we do intend to continue our case before the California PUC, a petition for discontinuance has been filed before the ICC because the continuing losses are indeed an undue burden upon interstate commerce. Mr. Chairman, you also requested a statement of the Southern Pacific Transportation Company's policy toward acceptance of public funds. Let me say first that although it has been the subject of much discussion and comment including here today by the media and others, but no offer of subsidy has been made to the railroad company by any public agency. That aside, we are opposed to subsidy for several reasons. First, it's our belief that a subsidized public passenger service should be owned and operated by a public transit district. Only then can the public obtain full benefit from tax supported transit without placing restrictions upon a private carrier operation.

ASSEMBLYMAN PAPAN: Just a minute, right there. If I might ask you, you are in the railroad business?

MR. DeMOSS: Yes sir.

ASSEMBLYMAN PAPAN: How are you handling your non-railroad revenues?

MR. DeMOSS: The so-called non-revenues are handled as a separate profit center.

ASSEMBLYMAN PAPAN: And you don't feel, you personally, and the company don't feel that those revenues could be used as an offset by a public transportation company?

MR. DeMOSS: Not at all. As I stated in my opening statement and I will quote, "Our corporate entity and each individual transportation service must return a fair and reasonable profit."

ASSEMBLYMAN PAPAN: Let me ask you a question. Do any public agencies regulate your non-railroad activities?

MR. DeMOSS: Yes.

ASSEMBLYMAN PAPAN: You mean your revenues that come in from non-railroad activities, who are they regulated by?

MR. DeMOSS: Among them would be our pipe lines. They are regulated both by the Interstate Commerce Commission and the Public Utilities Commission of the State of California.

ASSEMBLYMAN PAPAN: Which are the ones that are not regulated sir?

MR. DeMOSS: Well, I would have to say in this day and age that everything is regulated. I don't know of any business that is not regulated by government in some way or another.

ASSEMBLYMAN PAPAN: Is it possible that there was a mistake made by your company in going off into all of these other areas as a result of revenues that were made by your transportation operation?

MR. DeMOSS: I don't think so. I don't think our annual report will reflect that.

ASSEMBLYMAN PAPAN: Are any of the monies from the railroad operation going into non-regulated areas now in the form of an investment?

MR. DeMOSS: Not that I know of. I don't know what you have reference to.

ASSEMBLYMAN PAPAN: Well you came into existence as a transportation company and you built a railroad and you got a lot of public subsidy in the process. Somewhere along the line, you proceeded to separate your operations and the separation has caused the public to suffer in all areas. What I take issue with is the kind of divisions that you proceeded to create with some public assistance.

MR. DeMOSS: I think, Assemblyman, that the real answer, from my point of view, the real answer to your question there again contained in the first page of my statement and that is that if we continue to cross-subsidize losing operations with other operations, we will end up with a Penn Central and I will guarantee you that we are very close to that situation that the public really suffers there. We are talking not about a billion or two billion, but before we get through with ConRail, its going to be about six or seven billion dollars in public funds and we have no intention of becoming a Penn Central.

CHAIRMAN INGALLS: Mr. Papan, can we continue?

ASSEMBLYMAN PAPAN: Please do.

CHAIRMAN INGALLS: Thank you, Mr. Papan.

ASSEMBLYMAN PAPAN: He didn't answer the question and it would be interesting to note, Mr. Chairman, that they are a diversified company and some of the diversification of their operation is attributable to the fact that they received public subsidies, they have been enterprising and this is commendable, but I am hoping in your statement, which I haven't gone through, you are going to tell me what the posture of your company should be knowing there

are a number of public agencies concerned about a particular commuter service. Please tell me what you think your public responsibility is. If it's in the statement, I'm waiting to hear.

MR. DeMOSS: Yes. Well, I'll say that in just one sentence. My public responsibility is not to go bankrupt. Because when I go down the tubes, we're talking about, you know, Assemblyman, we locate a job-producing industry on our lines every calendar day of every year somewhere in the eleven western states and when we cease to do that and we become a burden on the taxpayer, I think that we worry about employment and we worry about the economy. You're talking about a very, very serious situation. You're also talking about diversion of many more intercity ton miles. Talk about subsidy, you know our competitor, the highway truck? He doesn't have to carry one passenger, but he's got the greatest subsidy in the world. The railroads in this country, between the years 1950...

ASSEMBLYMAN PAPAN: You're talking about the advantage you've got if you locate near a spur track and you're rated differently? You want to talk about that subsidy?

MR. DeMOSS: I can assure you, with the cut-throat competition we have now, there's no subsidy in rates, but I'll go on anyway.

CHAIRMAN INGALLS: Please.

MR. DeMOSS: First, it is our belief that a subsidized passenger service should be owned and operated by a public transit district. Only then can the public obtain full benefit from tax supported transit without restricting private carrier operations. Full service public transit and rail freight, as the MTC staff

declared in 1974, are not compatible, and I want to emphasize that. The MTC itself has said this. Acceptance of a subsidy results in loss of control, now this is not a quote from MTC, of operations by a private carrier while its competitors, trucks, water carriers, and other railroads have no restrictions on service.

ASSEMBLYMAN PAPAN: When did that occur in time, sir? That with a subsidy, you would lose control of your operation, when was that posture adopted by your company?

MR. DeMOSS: Well, there hasn't been any question since 1869, and I want to go back again and I must say that the land grants that you allude to, we don't look upon as a subsidy. They were necessary in order to get the job done and it's the best investment that the United States government ever made. It got a transcontinental railroad and it also got every other section, the value of which to the government increased along with the land value, so it's a grant, certainly a grant to get a job done and the job was done, and then on top of that all the bonds were paid off and on top of that, the government, between 1869 and 1945, got a billion dollars worth of free transportation out of the land grant railroads, so...

ASSEMBLYMAN PAPAN: I'd say that the government made a bad deal.

MR. DeMOSS: I think it's the greatest deal in the world.

CHAIRMAN INGALLS: Please continue.

MR. DeMOSS: Continued competitive rail service for Southern Pacific's almost 1,000 carload shippers between San Jose and San Francisco is essential to the maintenance of job-producing industries on the Peninsula, particularly the Port of San Francisco



and the proposed Deep Water Port, or a heavy manufacturing plant at Hunter's Point.

Item Number 2: Southern Pacific's experience and that of other railroads indicate that a government subsidy never covers the full cost of operation; therefore, the railroad can only look forward to perpetual losses. In the San Francisco Bay Area where the Metropolitan Transportation Commission allocates operating subsidies to the San Francisco Muni, BART, AC Transit, Santa Clara County Transit District, and Sam Trans, it is not unreasonable to assume that subsidy payments to the privately-owned railroad would take the lowest priority when the always limited distribution of transit tax monies are made, and I might say that there was an article in the paper the other day that indicated that transit monies in this area would be reduced when "Los Angeles really got started" because there is just so much money in the state to allocate.

CHAIRMAN INGALLS: That problem there is that that's -- I assume that's a discussion of the fixed rail systems.

MR. DeMOSS: Well, and other transit systems.

CHAIRMAN INGALLS: The fixed rail, that's the UMTA funds and San Jose isn't building any fixed rail system within the next 15 to 20 years, unless they're going to connect with BART.

MR. DeMOSS: I'm glad to hear that.

ASSEMBLYMAN CALVO: On that point...

CHAIRMAN INGALLS: Yes.

ASSEMBLYMAN CALVO: You know, as a general statement it may have some value, but on the other hand, I think the economic factors that play on the market have an effect. For instance,

Santa Clara County and San Mateo County have opted to supplement the service by \$1.1 million so if you're providing a service and it's part of an overall treatment of transportation in an area, it would seem to me that all these factors average out. If you provide a good, safe service and you can run it on time, then you're going to get some of that public subsidy whether you ask for it or not. I recognize what you're going to say right now, that that \$1.1 million is a subsidy to the public and not to the railroads, but nevertheless it's designed to increase ridership on your railroad and eventually to help put you on a more profitable basis for that service.

MR. DeMOSS: I'd like to add that we are cooperating with the counties in reaching an agreement on how this would, the so-called bulk purchase of tickets, would be implemented. But it's our feeling that our ridership will continue to decline simply because it was declining when the fare was 25% lower than it is now.

ASSEMBLYMAN CALVO: That isn't necessarily the case because you have to compare today's market with the mid 1960's when it started to decline. The point that I'm making is that you will already have \$1.1 million committed to that service under Phase 1 and Phase 2 is intended to upgrade the service and put a considerably greater amount of public revenue into it.

CHAIRMAN INGALLS: Mr. Calvo, Mr. Papan, we have 50 minutes until Noon. We're obviously going to run over noon. I'd like to get this gentleman's testimony, then Supervisor Diridon has a meeting he has to be at at 12:00, so we have to get to his testimony immediately after this gentleman's from SP, so I'd appreciate it if we could continue with his testimony and get to Mr. Diridon's and then

hopefully to these other gentlemen and perhaps we'll have to continue some of this in the afternoon, but then we can start asking some in-depth questions. With the exception of Mr. Diridon, you can all be back here this afternoon, can you not? Mr. Beckett and Mr. DeMoss?

MR. DeMOSS: I'll move along quickly then, Mr. Chairman.

CHAIRMAN INGALLS: Thank you.

MR. DeMOSS: Southern Pacific Company pays over \$200 million in taxes of all types annually and specifically about \$37 million a year in ad valorem taxes in the State of California. Usually, buses use less than one-half the fuel per passenger mile than trains and operate at less than one-half the cost of trains. It is our view that if transit must be subsidized to meet political or social goals, then taxpayers are entitled to have those funds invested in a form of transit which provides the optimum passenger mile, thus saving energy and conserving taxpayers' dollars. The forms of transit which best meet this criteria are highway buses and vanpools. Therefore, if transit must be subsidized on the Peninsula, we conclude that from the viewpoint of a taxpayer and those who believe in conserving energy, funds should be dedicated to expanding the county transit bus operation and vanpools and not used for fixed rail operations which are less efficient for moving passengers.

Your Committee has also requested any...

ASSEMBLYMAN PAPAN: Who said they're less efficient?

MR. DeMOSS: Well, we have made very detailed studies and I would like to say that we can very well make those studies available to you. Actually, they're studies that were made by the Oakridge Laboratories; studies made by Stanford Research Institute, and Boeing

and many, many others and we've also done some in-house work with Amtrak, our own commute fleet and with Greyhound and it comes down, Mr. Papan, to something like this: that a bus obtains about 130 passenger miles to the gallon and the train obtains about 49 passenger miles to the gallon of fuel and in the cost area, the bus can operate at about 5½ cents a passenger mile and the train ranges from 12 cents to 16 cents a passenger mile. I would be very happy to furnish you with that documentation.

ASSEMBLYMAN PAPAN: In your projections here, what do you think would happen if gas got at \$2.00 a gallon and the availability of it was in doubt?

MR. DeMOSS: Do you want my personal opinion?

ASSEMBLYMAN PAPAN: Yes.

MR. DeMOSS: My personal opinion, based upon my experience on the Peninsula, is that it wouldn't faze the people who ride these freeways one bit. For this reason, earlier we looked at the tickets, we looked at the fare, for example, just in round numbers the Palo Alto commuter before the 25% increase was paying \$40.00 to commute every day. We calculate, with depreciation, oil, gas, tires, parking in San Francisco, that the person who operates a car by himself on the freeway, and I think CALTRANS' count is 1.25 passengers per car on I-280 and on the Bayshore. That person is paying about \$140.00 per month for his convenience: door-to-door service, leave when he wants to, goes when he wants to, and it's my personal opinion that if gasoline is \$2.00 a gallon, these people, their wages, are going to increase to meet that, and incidentally, Mr. Chairman, you were talking about the affluence of the commuters, Santa Clara County

and San Mateo County are two of the most affluent counties in the State of California.

ASSEMBLYMAN PAPAN: Then how do you account for the resistance you get from the commuters on any increase?

MR. DeMOSS: Well, that's fairly simple. Our riders are what I call hard-core riders. They're dedicated to us, but you know there's a point of limiting returns. Obviously, when it gets down to the last one rider, we can't operate 44 trains a day and I...

ASSEMBLYMAN PAPAN: So you have that, Southern Pacific Transportation Company and the commuters have that in common. They've got a good deal going and they're looking for good deals.

MR. DeMOSS: I don't follow that.

ASSEMBLYMAN PAPAN: Well, you said it's \$140.00 for a guy to use his automobile...

MR. DeMOSS: Oh yes, absolutely.

ASSEMBLYMAN PAPAN: Okay.

MR. DeMOSS: And that's why we say we have an inelastic demand. Simply because it's a hell of a deal and we have an inelastic..

ASSEMBLYMAN PAPAN: So you can't really knock the commuter if he fights you all the way with respect to any increase.

MR. DeMOSS: I'm not knocking the commuter. All we're asking is that we pay what it costs to transport them.

CHAIRMAN INGALLS: I think we can safely conclude that it's in everyone's best interest to conserve as much of their own resources as possible and spend as much of the other person's as possible. You want to continue Mr. DeMoss?

MR. DeMOSS: Alright, we were addressing the subject of the fuel efficiency of the bus.

Your Committee has also requested any suggestions or ideas we may have on how transportation could be improved in the San Francisco to San Jose corridor. It seems to us that any such suggestions must be placed within the context of goals and objectives for the region as established by the Regional Transportation Plan. Clearly, the Metropolitan Transportation Commission believes that public transit agencies are required to achieve the stated goals, and we believe the time has come for public transit agencies to assume their full responsibility.

We believe buses are the most cost efficient and fuel efficient transportation alternative for the Peninsula Corridor between San Francisco and San Jose, and we have offered to help fund the initial bus fleet which would be required to the extent of \$8 million.

ASSEMBLYMAN PAPAN: Alright, let me ask...

MR. DeMOSS: I would like to explain to the Chairman that that is to take care of our commute, if we were given authority to discontinue our commute, the \$8 million would buy the buses, make the capital investment necessary to put Sam Trans and Santa Clara County District into a full bus operation.

ASSEMBLYMAN PAPAN: What would happen...

CHAIRMAN INGALLS: Mr. Papan.

ASSEMBLYMAN PAPAN: ... if they opt to buy part of your right-of-way there. What would you charge for that loss-leader you've got?

MR. DeMOSS: That's open to negotiations. We...

ASSEMBLYMAN PAPAN: What does that mean?

CHAIRMAN INGALLS: Mr. Papan, we're not going to authorize

either Sam Trans or Santa Clara County or San Francisco County or any of the three to buy and operate a railroad.

ASSEMBLYMAN PAPAN: No, we're not saying that.

CHAIRMAN INGALLS: Never.

ASSEMBLYMAN PAPAN: We're presuming that there is a cost connected should they opt the right-of-way, for upgrading that service to tie in, what's the figure that's been thrown around with respect to what you would sell that loss-leader for?

MR. DeMOSS: Yes, it's been in the press and it's been thrown around, it's around \$200 million, but I can assure you that that is not, until we get an authorized public body in front of us who is commissioned to negotiate with us, why there isn't any figure out on the table.

CHAIRMAN INGALLS: Don't hold your breath, Mr. DeMoss. No one's going to offer to buy your railroad.

ASSEMBLYMAN PAPAN: I'm not saying that. What I'm saying in this case, Mr. Chairman, is that here an appeal is made with respect to rate increases, of getting out of the service and yet you put a price tag of \$200 million for the privilege of getting out of a loss situation.

MR. DeMOSS: We did not put a price tag of \$200 million. That's a rumored value and I will say that it's open to negotiation; however, as I...

ASSEMBLYMAN PAPAN: Why don't you give it away?

MR. DeMOSS: ...however, as I will state, no, not at all. That's a very valuable corridor. Very valuable.

ASSEMBLYMAN PAPAN: I'm not trying to take the full corridor from you.

MR. DeMOSS: Now you understand that even apartment houses which have gone downhill and are losing money still have implied value. I mean, you can't say that property on a square foot basis is valueless just because it doesn't have a profitable operation on top of it and so we view this corridor as a very valuable corridor, not only for transit, but also for pipelines, communication lines, power lines, and so forth.

ASSEMBLYMAN PAPAN: What would happen if we should find money other than the property tax to make the BART system an integral system? Is your company willing to give up that right-of-way without a \$200 million price tag?

MR. DeMOSS: We're willing to negotiate half of it because...

CHAIRMAN INGALLS: That's like the Arabs and the Israelis. They've gotten together and they're willing to negotiate and it's clear from the Sadat visit that...

MR. DeMOSS: In his testimony before the California Public Utilities Commission, John, General Manager John Mauro, who is here today, of the San Mateo County Transit District, advocated the use of the commute rail system for peak period service only and the use of buses for off-peak, weekend, and holiday service.

CHAIRMAN INGALLS: He's in the bus business. He may have an axe to grind there, Mr. DeMoss.

MR. DeMOSS: In view of the generally light patronage which we experience in the non-peak commute hours, we believe this is a logical alternative which should be explored, and we are evaluating the economics of this proposal as requested by the CPUC Administrative Law Judge Weiss in his ruling of October 17, 1977.



In December, 1975, we offered to sell to the MTC a portion of our right-of-way and one track from San Bruno to San Jose, including the commute rolling stock. This offer would make possible a connection with BART to Daly City. To date, the Metropolitan Transportation Commission, to which the offer was presented, has not accepted it; however, we recognize there is a great deal of interest in preserving our valuable corridor between San Francisco and San Jose for rail commute services of some form. The alternatives range from a substantially upgraded rapid-transit-type rail system all the way to a BART-type system extension.

We reiterate that sale offer is open at this time. Provisions of a publicly-owned and operated rapid transit rail service completely segregated from the rail freight operation would permit the continuation of essential freight service to our job-producing patrons located between San Francisco and San Jose. Thank you, Mr. Chairman.

CHAIRMAN INGALLS: Thank you, sir. I must warn you, Mr. DeMoss, that our Governor is taking a keen interest in railroads as the wave of the future. Not only does he think small is beautiful, but he thinks last century is better than this century; but in any event, he has a keen interest in this so I suggest that you might want to talk with him. He's fascinated by railroads.

MR. DeMOSS: I understand he is.

CHAIRMAN INGALLS: We all are. We get our first one for Christmas about the age five.

ASSEMBLYMAN CALVO: Mr. Chairman.

CHAIRMAN INGALLS: Yes, Mr. Calvo.

ASSEMBLYMAN CALVO: Before we leave the testimony, I've refrained from asking questions and only made one comment while Mr. DeMoss...

CHAIRMAN INGALLS: The Chair appreciates that, Mr. Calvo.

ASSEMBLYMAN CALVO: ...was going through his testimony. I just wanted to, for my own information, try to clarify one point which appeared very early in his testimony and that is to the overall rate of return of investment of 2.76 over the last ten years for SP. As I understand the figure, and I did attend some of those hearings where there was cross-examination going on, one last year in particular which was rather interesting to me and I don't pretend to understand corporate financing and all the ramifications of it, but it seems to me that that's for a complete combined operation for all the various functions that are performed and that your loss of \$9 million or so attributed to the commute service carries with it many charges that are not immediately visible for that service. As I recall there were charges attributed to the corporate function that included wages of people stationed as far away as Texas, Houston, I believe I heard in the testimonies; office space out of the state and so forth. Would you care to make some comment to that? There wasn't any denial at that time that there were charges attributed to the commute service that were far flung and away from the state.

MR. DeMOSS: Well, all I can say, again, we have what I believe is a very, very competent bureau known as the Bureau of Transportation Research and our testimony has to stand up not only in the commute case here, but in rate cases and before the Interstate Commerce Commission, abandonment of branch lines and so forth and we

feel that we have among the most competent cost finders in the United States in our Bureau. Now, this very subject that you're addressing was challenged by, I believe, Assemblyman Papan and by the State Auditor General's Office and in order to further defend and reinforce our position, we obtained the services of an independent nationally known accounting firm of Price Waterhouse who verified within a very, very small percent of error, our findings. Now, when it comes to allocations of cost, and you can look at it in many, many ways, we're saying that on a fully allocated cost basis, we're losing somewheres around \$9 or \$10 million a year. Now that's an ongoing operation. If we shut -- and you may have seen the figure of \$26.5 million a year of avoidable loss -- when you shut the plant down and you don't operate the plant at all, then -- and this is our case before the Interstate Commerce Commission and this is the way the Commission looks at it by the way -- we will avoid \$26.5 million a year. So to say that there are phony charges from Texas or someplace else or -- I was kind of amused hearing some cross-examination the other day saying that when the commute locomotives needed overhaul, why they took them to Sacramento and there they were overhauled and some of the charges for working on the freight locomotives were allocated to the commute locomotives. I can assure you that there is no cross-subsidization in our accounting like there is cross-subsidization for our commuters. I would be very happy by the way, to furnish you a copy of the Price Waterhouse report.

CHAIRMAN INGALLS: Please do that. Unless you have any further questions, Mr. Calvo, one of your constituents...

ASSEMBLYMAN CALVO: Well, I don't know whether he answered

the question or not. The question I put to him precisely was whether or not there were these charges for officers' salaries, corporate officers charged to that portion of SP and whether office space out of state...

MR. DeMOSS: Absolutely. Absolutely, a portion of my salary, I think about \$600 a year, it really ought to be two or three times that amount for the time I've been spending on it. Yes, there's a portion of overhead allocated to it and in our case before the Commission, that overhead will be called avoidable because if we don't have to be involved in hearings and the cases and all of that we're going to be taking some jobs off.

ASSEMBLYMAN PAPAN: The other side of the coin being you've got to make a good case for yourself, so we'll charge the hell out of it.

MR. DeMOSS: That's just not so. Assemblyman Papan, we are subjected to internal auditors, Haskins and Sells, our external auditors, the Interstate Commerce Commission, the State of California State Franchise Tax Board, and interestingly enough, the Internal Revenue Service have fulltime employees in our building at all times. They have a desk, they have a telephone. These people are continually going over our records. There is no hanky panky in our records.

ASSEMBLYMAN PAPAN: No. And I would stipulate that probably not, but what I'm saying is what's been imposed on you by the public segment could modify that \$9 million loss considerably. You can hang your hat on the fact that you are regulated and examined extensively and I'm saying that if we were to modify what we allow, the accounting practices allow you to do, it would change that loss considerably.

MR. DeMOSS: You have reference to the Interstate Commerce Commission's accounting? Well those, incidentally, if I can digress just a second on that...

CHAIRMAN INGALLS: We have to move gentlemen.

MR. DeMOSS: Okay. Alright.

CHAIRMAN INGALLS: I would appreciate movement.

ASSEMBLYMAN PAPAN: We'll come back to this...

CHAIRMAN INGALLS: Yes, we're going to have plenty of time to spend together today. It's going to be an interesting and long day. I would like to accommodate Supervisor Diridon who has to be someplace at Noon and I'm sure wants to make some compelling and very lucid comments on this whole situation and he sits there with such expectation that I'm sure he has a solution right at hand. Mr. Supervisor.

MR. RODNEY DIRIDON: Well, I think -- I was very pleased to find one point of agreement with Mr. DeMoss which the Board of Supervisors of Santa Clara County has and that is that we have to protect the corridor. Beyond that, I'm not sure we're at the same meeting. I was interested to see your comment or hear your comment on the "Brown Zone" down here. I'm wondering if you're referring to the Governor or the smog.

CHAIRMAN INGALLS: I was referring to the drought and the fact that we need more water in the Bay Area.

MR. DIRIDON: Alright. I do represent a...

CHAIRMAN INGALLS: I'll give you a little side note. Mr. Papan took a great big headline in to the Governor's Office one day. He didn't knock, as usual, he barged right in and threw it on

his desk. The great big headline said, "Brown's unpopular in San Mateo," and immediately the Governor who is, shall we say, concerned about his popularity, became very concerned and then he realized that it was a story on the brown lawns caused by the drought in San Mateo.

MR. DIRIDON: Let me go into a formal comment of a very short duration and then stand for questions. I'm representing today the Santa Clara County Board of Supervisors sitting as a transit agency board and Chairman Dan McCorquodale, specifically in that regard. The comments that I will present to you are a majority opinion of the Board of Supervisors and in fact garnered on a 4 to 1 vote and if the one person who voted against had come today I would have had to be the referee between that gentleman and Mr. DeMoss. He's very anti-subsidy in any regard. The four members of the Board reluctantly did vote in favor of subsidizing and before revealing that information to you precisely, I'd like to go through a very short history of the situation in Santa Clara County.

We must very firmly protect that corridor for the future of the Valley. We rely on it heavily in terms of volume of traffic; not necessarily in terms of proportion of the County transportation need, and it does have an interconnecting character within our County in that we rely on SP and could rely much more on SP as an intra-county capability. We did participate in the PENTAP study. We approved the final report of the PENTAP study and passed a resolution shortly after it was concluded to, in fact, participate in the subsidy process with the understanding that service would be improved and possibly extended.

ASSEMBLYMAN PAPAN: It would go to Gilroy, is that what you're talking about?

MR. DIRIDON: Yes, I would like to expand on that in that in just a minute, Mr. Papan, and it does relate to our conversations earlier, though, in support of your bill. After that, and our basic concept there is not a new one in the process of negotiation or government, and the basic concept is that you don't want to pay money, good, hard taxpayers' dollars, for services that are supposed to be already rendered. That service was paid for years ago as Mr. Papan mentioned in terms of every other section in the very rich, fertile valley, in the Central Valley and is still being paid for, and we would expect that service to be continued. It was very, very difficult to garner a majority vote on our Board to pay for services that we think are already supposed to be rendered. We were not at all loathe to pay for additional services from SP though.

ASSEMBLYMAN PAPAN: That's to Gilroy.

MR. DIRIDON: No, we were even talking about just additional schedules, and in fact, finally though, as I'll show you in our resolution, did accept the fact that we would subsidize now and hope for additional service improvements as ridership improves. Now, I'll mention how we intend to do that. Right now the SP is the backbone of our transportation system. The potential of extending the SP the length of the County, from Gilroy all the way through to San Francisco is awfully important for us in regard to the joint corridor study currently being conducted by MTC and ABAG. All of our expectations in the future, in terms of light rail and bus, would feed into SP as the regional distributor for our transportation needs, so we're not going to mess around and potentially lose that resource. Last Monday the Board of Supervisors, in fact, passed a resolution which

unmasked the \$500,000 being retained currently by MTC to be used for this purpose. We expect it to cost roughly \$315,000 on a 30% subsidy basis for the coming year, the 50% of the remaining year that is on a calendar rather than a fiscal year basis, and we would expect those funds to be used for that purpose. We would hope that the remaining portion would be released by MTC and I am sure Jack Beckett will fight for us in that regard. The resolution that was passed specifically is the Five Point Resolution that has been distributed to you. It indicates that we would, in fact, sign a contract to subsidize the 30% rate for the following two years beginning January 1. We affirmed the Board's intention to provide countywide service in an equal manner and this subsidy, of course, causes serious problems there because there aren't any railroads running in the south valley and the east valley and so we have an unequal distribution of transportation capability and unfortunately, most of our underprivileged and welfare cases are in the east and south valley, so we have a rather serious county governmental conflict there. The third point was that we asked MTC to return to us that amount of money that is not going to be used out of the current year's allocation. The fourth point was that we petition PUC immediately to require SP to maintain current service and we have had reports of service interruptions that are unscheduled and are very distracting to a person that comes down to the train station and expects to get on a train at 5:05 a.m. in the morning when it is dark and cold and the train doesn't arrive. It doesn't take long to turn off your passengers on that basis. We are asking that the train schedules be strictly adhered to and that the trains be clean and nice to



ride and that as ridership increases, and there's no question in my mind that ridership will increase, with any possible chance of cooperation from the SP, and as ridership increases PUC will require SP to add sections to their trains to accommodate that ridership without having a crush situation.

And finally, that we communicate with the President and encourage his signing of HR 88346, the Howard bill, which in fact was signed yesterday, and makes available between \$3.2 and \$3.7 million, not this year but next year, when the appropriation bill would be expected to pass for SP and this route.

That's the action of our Board of Supervisors and we see a silver lining at the end of all the clouds I projected for you -- I would like to offer a comment in regard to the attitude towards transit riders in this county. In August of 1975, we had a very mediocre, we still have a relatively mediocre, little bus system, that is rapidly expanding. At that time, we had 19,000 riders per day. Right now, we're over 50,000 riders per day with the same bus capability. Very poor service. The buses are falling apart, in fact we're waiting anxiously for replacements, but the increase has been from 19,000 riders per day to over 50,000 riders per day, and that indicates to me, and it indicates to our transit consultants and our transit agency of strong, latent demand to use mass transportation if it can be offered to the public in any reasonable way. We intend, as our bus fleet continues to expand, and we're receiving delivery now of about 180 brand new buses and we'll receive another 200 next year, we intend to force feed SP. We intend to develop our bus routes so that they are completely and exactly compatible

with the SP schedules for commute. The reason why we want to do that is because we cannot allow continual commute to clog the highways. Highway 280, Highway 101, are nearing maximum capacity at this stage. If they bog down, then our economic and environmental system that we call Santa Clara Valley will bog down right along with them.

ASSEMBLYMAN PAPAN: There are a couple of questions. Have you ever seen any advertising by SP to make the public aware of the changes that have occurred since we established the two transit districts in our respective counties?

MR. DIRIDON: Not one.

ASSEMBLYMAN PAPAN: Not one. Has your Board of Supervisors ever authorized anybody to examine, in view of their request for abandonment of that service, the information that we developed from the Auditor General where they were charging some \$3 million. The Auditor General found 49% of those expenses as being inadequately supported or incorrectly charged, so I think both of our counties should proceed to examine the throwing around of figures by the Southern Pacific Transportation Company.

MR. DIRIDON: Mr. Papan, we asked our representatives on MTC to pursue an audit of SP's books. Not an audit by an intermediary accounting firm, but an audit by people that are not necessarily going to have a contract with SP in some other capacity in the future. We were told by our representatives that that was going to be impossible, that SP would not allow that kind of an audit to occur. At this stage, I don't personally, and I don't think the public trusts the information that we're getting from SP in regard to that deficit. I guess the final point that I'd like to make

rather quickly is that Santa Clara County's mass transportation requirements are huge. We will never have enough money to fill those needs, and I suppose that's not peculiar to government's requirements -- there's always more demand than there is money. We obtain about \$35 million, maybe less than \$35 million a year through the publicly-voted one-half cent sales tax for transportation plus the TDA money. Our rapidly growing bus fleet is going to cost over three times that amount of money to operate within two years. As we take a little bit of money in, it sounds like a little bit of money, you talk about \$500,000 a year...

CHAIRMAN INGALLS: It's going to cost you \$100 million a year to run your bus fleet?

MR. DIRIDON: A 500-bus fleet will cost about \$100 million. That's the hard facts of life. It costs, between depending on the bus and the specific characteristics, between \$75,000 and \$100,000 to run one bus for one year.

CHAIRMAN INGALLS: What is your operating revenue ratio?

MR. DIRIDON: It's not very significant right now, simply because the system is only two years old and its based on very poor rolling stock. We would expect to be able to accommodate the 25% to 30% ratio of fare box revenue to total operating costs within the next four years.

CHAIRMAN INGALLS: Try 33%.

MR. DIRIDON: Okay. We're going to try for as high a percentage as we can possibly obtain.

CHAIRMAN INGALLS: We would appreciate it, that's our state goal.

MR. DIRIDON: We'll try very hard, and in fact we do communicate and cooperate quite well with San Mateo. We have corresponding lines and cooperation. I might add that we do have fare increases planned next year as the buses arrive and then the following year, which is certainly not a popular thing to contemplate locally, but it has already been voted in and will occur, which indicates our intention to try to carry out a part of the load. The point I was trying to make, though, is that out of that very small amount of revenue relative to the total cost, we have to cover our local transportation operation plus the desire to provide some subsidy to the SP. Now, only 4% of our trips go outside the valley each day. We have over 4,000,000 trips per day, and only 4% go outside the valley, outside the county boundaries. If you use that as some criteria, you can appreciate the amount of subsidies the public would like to expend on SP.

CHAIRMAN INGALLS: This 4% trips, do those include trips by automobile, are you talking about transit of all kinds?

MR. DIRIDON: Yes.

CHAIRMAN INGALLS: Oh, all kinds.

MR. DIRIDON: Of course, automobile riders are potentially SP riders.

CHAIRMAN INGALLS: Yes.

MR. DIRIDON: And on that basis in us offering the \$500,000 a year subsidy, it certainly wasn't the kind of a gesture on the Board's part that generates broad support from the public sector, so we're attempting to cooperate, we're attempting to work with MTC, San Mateo County Transit, and SP and we would like to have some

cooperation in return, specifically from SP. We went to SP as a delegation from the Board last year, spoke to the then Director of Operations, or Vice President for Operations, about the possibility of extending current commute routes within the county. This could be done according to our advisors at no cost to the company, because they have to pay an 80 mile minimum day, and the commute is now only slightly over 40 miles, so they've got 40 miles to spend someplace, and if we -- if they were to start some of those commute trains from Cupertino using currently existing rails through the west valley and then go down through San Jose and then out through the normal commute, start a couple of trains in Gilroy and use the heavy rail already between Gilroy and downtown San Jose and on out, and start going maybe into Fremont, use the current, the existing rails connecting with BART and on out to San Francisco, it would not cost the company significantly additional money in operating expenditures. Some rail upgrade at first, but not significant additional cost. We were told by that vice president that he would keep us in court forever if we tried to force them to do that. And that's the kind of cooperation that we've received so far, and at this stage we're ready to try other courses of action to obtain the services that I think the public rightfully should receive from Southern Pacific. That's my comment. I'd be pleased to answer any questions you might have.

CHAIRMAN INGALLS: Well, I think at this point I have a question. You're talking about a half of a million dollar a year effort to subsidize the passengers, not SP at this point. Is that correct?

MR. DIRIDON: Well, it's to subsidize passengers, but

you have to recognize at the same time we're offering a subsidy, PUC has just offered a rate increase, so I don't know if it's the chicken or the egg.

CHAIRMAN INGALLS: That 25% rate increase, that's what you're talking about?

MR. DIRIDON: It's pending, by the way.

CHAIRMAN INGALLS: Alright. Have you ever determined a profile of the kind of commuters that are using -- I know Mr. Mauro has from Sam Trans? Has your transit agency ever determined a profile of who is using that rail line?

MR. DIRIDON: I've just spoken to our transportation, planning and development director, and he indicates we haven't taken a formal profile. I can tell you that as a political device I've passed literature out at the stations in the morning and most of the people are white collar. There are a few shipyard workers, but very few.

CHAIRMAN INGALLS: Thank you. Any questions of this witness? We only wish you could stay with us as Supervisor because perhaps you could add some additional information as we develop this discussion, but I understand you do have to leave.

MR. DIRIDON: I apologize for being unavailable, but Mr. Montini will be here to offer expertise.

CHAIRMAN INGALLS: Thank you. Next we'll move to, I believe, Mr. Pinto, you're next on our schedule.

MR. ROD PINTO: Thank you, Mr. Chairman.

CHAIRMAN INGALLS: From the Public Utilities Commission.

MR. PINTO: I appreciate the opportunity to be here and

express the views of the Public Utilities Commission staff and I have with me a recent filing that the staff made with the Commission that I think summarizes the views of the staff very clearly. I'd like to pass that up to you -- and I also have a short prepared statement. But before I begin, I must emphasize that the views and opinions that I express are those of the Public Utilities Commission's staff and not those of the Commission or any individual Commissioner, nor of course, is the Commission held to any of the views or opinions expressed by its staff.

ASSEMBLYMAN PAPAN: It almost sounds like a TV commercial.

MR. PINTO: We're obligated to say that everytime we appear anywhere, and it comes in quite handy. We've had instances where we've failed to do that, and it's very easy to confuse a staff member speaking for the entire Commission, which could color any presentation that the Commission eventually has to make a decision upon. My views today, and my opinions today, I will try to divide into three different areas. First, I'll begin by sketching for you what has happened before the Commission to this point, then I'd like to discuss the major issue of costs, and then I would conclude by examining the criteria that the Commission made or could use in evaluating this proceeding when it is finally decided.

As you know, the Southern Pacific filed for discontinuance before the Public Utilities Commission on May 9th. They filed a three-page application. We held a prehearing conference on the first of June. Finally, the Southern Pacific exhibits were filed on the twenty-second of July, and nine days after that, on the first of August, we went to hearing. We have held a total of 29 days of

hearing, we've gathered 3,200 pages of transcript, we've received 39 exhibits, that includes five evening hearings held in various Peninsula locations -- we have heard extensive evidence in opposition to discontinuance from the following parties: the Metropolitan Transportation Commission; Sam Trans; the California Air Resources Board; the Bay Area Pollution Control District; Santa Clara County Transit District; the California Department of Transportation; the United Transportation Union and the Brotherhood of Locomotive Engineers. Southern Pacific completed its direct showing before the Commission on October 6th and the protestants completed their presentation on the sixteenth of November. On the seventeenth of November, as you know, the Southern Pacific filed with the Interstate Commerce Commission, their filing was dated November 14th. During the course of this proceeding, while Southern Pacific was presenting its evidence and while the staff was listening to the presentation of the protestants, it became very clear to the staff that the company had not made a showing justifying this discontinuance.

ASSEMBLYMAN PAPAN: Let me ask you a question right here. The discontinuance that you're making reference to, since this is interstate and a commuter service, where is the ICC jurisdiction on this?

MR. PINTO: Intrastate, you mean.

ASSEMBLYMAN PAPAN: Yes, intrastate as opposed to interstate.

MR. PINTO: The Interstate Commerce Commission has jurisdiction under the Transportation Act of 1958 and the various provisions under the Interstate Commerce Clause. If it can be shown



that the service, even though intrastate in nature, burdens interstate commerce, the federal jurisdiction appears clear.

ASSEMBLYMAN PAPAN: Thank you.

MR. PINTO: Before you is the filing the staff made before the Commission on the 21st of November, requesting that the Commission dismiss this application and recommending to the Commission that it continue to hear all remaining issues in its Order Instituting Investigation, which was issued by the Commission and consolidate it for hearing with this application. Simply stated, the Order Instituting Investigation empowers the Commission to hear all matters affecting commute service. It gives it a broad authority to go into every facet of this operation. I'd like to briefly summarize the petition for you. The staff takes the position that the Southern Pacific has not proven that the public convenience and necessity no longer requires the service provided or that Southern Pacific's claimed losses are such that they unfavorably affect the utility's overall profitability. The staff argues that Southern Pacific has made no attempt to maximize revenues by actively promoting or marketing its service, by attempting to determine the reasons and stabilize passenger decline, nor has Southern Pacific attempted to actively hold down costs by investigating operational savings, such as better current utilization of manpower and equipment, the institution of automated ticketing procedures, or the aggressive pursuit of work rule changes through collective bargaining. It is further the staff's position that the basic issue of operating costs, with all of its many facets of increased revenue potential and cost savings can be addressed in the Commission's

current investigation. The staff contends that discontinuance cannot be based on a simple assertion of cost figures. What is essential is the methodology by which those figures are arrived at; and, secondly, how the properly arrived at total figure affects the overall utility operations. Underlying this entire concept is the question of what Southern Pacific has done, short of requesting discontinuance to improve its revenue and expense outlook. When it comes to Southern Pacific's operating costs and claimed deficit a very wide range of figures comes into play. As always, the method used to arrive at the figures dictates what the figures will show. Traditionally, in setting railroad passenger fares the staff has utilized, recommended to the Commission, and the Commission has accepted, a direct out-of-pocket, or variable, cost approach. This cost approach attempts to determine the additional expenses incurred in providing passenger service and takes into account the fact that certain expenses continue, whether or not passenger service is provided, just by virtue that a railroad operation is in existence, even if passenger service were to be discontinued. Southern Pacific has championed fully allocated costs, both in its rate proceeding before the Commission and in the current discontinuance proceeding. With a fully-allocated cost approach, an attempt is made to allocate commute service costs in proportion to overall total railroad system expenses. It should be noted that when the shoe is on the other foot, and Southern Pacific was recently before the Commission for reduced freight rates below those applicable to truck carriage, the Southern Pacific contended that fully allocated costs would be arbitrary and difficult to determine and that the variable costs were those that

should be used, because fully allocated costs put a high burden on any operation operating below its full capacity by assigning a full share of fixed costs to a relatively small number of moves.

CHAIRMAN INGALLS: Is this the same company?

MR. PINTO: The very same company, Chairman.

ASSEMBLYMAN PAPAN: This is the free enterprise system.

CHAIRMAN INGALLS: They're just trying to get a good deal, that's all. I don't blame them for doing it. I may question whether or not they're being consistent, but I don't blame them for trying to maximize their profit situation.

ASSEMBLYMAN PAPAN: That's what the commuter is trying to do, too. At least they've got that in common.

CHAIRMAN INGALLS: That's why we're going to referee, Mr. Papan, eventually it's going to be up to us to referee.

MR. PINTO: The staff only hopes that the same consistency in its cost reasoning would be applicable to the commute service. In this discontinuance proceeding, as you know, Southern Pacific claims an avoidable loss of \$26.5 million and that's based, of course, on its full-cost accounting methods and based upon an avoidable loss of \$15.8 million on the return that it would be losing, or is losing, on its real property used in this operation. The real property consists primarily of the commute corridor.

ASSEMBLYMAN PAPAN: Have they been that sensitive to their stockholders, do you know Mr. Pinto? On returns.

MR. PINTO: I only know that their stockholders are doing quite well.

ASSEMBLYMAN PAPAN: What kind of a return are they showing?

Mr. DeMoss, what kind of a return are the stockholders getting in your company? Percent return.

MR. DeMOSS: Well, I don't know what the average price that all of our 80,000 shareholders might have paid, but if you were to buy a share of Southern Pacific stock on the market today, its hovering around \$33, and we pay 60¢ a quarter, or \$2.40 and you can multiply that by three and you can get, at the return. I might add that the reason that the price of our stock is depressed to the extent that it is, is partly due to, in our view, over regulation by the Interstate Commerce Commission and by the California Public Utilities Commission in particular, and this is the heart of the matter of this case; that is, if you'll permit me to digress for just a second -- in the last two or three weeks I've had an opportunity to visit bond managers, investment managers, in New York, San Francisco and Los Angeles, and I have to tell you that the over regulation and the type of regulation that we're getting in the State of California from PUC has rated the utilities in this state as the poorest investments in the country. Now, you might say, "Well, that's all right. That's fine. Just sock it to them." You know what that's going to do. It means that those industries including Southern Pacific, when we go out for equipment trusts, so that we can try to maintain employment on the lines in which we're operating, it means they're going to have to pay a higher rate of interest, because the money managers in this country are not stupid. They can see what's happening. Well, you know who's going to pay for that higher rate of interest? The public is. So, by this type of regulation and what we've been going through you're

going to find that this state is going to go downhill. That's my personal view.

ASSEMBLYMAN PAPAN: Just to bring into focus what you just said, the biggest investors in the free enterprise system, sir, today, are pension funds of unions.

MR. DeMOSS: That's exactly why I made that tour because if I have some pension fund money to invest, that's part of my responsibility.

ASSEMBLYMAN PAPAN: And my responsibility would be if you owned Southern Pacific personally, my view of you would be a little different because being a stockholder and seeing what common stockholders across the board have suffered as a result of the boards that run these companies have ignored any fair return in many instances to those common stockholders, you have precluded an avenue of capital investment as a result of the posture. Many companies not only mouth this free enterprise system, they choose to ignore those that invest in it.

MR. DeMOSS: I think we've done a great job for our shareholders.

ASSEMBLYMAN PAPAN: Probably, probably. But I'd like to see the average over forty years of what the rate of return has been to investors in your company.

CHAIRMAN INGALLS: They haven't done too badly, I'm sure.

MR. DeMOSS: No, I'm not saying they've done badly. They have not paid for the use of capital sufficiently -- they may have gotten salary and stock options as corporate officers, without regard for the financial picture to a greater extent than they've

shown return to these same people that you seem to be concerned about and I am concerned about. Yes, I think we share a common concern there, and that is the private enterprise system and the shareholders, and I can assure you -- I think the record will show -- that we've done a great job in protecting their interest in the capital base, but I agree with you, we could do better. We've got our hands tied behind our backs by over regulation.

CHAIRMAN INGALLS: Okay. Let's go on to finish Mr. Pinto's testimony because I'd like to ask him a question that I think you'd like to ask him, Mr. DeMoss. Mr. Pinto.

MR. PINTO: Thank you. Just to again emphasize the difference that occurs in cost figures depending on cost methodology, I would point out that the real property valuation place by Southern Pacific on its commute corridor and other real property holdings used in the commute service is \$117.5 million and this is a fair market valuation and is in sharp contrast to the book value, and the original cost less depreciation rate base approach that is utilized by the Public Utilities Commission in setting utility rates and transportation fares, including those of the Southern Pacific.

Certainly, as the Commission reaches a final decision in this proceeding, Southern Pacific's operating costs will once again, undoubtedly, receive major attention. The Southern Pacific was ordered by the presiding administrative law judge to present additional cost studies that include the variable cost approach recognized by the Commission. The staff is preparing its own extensive cost study for presentation. Additionally, as I have stated, the cost issue is tied in with revenue maximization and expense savings

and, therefore, the staff will be presenting to the Commission its suggestions for the enhancement of Southern Pacific service through marketing approaches and advertising, together with suggestions for possible operational savings. It is, of course, impossible for the staff to second-guess the Commission on all the criteria it will employ in reaching a final determination in this proceeding. However, by a careful look at the majority opinion in the recent fare decision, there would appear to be four areas of concern which the Commission majority has already dealt with, and can be expected to look at again. First, the Southern Pacific's failure to openly negotiate subsidy and service improvements with concerned public agencies. Second is the Commission's assertion that every available means of service continuation must be explored. Additionally, there is the Commission's expectation that Southern Pacific must and will negotiate in good faith with public transit agencies toward a solution of the Peninsula's transportation needs and the implementation of publicly adopted transit plans. And, finally, there is the Commission's recognition of the Metropolitan Transportation Commission's PENTAP Plan and the importance that it will play in future Peninsula transportation. In summary, I wish to state that the staff of the Commission is disappointed that Southern Pacific has chosen to further litigate this discontinuance before a federal court rather than to work at the local level for a reasonable solution. But as the petition of the staff points out, no good cause for granting discontinuance exists, and the staff is confident that the Interstate Commerce Commission will reach the same conclusion and will return this matter to the local level. Thank you.

CHAIRMAN INGALLS: I have a question. In a background paper that was put together by Mr. Lucas of our staff who has been working on this question, he indicates that the SP sought a 96.4% fare increase in the recent fare increase application. The PUC administrative law judge recommended a 40% increase, which I assume was the staff recommendation -- was the staff recommendation of 40%?

MR. PINTO: The staff made a 25% recommendation.

CHAIRMAN INGALLS: The judge who heard the testimony made a 40% recommendation.

MR. PINTO: Yes, that's true.

CHAIRMAN INGALLS: And the PUC only made 25%.

MR. PINTO: That's correct. However, I would point out, and the dissenting opinion also points this out, the problem again lies in the cost accounting method that you accept. If you accept the staff cost accounting method that talks in terms of the above rail costs to the railroad and the variable costing method, and if you again look at the negative income tax aspects that the staff accepted and that the minority opinion of the Commission refused to accept, you come to the conclusion that with that 25% increase there is only something of \$268,000 out-of-pocket expenses to the railroad.

ASSEMBLYMAN PAPAN: How much was that?

MR. PINTO: \$268,000, according to the Commission's July 12, 1977, decision -- but that, of course, takes into account the income tax provisions that the minority refused to accept. However, I would point out that until recently that has been ICC policy, it was Commission, and has been traditionally Commission staff and



Commission policy throughout the years when we're hearing "train off" cases, mostly from the Southern Pacific well into the 70's when Amtrak took over.

ASSEMBLYMAN PAPAN: Could I ask him a question?

CHAIRMAN INGALLS: I want a follow-up on this if I can. What methodology does the ICC use, because this could be crucial? If they use a separate methodology than you're using, and I must say you're being very, shall we say, tight on these fellows. If ICC isn't equally tight they may say, "Those at PUC in California have been irresponsible and have been too stingy with these people, and as a result we're going to have to say that this is an unprofitable line, it is a burden on interstate commerce, and should be abandoned."

MR. PINTO: Mr. Chairman, I'm not an expert on ICC matters. However, I do know this, that there is no clear indication what the ICC accepts at this point in terms of cost. There has been, in the federal arena as you know, a number of recent changes dealing with ConRail and the bankruptcy of the Penn Central, and there has been a great deal of federal legislation that deals specifically with bankrupt railroads. Certain additional federal legislation is apparently intended to deal with areas outside the bankrupt region and primarily seems to relate to freight service. However, there does not, at this time, appear to be any consistent cost methodology that is clearly applicable to this service as far as the ICC is concerned. But your comments are quite correct. It is very possible for the ICC to utilize costs and methodology different than that of the staff of the Public Utilities Commission, and as a result reach entirely

different conclusions. However, I do know enough about ICC procedures to tell you that the ICC also very carefully looks at what the railroad itself has done in terms of improving its own cost picture, and I think in that area is where the railroad will fall far short, and we're hoping for a very good and successful decision from the Interstate Commerce Commission.

CHAIRMAN INGALLS: Well, I would only point out to you, the staff and the PUC that if you're only talking about what is a fair rate of return, and that is all you're concerned with, and I can make this statement because I don't have any constituents that ride that railroad, but if you hold the profit margin so thin, your recommendations are so tight, and the three majority members of the PUC who share obviously your philosophy, are so tight with the operations of the Southern Pacific, then eventually they're going to put themselves in a posture of being able to legitimately say we can't run this railroad no matter whose bookkeeping you use, with any kind of profitability. And I would point out that the people who are using this railroad, at least my gut reaction, I don't have any confirmation, but I think they can afford \$3.00 a day round trip commute and possibly a little more from San Jose to San Francisco.

MR. PINTO: Mr. Chairman, if I may, I think your comments to...

ASSEMBLYMAN PAPAN: If they got property tax relief they might be able to do it a little better, Mr. Chairman.

CHAIRMAN INGALLS: Well, it wasn't for lack of trying we didn't come up with the property tax relief bill, if we could only convince a few of our social engineering colleagues who are responsible

for writing these bills that we're trying to get property tax relief, not change the world, we could probably come up with a bill next session, and I think most of the social engineering has been, shall we say, put on the back burner for awhile.

MR. PINTO: Mr. Chairman, with respect to your comments, I would only point out that the intent of the statistician to its commission to dismiss this application I think impliedly addresses the material that you've just spoken to and that is we wanted to move away from the adversary's fear in which we found ourselves as we had to in terms of this situation. It was a make it or break it kind of a situation, and we took a very strong stand. We're hoping that as we pass by that arena we could go into an area of more conciliation. We hope that the order instituting investigation would allow us to do that. However, the railroad has chosen to go forward with the aggressive attack and take us to the ICC and now the cloud of litigation hangs over our heads and makes it very difficult to move in anything but an aggressive partisan posture, although I appreciate your comments, and certainly I will take them back both to the staff members that work with me and to the Commission.

CHAIRMAN INGALLS: I'm going to talk to Bat myself and indicate to him that I don't want to see the SP railroad going out of business, but if you continue to be penny wise and dollar foolish, you're going to drive them out of business. And we're going to be in jeopardy of moving people in this corridor. Because I don't think the highways and freeways can absorb 15,000 commuters, most of them in private automobiles. And that's the alternative they're going to use because they're not going to go on buses.

ASSEMBLYMAN PAPAN: Mr. Chairman, you prefaced not representing these people here.

CHAIRMAN INGALLS: That's why I can take this statesman-like posture.

ASSEMBLYMAN PAPAN: I wish you'd take that same posture with respect to a reflection on the commuters being able to pay a little more. Isn't it not conceivable that that railroad earning \$120 million a year could show some public concern, because you're talking about ability to pay.

CHAIRMAN INGALLS: Yes, but that would be something new on the part of the railroads. And I don't think we expect that kind of a change in posture. One hundred years of a posture to the contrary. And I think it's more in the interests of the commuters, not the railroad, to take that kind of a posture, and I think the minority was very correct, and pointed out that the very people that the staff and the PUC majority are trying to protect are the people they may end up ultimately hurting the worst.

ASSEMBLYMAN PAPAN: Okay, let me ask. It seems as though, I'll ask Mr. Pinto this if I might, Mr. Chairman, that the accounting procedures cast a shadow over all of the presentations that were made before the Public Utilities Commission. Could you tell me when we proceeded to view rate setting as affecting freight traffic and passenger service, when we saw fit to cause this kind of separation from the total operation of that railroad. When did this come about? Has it always been the case?

MR. PINTO: I don't think I fully understand your question.

ASSEMBLYMAN PAPAN: Well, all of a sudden we have a

transportation company that came into existence at one time to provide passenger service and freight service, I think. And we proceeded to set rates when we decided to regulate them whenever that did occur. When it did occur, did we proceed to rate them based on their particular operations? In other words, saying we're going to rate freight and we're going to rate passengers, and all of a sudden not reflect on the total operation of that company. When did that occur, so that here we're standing now and we're proceeding to talk rates with separations, but ignore the total overall operation of that company. Was that always present when we decided to rate them?

MR. PINTO: I don't know if this will answer your question, but with respect to setting passenger fares with transportation companies, the Southern Pacific in particular, but also with Greyhound, the Commission has always operated much within the context of the materials that I handed to you, and that is, that a transportation company holds a certain obligation to perform the service for which it has been certificated or for which the Commission has the authority to oversee that Company's performance. And within the confines of state legislation and Commission regulation, I would assume that since the 1911 period when the Commission came into existence, it has always been felt that a certain amount of well, I think the best way to determine it, is that transportation companies need not always be profitable in every aspect of their operation. That is, they don't by necessity, require a profit, but their costs must be met. So, it is this cost accounting adaptability that the Commission developed.

CHAIRMAN INGALLS: I have an interesting thought that we might want to throw out to the PUC, the MTC and the Southern Pacific, and I know Mr. Calvo will want to make a comment on the question. And I just thought we'd throw this out. I've asked staff to look into whether or not we in the Legislature could set certain criteria for the PUC's rate setting on this line, and the legislative process, obviously, because the PUC's admitted that it's an adversary relationship with the railroad, and the railroads haven't been entirely responsible because they don't want to be in this business, and they're not going to do anything that jeopardizes their getting out of it. We may have to send direction to the PUC as to exactly what we consider to be a proper basis for their rate setting, and it might be something that would take into consideration more in the concerns of the Southern Pacific Railroad than possibly the present PUC's posture is doing, and I want to preface that with saying that I am not necessarily enamored at what the Southern Pacific Railroad is doing in this whole matter, so far no one has impressed me as being statesman-like, but let's continue.

ASSEMBLYMAN PAPAN: It'd be worth exploring, surely, that we should proceed into the area of regulating because the accounting procedures...

CHAIRMAN INGALLS: Not regulating. Just given the basis for the regulations.

ASSEMBLYMAN PAPAN: Right. In other words, drawing up, are you saying, drawing up a procedure that can be better understood with respect to the cost of the operation-like commuter service?

CHAIRMAN INGALLS: Well, we may want to legislate what

are the proper ingredients in the mix that makes up the PUC's analysis and their ultimate decision. We obviously can't set the rate, we might want to give them some direction on what we consider to be important ingredients in that equation.

ASSEMBLYMAN PAPAN: Because all that we're doing is conforming existing law to the transportation company, and if the accounting procedures leave something to be desired...

CHAIRMAN INGALLS: Quite frankly, I'm sympathetic with the Board of Supervisor's point of view relative to subsidizing the SP. I don't know whether we ought to be subsidizing the operations of commuter lines with public monies. That was one of the major criticisms of BART. I think if you're going to subsidize public transit, you want to subsidize local transit because usually the transportation disadvantaged are moving around within local communities, and I don't see anything wrong with the people who ride the Southern Pacific Railroad paying the costs of their daily commute. They're going to work, they're not being sent on volunteer missions, Red Cross missions and Salvation Army missions to downtown Market Street, into the Mission District. They're going in there to make a buck.

Mr. Calvo, you had an observation.

ASSEMBLYMAN CALVO: First of all, I'd like to clarify a point that came by rather rapidly. You mention, Mr. Pinto, that in July there was a different loss figure derived through an accounting procedure which was not accepted by the minority opinion of \$275,000 or so. Is that correct?

MR. PINTO: The majority's opinion concludes that the loss would be in the neighborhood of \$268,000.

ASSEMBLYMAN CALVO: For one year's operation? And how does that compare with the SP's estimated loss? Is that the figure that is being used, that is comparable to the \$9 million figure?

MR. PINTO: No. I was talking in terms of the figures that were available at the time of the Rate Case. And the Rate Case was decided in July of 1977, but was based on a test year figure of 1975.

ASSEMBLYMAN CALVO: And what was the projected loss by SP or the stipulated loss?

MR. PINTO: The SP under a fully allocated cost approach estimated that its cost, its expenses were \$13,269,000 during that same rate base period. The loss, as I recall, was somewhere in the four to five million dollar area. Again, based on the fully allocated cost approach less the negative tax differential that the staff utilized and the Southern Pacific refused to accept.

ASSEMBLYMAN CALVO: I think that's the point that I want to dwell on for just a moment. I want to also address the comments made by the Chairman. I don't think anybody wants to see the SP go out of business. The Supervisor spoke that that was quite a concern to the county, and I know it is to Mr. Mauro's district, also, and for anybody who use the transportation needs in the Peninsula. SP wants to get out, obviously. They feel they could employ their money under their present policies more wisely elsewhere. We're having these hearings to try to substantiate the need for the service. We're, I think, speaking about accounting systems, and I'm not a CPA. I'm not familiar with corporate financing systems, but it appears to me that if you apply one method you break



even or have a \$260 some odd thousand dollars loss. If you go through another system, you end up with \$5 million loss. I also have before me the Auditor General's record. I've heard people comment about it. This is the first time that I've had a copy before me, but it says here that 49% of the attributable loss for SP of the records that they were able to examine, and that wasn't the total loss for the total expenses claimed for that year, that 49% of such expenses were either inadequately supported, or were incorrectly charged. I'm not saying that that's true or that it is not so, but certainly I think it emphasizes the point that we're talking about which is how we're going to view a service and the charges that can be apportioned to it. I think the SP claims are undoubtedly expansive and difficult to substantiate when you approach it from a different viewpoint. The suggestion of the Chairman is one that I was going to make, and that is that we look at this thing in a manner of bookkeeping approach, and which system shall we use. How can we come up with a fair approach. We want SP to not lose money in the transaction, but we don't also want to accept a claim that can be substantiated through a systemwide accounting system that may or may not be inflated. So, those are the comments that I wanted to make. It seems as if you can go in any direction here, but we were here primarily to maintain the commute service at a reasonable rate to the commuters, and I think that's of prime importance.

CHAIRMAN INGALLS: And I think, also, if I could amend that statement of yours, a reasonable rate to the commuter without an undue burden on the taxpayer because again you have to look at

who you're subsidizing and whether or not the subsidies are that meritorious. And perhaps we'll know more about that after Mr. Mauro gives us a profile if he has that information. Perhaps we need additional information from MTC and Santa Clara County, also, to give us an idea who's using that service.

ASSEMBLYMAN CALVO: That goes without saying. However, if the SP is making money by a reasonable accounting system, then the burden is not on the taxpayer.

CHAIRMAN INGALLS: That's right. That's why I think as much as possible government should stay out of as many things as possible for a variety of reasons.

I think this is an appropriate point since we've heard from Mr. Pinto, to break for lunch. The panel speakers and the members up here of the Committee are going to go to lunch with the staff, and the staff of the people who are here before us. We still have some more of this morning's testimony, Mr. Mauro and Mr. Williams to hear from, and I'm especially waiting for Mr. Mauro, his observations as a transit operator to take care of this afternoon, then get Mr. Herringer and others on this afternoon. We're going to be here, I would think, late. But let's go. Try to be back at 1:30.

#### LUNCH

CHAIRMAN INGALLS: Let's get started this afternoon. We've been joined by an additional member of the Committee, Vice Chairman of the Committee, Mr. Chet Wray, who is the Assemblyman from Orange County, Westminster, and places like that in Orange County. The bedroom of Los Angeles. He represents that community. We're now going to hear from Mr. Mauro, and then Mr. Williams. Then, it is

our desire to be finished with the morning section by quarter after two which gives us about 35 minutes. And hopefully answer any questions any of us have or make any observations that anybody may want to make, an observation from the panel after we've heard the next two presentations, that's fine. We'd be delighted to hear from you. Then after that we'll start the afternoon segment with Mr. Herringer, and I thought I saw Dr. Herringer here someplace. There he is, yes. You didn't take BART to come down here, did you? Couldn't. Okay.

And then we'll hear from Mr. Lammers from District 4, and a variety of witnesses from local government, Jim Self, Emily Lyon, Ted Noguchi, and Mr. Jones from the Transit Union, and Bob Bongiorno, Brotherhood of Locomotive Engineers, and Dr. Marjorie Evans of the Air Resources Board who is an attorney and a chemist, among other things. Is she here? She will be here eventually, I suppose. Okay. Fine.

Mr. Mauro.

MR. JOHN MAURO: Yes, thank you, Mr. Chairman, and other members of the Committee. The San Mateo County Transit District did prepare a very extensive document which it introduced in the PUC case. It's a written statement and we will make copies of that statement available to the Committee as a matter of record.

What I'd like to do in these few moments is to hit on some of the highlights. For those of you who don't know, Sam Trans, we are a new transit district, actually formed in '75. We have a fleet of about 149 buses, 59 routes. We operate on each week day, roughly between the hours of 6 a.m. and 9 p.m. and our operations are not only confined to San Mateo County, but we are permitted to run into

San Francisco and into Santa Clara Counties, and just recently began service to Alameda County via the San Mateo-Hayward Bridge. When the system got into full scale operation on July 1, 1976, we consolidated the existing systems. They were carrying approximately 14,000 people a day. In October of this year, our ridership had risen to more than three times that total, that's 40,000 a day. One of the steps that we've taken recently that is pertinent to this particular discussion is the implementation of Alternate B of the PENTAP study. And in doing that, our first step was to contract with Greyhound to provide north-south intercity service linking Santa Clara, San Mateo, and San Francisco Counties. This operation began, as I indicated, on July 7 of this year with 38 buses operating between Palo Alto, Berkeley, Daly City and San Francisco. The ridership, since July 2 of this year on the old Greyhound system has risen from 7500 passengers a day under Greyhound management and Greyhound fares up to 12,500 per day under Sam Trans. This has all occurred in a space of about four or five months. On December 12, we will be running approximately 111 trips into San Francisco, and 64 trips into BART daily, and an equal number southbound. In laying out the bus system, we have concentrated all this service on El Camino Real and on Route 101, the Bay Shore Freeway. We have no plans at this time to operate any service on 280 south of San Bruno. We were very careful in laying out this bus system, the regional bus system, as recommended in Alternate B so that we would not compete with the railroad. As a matter of fact, as our testimony pointed out before the PUC, we bent over backwards not to compete with the railroad. We reduced the number of runs that Greyhound was running into the

city. We reduced the fare and the present fare reductions in the fare, so we would delay the railroad fares. We do not meet their speed schedules, and we do not have, obviously, the capacity that the railroad presently has. This was done by deliberate design and by plan, and then we moved into the second stage of the implementation of B. And that was the idea of buying the tickets in bulk from the railroad and then selling them to the residents of our county at a discount. It might be helpful to this Committee to know the genesis of that.

When I came to this area and to this district one of the first acts I took, and this is in March of '76, was to meet with Alan DeMoss to discuss the possibility of purchase of service agreement because I had been involved in the development of one in Pittsburgh. It is the policy of my Board that we wanted to preserve the railroad as an integral part of our total transportation system. We had a number of discussions subsequent to that, and the railroad's position has remained unchanged. It refused to accept a direct subsidy from anyone, and I kind of chuckle at Mr. DeMoss's statement at lunch today. One minute he says he's never received an offer, and another minute he says if it was received, he wouldn't take it. So we've never gotten off the ground zero on subsidizing the railroad. So, what was the obvious solution? The obvious solution was, and I should say, the primary problem was that the PUC was engaged in the hearings in which a fare increase is being proposed. And we knew what the consequences of a fare increase would be to the ridership. So, along with subsidizing the railroad, the brilliant thought arose that perhaps the way to do it would be to buy tickets

from the railroad at the new rate set by the PUC and sell them at a discount to the customer so the customer would not feel the impact. And that's precisely what we did. We prepared a budget, and using RTD funds, approximately \$600,000 for fiscal '77-'78 that were approved by MTC and then proposed that we have a discount. Then the question was, what kind of a discount should we offer? There have been rumors throughout the rate hearings that the PUC was preparing a 40% increase, so the \$600,000 was really geared to provide a 40% increase to the railroad. The railroad gets additional income which it deserves, and secondly the customer doesn't pay any more which is important to marketing.

ASSEMBLYMAN PAPAN: Are they reacting as deserving?

MR. MAURO: I want to get to that in a second. The discount, and I've got a table worked out here, ranges from \$11 to \$15 a month for purchases of monthly commute tickets in San Mateo County. The amount varying depending on the fare zone. For the person buying these monthly tickets at a discount price for a railroad ride between Redwood City and San Francisco, and this is on the last page of the table before you, would be 72¢ compared with 82¢ before the August 6th increase and \$1.03 today. So that there is a savings of about 31¢ from the present fare when this 30% discount is given. The discount of rail fare would be 38¢. The important thing is that the fare discount on the rail would be 38¢ cheaper than a ride on a Sam Trans bus for the same distance, and even if the Muni person gets on the 4th and Townsend station Muni bus and pays a quarter, it still is going to be 13¢ cheaper than riding a Sam Trans bus all the way into San Francisco. Now, we're in a process of concluding our negotiations

to buy these tickets in bulk from the railroad, and these discussions have been going on for the last two or three weeks. We've geared up a number of programs around it, and we seem to be making tremendous strides and progress. This hasn't been a very difficult negotiation in my opinion, but I was hoping that Mr. DeMoss today would have brought the final draft of the contract, and we could have signed it in front of this Committee, and we would execute it as of Monday morning.

ASSEMBLYMAN PAPAN: What's their problem?

MR. MAURO: Well, we ran into one little snag. They're asking that we reimburse them a few thousand dollars for acting as our agent for selling tickets, and it kind of threw me for a loop this morning first thing.

ASSEMBLYMAN CALVO: They want you to pay them for selling those tickets at a discount?

MR. MAURO: Our position was...

ASSEMBLYMAN PAPAN: Is that because we didn't accept their vans that they were willing to give the public?

MR. MAURO: Pardon?

ASSEMBLYMAN PAPAN: Maybe Mr. DeMoss would like to reflect on that.

MR. DeMOSS: Really, I didn't see anything in the legislation or in any of the rules and regulations that required us to perform this service.

ASSEMBLYMAN PAPAN: And you want a bill to say that you have to do that, is that what you're saying?

MR. DeMOSS: No. What I am saying is that I don't know

of any public entity or any private company that takes on added work without being compensated for it.

ASSEMBLYMAN PAPAN: Tell me what that other work is?

MR. DeMOSS: I'll tell you what it is and the way to measure it. First of all, I must say that first with Mr. Mauro's San Mateo County passengers, we have an added voucher which is part of his explanation here, and I think he may even have a copy of the voucher. These are added pieces of paper, and if you know anything about clerical work, it means an added workload, but aside from that we're faced with and we hope very sincerely, incidentally, that the negotiations that we've worked out with Sam Trans can be repeated quickly with Santa Clara County and I think we have a good framework to work for. But I will say this that had John Mauro had to start with ground zero without any organization to dispense his tickets, his costs would be many times that which we intend to charge him in this agreement for performing these services.

ASSEMBLYMAN PAPAN: How much is that?

MR. DeMOSS: It's about \$2,500 a month. Let me add this. It's one-half of one percent, and I think John and I arrived at that this morning, and I might say that Muni in San Francisco in selling their fast passes through their outlets, whether it be Weinsteins or any other store, that store gets a one percent charge, if you will, for handling Muni fast passes. I think there's an analogy here.

ASSEMBLYMAN PAPAN: Am I to understand, Mr. Chairman, that the Southern Pacific Railway Company, who is possibly sympathetic to the idea that the corridor has to be preserved, is asking now



for \$2,500 a month to sell these tickets with whatever procedure has been set up, as a cost to them for the sale of those tickets?

CHAIRMAN INGALLS: Let me ask... Number one, these tickets you're going to sell, Mr. Mauro, are they good on any Sam Trans' property or only good on the SP?

MR. MAURO: Let me explain the process. This ticket is a registration pass that we are issuing to the customers that responded to this questionnaire. You can use this to do two things: one is you can show that to the bus driver and you will get a free ride on a Sam Trans' bus in San Mateo County to and from the station. That's a part of this program. The other part of it is to show it to the ticket agent at the railroad station so that he will recognize you as a resident of San Mateo County and when you fill out the voucher and give it to the railroad, the voucher will then come to the district from the railroad so that we can reimburse the railroad. That's our proof.

CHAIRMAN INGALLS: How often do you fill out this voucher for your passengers?

MR. MAURO: Well, we're proposing to do this with monthly and weekly and 20-ride and student weekly and monthly tickets so that the voucher is filled out by the purchaser, not by the railroad clerk. And we are sending out a supply of these vouchers to the patrons that we have registered in advance so that they can have them fill it out. And the reason for the voucher is that otherwise we would have no way of identifying those persons that rode the train so that the railroad could bill us and we have a piece of paper to verify that there was a transaction that we could reimburse at thirty percent.

CHAIRMAN INGALLS: Why don't you sell the tickets instead and...?

MR. MAURO: Why don't we? We had proposed to sell this directly at our own outlets, that was one way we could work the program. However, the railroad felt that they had some other problems that would make it in their best interest to handle themselves. One of them was, a possible claim from the ticket union, the ticket workers, that we were denying work, and we didn't want to get into that bag either, we didn't want to be put in the position of depriving anybody of any employment. Secondly, it was the railroad's suggestion that it might help out the accounting procedures if they handled the thing directly in the first instance. Now, this agreement does provide that if there is any additional cost required, let's say we had a surge and they had to add clerks, we could identify that there was an addition of clerks, fine, if they had to open up additional outlets we would pay for that, fine. If we have to promote this program as we are doing through advertising, some forty, fifty thousand dollars that we'll be spending, then that is our expense, but we could not see at the last moment why we should pay them, twenty-five or five thousand when we started out, for doing something that they'd been doing for years themselves, and that is selling these same commute tickets to the people at the stations.

CHAIRMAN INGALLS: Mr. Mauro, why can't Sam Trans sell the tickets for you? Pardon me, Mr. DeMoss.

MR. DeMOSS: Well, there is a possibility. The problem is that our tickets have to be sold at the tariff rate and, of course, that occurs when the patron pays seventy percent and simultaneously

Sam Trans pays the other thirty percent. That has to occur at the same time.

CHAIRMAN INGALLS: Why can't they just buy them from you at the . . . why can't they do the unheard of thing of buying at retail and selling at wholesale?

MR. DeMOSS: Well, again there is, in the railroad industry and under labor union agreements, this might be viewed as transfer of work.

CHAIRMAN INGALLS: Mr. Jones. Mr. Bongiorno -- is the other guy from the -- where are you? Stand up. The two guys from the unions. They're here to tell you and I'm telling you, Mr. DeMoss, on their behalf that they will negotiate with the clerks' union to make sure that you get no feedback from the clerks' unions; they're making their representation right here on the record, and on behalf of their unions they'll negotiate with the clerks' unions. Thank you, gentlemen. Now we've overcome the union problems. Now, what's the next problem?

MR. DeMOSS: There isn't any problem. We'd be delighted to have Mr. Mauro sell all the tickets through his people. I'm delighted.

AUDIENCE RESPONSE: (inaudible)

CHAIRMAN INGALLS: The clerks' union doesn't care? They don't care if you send a transfer from one down to another buying wholesale or retail.

AUDIENCE RESPONSE: (inaudible)

CHAIRMAN INGALLS: I suggest that it's in your best interest to try to keep the railroad open instead of finding ways to close it,

and if you're going to have that kind of a posture that every time we try to find some way to keep that railroad running, some union stands up and says you're taking a job away, you're cutting off your nose to spite your face. Thank you. Assuming we overcome union problems, what's your next problem?

MR. DeMOSS: The agreement which we have drafted up and which I must say we're within 95% of having an agreement this afternoon, that is the only remaining issue, and we do feel, and again I have to go back to the analogy between there's a Weinstein, a drug-store if you will, selling Muni fast passes, they're getting one percent, I think we're entitled to one-half percent...

ASSEMBLYMAN PAPAN: Quite frankly, I think you should pay them for selling your tickets, what do you think of that?

MR. DeMOSS: No, I don't think that...

ASSEMBLYMAN PAPAN: Yeah, I do. It may be that legislation to require you to do that might be appropriate.

MR. DeMOSS: That would be in the hands of the Legislature.

ASSEMBLYMAN PAPAN: That's right. Because I think it's a flimsy excuse, quite frankly, Mr. Chairman, and your unresponsiveness doesn't lend itself to the kinds of concerns that most of the people of this area have with regards to transporting themselves, from Santa Clara through San Mateo to San Francisco.

MR. DeMOSS: Mr. Chairman, I think it's a good deal for Sam Trans. Visualize, if you will, if they had to start out from ground zero, with a brand new...incidentally, this service includes mailing, our mailing service, which we have what? Several thousand, I don't have all my staff here, but several thousands of these

tickets are mailed out, through all offices, and so what you get for...

ASSEMBLYMAN PAPAN: How much do you spend for advertising on that line?

MR. DeMOSS: The subject of advertising, first of all to answer that question, we spent a lot of money in the last fifteen years on advertising...

ASSEMBLYMAN PAPAN: How much have you spent?

MR. DeMOSS: We have demonstrated that we have an inelastic demand that there is no relationship between the ridership and advertising. In order to reduce commute losses we have discontinued advertising.

ASSEMBLYMAN PAPAN: Let's call this a form of advertising for you, when you can write it off and make a better case for an increase in rates because that's all you seem to be looking for is some justification.

MR. DeMOSS: Well, again, Mr. Chairman, I would address the subject of the value of the \$2500 a month charge to Sam Trans. The other alternative, and I would be delighted if the clerks' organization were to agree that they would not make a claim for Sam Trans to sell their discount ticket outside, I would be just delighted to hear that, but I don't think that John Mauro would because instead of being faced with a \$2500-a-month charge, he would be faced with, well, right away, personnel in his headquarters, like ten, fifteen thousand dollar-a-year jobs for mailing and administering and, John, you can correct me if I'm wrong, and then he's going to have to set up ticket booths around. Perhaps we would lease him a ticket booth earlier and...

ASSEMBLYMAN PAPAN: Let me ask a question. What's the... John, what's the loophole in the law that has to be plugged to satisfy these guys?

MR. MAURO: I'm kind of sorry that we got into this whole arena, but...

ASSEMBLYMAN PAPAN: I'm not.

MR. MAURO: It kind of demonstrates the frustration that we've experienced in trying to work a deal with the railroad. They've been very nice, very friendly, I have great admiration for Mr. DeMoss and the rest of them, but anytime we turn around and we're really putting together a package, it seems that another obstacle happens. For example, when we came up with this program of the bulk purchase ticket plan, right after the fare increase was implanted, the question was raised by the railroad that we had some legal obstacles to overcome, so we went the legislative process, with your help, Lou, and got 1853 through, it's not effective until January 1st of this year, and there's been six months now of increase that the people have had to take when we're ready to move with the program. But I really think, you know, we'll work out this \$2500 problem.

ASSEMBLYMAN PAPAN: No, you won't, because I don't want you paying any money to that railroad.

CHAIRMAN INGALLS: Let's let Sam Trans run its business, Mr. Papan...

MR. MAURO: I think there's one other, we need to get this thing going by the first of the year. And I think there's one other thing that I suggested with Mr. DeMoss, and that was that we'd like some day to lease their lots, their parking lots, which accommodate

the bulk of their riders and provide that free to the riders who want to use Sam Trans, I mean...

ASSEMBLYMAN PAPAN: Nobody's answered what the loophole is. Now, you tell me, Mr. Mauro, where the loophole is.

MR. MAURO: There is none. This is a question of bargaining...

CHAIRMAN INGALLS: It's bargaining back and forth, Mr. Papan. The thing that I think it highlights is that you've got a whole cast of players, none of whom perceives what's in their enlightened self-interest. They perceive what it's in their immediate self-interest, from the railroad that wants to get rid of an unprofitable line, and really has no sense of its long-term self-interest, which is in the relationship it has to society in general, not just to its rate payer, its stockholders, and, as I said, I don't think the railroads have a particularly long history of having any kind of social conscience from J. Fisk and Gould, all the way down to the present time. You have unions, which just about drove the railroads out of business through all their featherbedding and all of their irresponsible work rules, and we just saw another example of that today. You've got some people here who, and I might add that we politicians take our fair blame in this, some people who want to protect their constituents from having to pay anything more than is absolutely necessary, which I think is legitimate self-interest, and the consumers that don't want to pay anything more than they absolutely have to, even though on the long term, they're not paying more for their individual rides, could force the train to a non-profitable posture where they'd have to go out of business and the clerks would lose their jobs, all their

jobs, not just the few that they might or the percentage that they might lose to Mr. Sam Trans over here, and then the SP would be off scott free, you've got the junior Ralph Naders of the PUC office, who think that they've got, you know, everytime that anybody asks for them to make a profit there's something evil in it because they were raised in a university system that thinks if you're making a profit out there in private enterprise you're some sort of an evil villain.

ASSEMBLYMAN PAPAN: I think you're oversimplifying, Mr. Chairman, what is the loophole.

CHAIRMAN INGALLS: I'm just saying that's the cast of characters and we're out of loopholes -- there's no loopholes, we're just negotiating something...

ASSEMBLYMAN PAPAN: No, we're not. He said there was a loophole, where's the loophole?

MR. DeMOSS: I didn't say...

CHAIRMAN INGALLS: I think you may be misinterpreting, Mr. Papan.

ASSEMBLYMAN PAPAN: You feel that that bill as it was drawn up would require the transit district in San Mateo to pay you a fee?

MR. DeMOSS: I said that I don't know of any legal requirement that we have to sell bulk tickets, but we're willing to negotiate with Mr. Mauro and Sam Trans to provide that service, and I have to say, at a cost just a simple fraction of what it would cost them if they had to do it on their own.

ASSEMBLYMAN PAPAN: You're talking about cost. What does



it cost to find that that transit district is a vehicle for the purchase of tickets that offsets what it's costing you now?

MR. DeMOSS: I'm sorry I don't...

ASSEMBLYMAN PAPAN: Have you seen those figures, Mr. Mauro, is there a cost connected with selling those tickets to the present customer directly?

CHAIRMAN INGALLS: I think, Mr. Papan, that's the kind of thing we should really leave to management, that doesn't require our immediate attention. I appreciate you have a certain interest in that bill since it was your bill, and I think it was a very good bill, for what it was supposed to do, but I think that probably the best thing to do on this, Mr. Papan, is to let these two gentlemen negotiate -- Mr. Mauro seems like a hardnose type, although he is in the public sector, so you can't call him a hardnose businessman.

ASSEMBLYMAN PAPAN: I want to be apprised of what you negotiate so that I can introduce legislation to disallow that.

CHAIRMAN INGALLS: Mr. Mauro, you want to conclude your testimony?

MR. MAURO: I just would like to wrap it up. The fact is that in response to this ad which our staff passed out at the stations, and we also placed in the newspapers, we had 1,700 people to date who have registered for the discount. We would estimate there are about 3,000 riders who buy any one of these monthly tickets, so we expect a surge in business when everybody wakes up that the way to get a discount is by getting registered and getting your card and that will occur in the next couple of weeks. Now, there are other measures with regard to the SP that I'm proposing here today,

and this is with consent of actions that have been previously taken by our board. First, we're going to launch an extensive advertising campaign built around the cost savings. It will cost you 3½¢ a mile to ride the Southern Pacific Railroad from San Mateo County under this new rate. You can't drive that cheaply. It's that kind of theme that we're going to pursue and we're going to literally flood the people who are registered with our bus schedules and other information. We have vigorously opposed before the PUC and we will oppose, if necessary, before the ICC any notion by the SP that needs to discontinue this service. Retention of rail and private ownership with public subsidies is an integral part of our transit plans and programs. We have no intention of buying right-of-way, of buying railroad equipment, of buying the railroad or running the railroad. They do an excellent job of doing those things. All we have is some public monies that can help offset some of these costs. Finally, we are preparing to undertake discussions involving the preservation and the public acquisition of the SP right-of-way between San Bruno and Daly City for future transit purposes. There was a great...

CHAIRMAN INGALLS: You're going to buy the right-of-way?

MR. MAURO: We're going to negotiate for the purchase, but whether...

CHAIRMAN INGALLS: You come back and talk to us before you do that, would you please. Let us know what you're doing.

ASSEMBLYMAN PAPAN: We did pass on giving them the authority to do that.

CHAIRMAN INGALLS: I know we did, but I'd like to look at the final contract.

MR. MAURO: Well, there are a number of steps before you get to contract. The first thing would be an appraisal, and then negotiations, and then locating the monies and...

ASSEMBLYMAN PAPAN: Why don't you give the Chairman a little background, did they try to abandon it?

CHAIRMAN INGALLS: This is the abandoned right-of-way or the present right-of-way?

MR. MAURO: It is the right-of-way between Daly City and San Bruno, which is presently used only for a few freight trains that the railroad petitioned and just got permission to abandon.

CHAIRMAN INGALLS: I thought you were talking about the main right-of-way.

MR. MAURO: No. We're not proposing to buy the San Jose to San Francisco right-of-way...

ASSEMBLYMAN PAPAN: No, the abandonment proceedings, I think, have been instituted by that railroad on this little link.

CHAIRMAN INGALLS: Okay. Very good. Go ahead, Mr. Mauro.

MR. MAURO: And finally we're proposing to discuss the longer term financing programs for the preservation of the service with the MTC, the SP, PUC, SC, San Francisco, BART, and the State Legislature, if necessary. In our testimony before the PUC, we felt that there are a number of steps that need to be taken, identifying the cost and the deficit is only one. We think there are some cost-saving measures that could be achieved here; they involve the usage of the existing service and what you could possibly save. Mr. DeMoss said that they're looking into this question of weekend service. That would save roughly \$2,800,000. The way we have it calculated, it could be more or less.

ASSEMBLYMAN PAPAN: You aren't saying anything unless their frame of mind is one of continuing that service.

MR. MAURO: Right. Secondly, they are running three late night trains, and those three late night trains could be turned into reverse morning trains coming down the Peninsula, giving us five trains half-hourly spaced to tap a market which the railroad has not tapped under any circumstances since a date cast in concrete, those schedules...

ASSEMBLYMAN PAPAN: They ought to add a few passenger cars on their freight operation...

MR. MAURO: But, those things, and then we discussed with the union frankly, getting back to the Chairman's point, the question of why you need to have the same crews that you always had if you're interested in saving jobs, why don't we see if we can economize here or there with the brakemen, or conductor, or somebody that is not necessary. And then everyone of us has a piece in this ball game to compress the costs before we begin doling out, you know, mutual dollars in all directions, and it isn't until we get into this arena of bargaining and, you know, it takes a lot of hard work, but it isn't until we get into this arena of bargaining in response that we are going to come up with a solution to this problem. I find it very frustrating that, you know, the railroad just locks the door, going in and says, "We don't even want to discuss it" because there are some solutions and I guess that's why we have taken the adamant position that, "you're going to stay in business whether you like it or not".

CHAIRMAN INGALLS: Thank you, Mr. Mauro. Mr. Williams?

MR. GEORGE WILLIAMS: Thank you, Mr. Chairman. I'm here representing John Wentz, who is the General Manager of our Public Utilities Commission, who unfortunately had a death in the family and could not be with us. San Francisco believes continuance of Peninsula rail service is essential to the well-being of San Francisco. Sixty-three thousand San Mateans, and I don't have figures for Santa Clara County, 63,000 San Mateans were commuting to San Francisco in 1970, and projections are that by 1985 that figure will go to 80,000. We do not believe these increased trips can be served by auto and we certainly do not believe that the trips generated by abandonment of SP service could be served by auto. The freeways are currently very congested, the street capacity in downtown San Francisco at the peak hours is at capacity, we chewed up acres and acres of valuable real estate providing parking in the ten years from 1965 to '75, the number of parking stalls in downtown San Francisco have increased by 30%, much of this traffic is spilling over into intracity residential neighborhoods and affecting the liveability and attractiveness of living in San Francisco. We believe we are at capacity in terms of automobile commute. We believe a high quality transit service linking the West Bay counties is clearly needed.

ASSEMBLYMAN PAPAN: Sir, let me ask you. Are you making any effort to see if we can reduce the congestion by requiring possibly a line to extend from the present Fourth Street to the Market Street hookup with BART? Do you have all of that land leveled there in the Yerba Buena?

MR. WILLIAMS: That would clearly be desirable, if there were a means to pay for it. We would be supportive of getting the

station closer to Market Street, where we could make a link to BART and a better link to the...

ASSEMBLYMAN PAPAN: Mr. Chairman, I think that this Committee should explore that possibility in the attempt to facilitating some mobility with respect to people using...

CHAIRMAN INGALLS: Were you talking about putting in a rail link between the present SP station and the present BART station?

MR. WILLIAMS: No, simply extending the SP tracks closer to Market Street.

ASSEMBLYMAN PAPAN: To hook up with BART. You have Yerba Buena now that isn't even under construction conceivably while they have the right-of-way?

CHAIRMAN INGALLS: We have TDA funds and what is called the TP & R Account, you might be able to use those funds, take a look into it. Mr. Beckett, you have a...

MR. BECKETT: Mr. Chairman, yes, we did look at that as a part of the PENTAP Project and frankly we shied away from it when the consultants came up with the estimate of about \$40 million to do that, you'd have to grade separate it, it's quite feasible to do it, and there's three or four different ways to do it, but you're talking about \$40 million capital investment.

CHAIRMAN INGALLS: In San Francisco...

MR. BECKETT: And it's still in the cards...

CHAIRMAN INGALLS: In San Francisco, I understand, that estimates like that always have a tendency to escalate rather rapidly.

ASSEMBLYMAN PAPAN: You have also explored, Mr. Chairman, explored the possibility the line is there, to extend that service under existing lines all the way to Market Street.

MR. BECKETT: Yes, but there are operating problems without making some changes, yes.

CHAIRMAN INGALLS: Perhaps we can look at some kind of a rail line that is not SP, but some other...

MR. WILLIAMS: We're in the process of exploring that in the city. We've long believed that the best means of providing a high-quality transit service would be by extending BART from its present terminal in Daly City to a new southern terminal in San Jose. However, we recognize that this extension would be an expensive undertaking and that it would engender opposition from those who would have to bear the local portion of the cost, mainly the taxpayers of Santa Clara and San Mateo Counties. At the same time, we agree that additional actions must be taken to halt the downward spiral of Southern Pacific and upgrade the quality of rail services available to West Bay commuters and other travelers. For these reasons, the City and County of San Francisco is prepared to support the concept of upgrading Southern Pacific through an operating arrangement with the SP, or if circumstances dictate such an approach by the establishment of a public entity empowered to operate this service. Our acceptance of any transit improvement plan affecting San Francisco, however, will necessarily be based upon certain prerequisite conditions.

First, the City and County of San Francisco is not in a position to help materially in the financing of a Peninsula transit improvement program designed primarily for the benefit of suburban commuters. San Francisco is currently expending approximately \$120 per capita, that's man, woman and child, for transit. The comparable figure for San Mateo is \$15, and I ask you to consider in the

comparison the notion that incomes in San Mateo County are 70% higher than...

ASSEMBLYMAN PAPAN: Don't ignore the fact that you have the best tax base around. You know, I've heard that argument numerous times and I'm very sympathetic to San Francisco, I don't want them doing much for us, but with your kind of tax base, it far outclasses us here in San Mateo County. While you're expending that \$120, you're drawing from a tax base that far exceeds San Mateo...

MR. WILLIAMS: No, these are per capita expenditures...

ASSEMBLYMAN PAPAN: I know what you're saying... You'll agree that the tax disparity is considerable.

MR. WILLIAMS: Not on those terms. The per capita wealth in San Mateo County is far greater than it is in San Francisco, but my point is, while the service is needed, we are not in a position to spend significantly additional funds...

ASSEMBLYMAN PAPAN: I appreciate that, but the comparison leaves something to be desired when I look at the tax base in San Francisco. Tax base and the kind of properties available for taxing.

MR. WILLIAMS: But these are taking into account the tax base generated from commercial and industrial properties -- this is the amount paid by the individual property taxholder over and above what portion of the tax burden is shared by commercial and industrial properties.

CHAIRMAN INGALLS: Continue.

MR. WILLIAMS: Thank you. San Francisco looks with favor on a program for improving existing Southern Pacific service, and would also, as I indicated, favor an extension of the rail line to



Market Street. One of the principal reasons for improving a public transit service is to attract motorists and particularly automobile commuters out of their cars. It seems to us that a high quality rail service linking various points aligning the Peninsula with downtown San Francisco would afford the only real opportunity for diverting a significant number of commuters and other freeway travelers away from the freeway system. We believe a bus system such as Mr. Mauro is developing is a needed supplement, but we don't see that as an exclusive alternative. And assuming an effective improvement program utilizing the existing SP right-of-way were approved, we would seek to adjust the Muni's regular services so as to effectively serve a downtown Southern Pacific terminal and other Southern Pacific stops in San Francisco, so what we're saying is the service is needed, but we alone cannot afford to pay for it. What is clearly needed in order to expand service and even perhaps to maintain the existing service is a new funding source, and we believe it is the obligation of the state to create one. California lags far behind other states in its commitment and support of public transit. In creating a new funding source, it is important to recognize that there are indirect benefits of regional transit that spread much further than those who merely ride the systems. These include people who consume cleaner air, experience less congestion on freeways, benefit from...

CHAIRMAN INGALLS: Just a minute, Mr. Williams. How many states have a sales tax on gasoline that goes to support exclusively public transit?

MR. WILLIAMS: As I understand it, Mr. Chairman, those taxes are generated from the county and returned to the county.

CHAIRMAN INGALLS: All sales taxes do that.

MR. WILLIAMS: Well, from your perspective you see TDA funds as state funds, from our perspective they're simply taking money out of San Franciscans' pockets and returning them to San Franciscans' pockets.

CHAIRMAN INGALLS: That's all the state ever does with money. We don't take money from people on the moon and give it to you.

MR. WILLIAMS: Well, you finance education now on a relative need basis. We're sharing the major burden of providing transit, of housing the state's poor and disabled and we're getting no significant assistance from the state. We're being taxed -- property taxes for highways -- we have exported money for highways for decades.

CHAIRMAN INGALLS: We realize that. Most of the major urban areas have, because the highway system has been basically a...

MR. WILLIAMS: All we're asking for is a redress of past inequities, and then we think it's incumbent on the state rather than looking solely to the counties, and particularly San Francisco, to solve the commuter problem, to recognize that it's a matter of statewide interest. We are a major region of the state, San Francisco is the central city that performs very vital economic functions, not only for the region, but for the state, and we think it's important for the state to recognize that.

CHAIRMAN INGALLS: You and I have a fundamental disagreement. I don't think it's the state's problem or province to solve any of the commuter's problems, getting back and forth to work, if over and above the general framework, and if you have commuters who are going back and forth to work -- I mean, where does it say in

the big book that it's Uncle Sam's or, in this case, Little Jerry's, or Uncle George's, responsibility to get people back and forth to work? That's the bottom line around here. No one's talking about what you have to do and that is that you have to make the SP profitable and you have to determine what the profitability is to make sure the people that are using the service are paying for it.

MR. WILLIAMS: Sir, the point I'm trying to make is that it isn't simply the higher income commuter who benefits from rail transit. I agree he could pay more out of his pocket, but we're talking about benefiting the people of the region in terms of less air pollution, in terms of consumption of energy, in terms of a whole host of things, and we think that the tax base should be broadened to take account of those indirect benefits. And just as the state is providing funds to clean up the water, we're receiving funds to comply with the mandates of the state and federal government in terms of dumping sewage into the Bay, we think a comparable recognition of a statewide interest in urban transit would be appropriate and consistent. What we propose to rectify the inequity caused by nonpaying beneficiaries, as well as those that result from the way highway trust fund monies have been distributed over the years, and from the fact that the present methods of financing transit are regressive, we believe a regional transit fund should be established made of Section V funds, additional state funds, a regional source of funds, perhaps financed by an auto user tax or other means of broadening the tax base for transit. Then we believe such a fund should be allocated to the operators of the region on the basis of a formula which takes into account (1) the number of out-of-service area

patrons charried, (2) the need for transit finance support as measured by service area population, population density, and median income, (3) the efficiency and level of service offered as measured by ridership and vehicle hours of service, (4) past state and federal transportation dollars received, and (5) local commitment as measured by local tax support.

CHAIRMAN INGALLS: I think MTC is doing some of that and has the mechanism of the McCarthy bill to do more of this, a redistribution with not only the TDA funds but with the one-half cent sales tax, to the extent that it's possible to do that, that's 30% over and above what Mr. Herringer's train system needs. Beyond that I don't know how much social engineering we can do, Mr. Williams. It's a formula like that that was proposed by people from San Francisco in the property tax relief bill that kept us from getting a property tax relief bill this year. There's only so much social engineering a lot of us want to do, and they may be vogue amongst all the intellectuals, and the cognoscenti to come up with incredibly complex social engineering schemes, but I don't think we're quite ready for that. Some of us are more simple who come from, shall we say, the less complex climes in this state. But, thank you very much. Does anyone have any comments they would like to make on this morning's testimony, either from the panel or from up here? Yes, Mr. Beckett.

MR. BECKETT: I just have one brief comment, Mr. Chairman. Mr. DeMoss mentioned in his testimony or his prepared testimony that he voiced the opinion that MTC might look upon subsidy to a private operator as having a lower priority than a subsidy to a public operator, and I want to say that as far as I'm concerned, and my

understanding in working with my fellow commissioners in MTC, that's simply not so. As a matter of fact, our emphasis in keeping SP in business here to serve the public is our conviction, that is the MTC commissioners' conviction that SP is in fact a very efficient operator of the transit operation.

ASSEMBLYMAN PAPAN: What do you base that on? The profit?

MR. BECKETT: Based on the manner in which they have operated their facilities at a relatively low cost from the PUC figures for passenger carriers. We have no way to review the PUC figures. We're accepting those on faith, but let me put it another way. In the public testimony, at our PENTAP meetings, particularly the Citizens' Advisory Committee meetings, there was, in spite of the criticism of SP of not advertising, of not improving the service, there was a public conviction that SP on the whole does a pretty good job. The trains run on time. They run reliably, and they would like to see that continue as opposed to say a public agency buying the SP operation and taking it over and operating it.

ASSEMBLYMAN PAPAN: I don't think anybody wants that. So, we're in agreement.

CHAIRMAN INGALLS: Mr. Williams, you have a comment.

MR. WILLIAMS: I wonder if I could respond to your characterization of our proposal as simply a matter of social engineering.

CHAIRMAN INGALLS: That's the most of what we received from Sacramento, a proposal of social engineering, whether it's Serrano vs. Priest or whether it's the various kinds and the formula for implementing Serrano in education, whether it's property tax

relief in the form of SB 154, and what we have in the Assembly Revenue and Taxation Committee, or some of the proposals we receive from some of your transit people. Please go ahead.

ASSEMBLYMAN PAPAN: Let the record show that Mr. Ingalls is a Democrat.

MR. WILLIAMS: You point to TDA funds or one-half cent sales tax as a substantial and sufficient state involvement in transit. I would simply go back to our figures. We are paying \$120 per capita on transit. We are relying on TDA funds to avoid that figure from going even higher. We have had to upgrade an obsolete physical plant, our Muni railway, and we are committed to that effort, but we need some assistance to doing it. Many of the people we're serving are not our residents. We're bearing we think admirably what we regard as an unfair burden of not only our problems, but other people's problems. And I would just conclude by saying the reapportionment of the existing TDA funds is not a solution. You earlier in the meetings said it was simply a matter of priority. If you insist that monies be shifted from their current commitment to a commute service you are saying that the burdens must then fall on the taxpayers of San Francisco to replace the TDA funds that would be so diverted to commuters from the Peninsula.

ASSEMBLYMAN PAPAN: Then why are they building Yerba Buena? Is that for your local use or to encourage people to come up there?

MR. WILLIAMS: That's for the bottom line, enhancement to our tax base.

ASSEMBLYMAN PAPAN: Of course. And that's been the policy of San Francisco since time immemorial, and I see nothing wrong with

that, but then to proceed to throw the burden back to the people that will use the facilities that you've expended great amounts of money for, you're not interested in having people go up there and frequent the opera house and the rest of the facilities you've drawn as public facilities. You try to encourage, by your planning, people to go to San Francisco, whether building up Montgomery Street or Sansome Street or building Yerba Buena.

MR. WILLIAMS: And we believe we ought to be the center city of a region. We don't think we ought to build a fence around the city. We think it's important for those who use our services to recognize that they are on some occasions not paying their fair share of the cost, and we think various financing mechanisms ought to take that fact into account.

CHAIRMAN INGALLS: Mr. Williams, I have as much sympathy for San Franciscans... In fact, I don't have as much for them as I do people living in Antioch, Oakley, Brentwood, and all sorts of places in Contra Costa County that are paying one-half cent sales tax, 50 cents on the property tax on assessed valuation and getting no BART. If you want to talk about subsidies to San Francisco, I submit that BART is a direct subsidy to a group of people who own land in downtown San Francisco who are considered to be part of the leadership of that community, whether political or commercial that are receiving a rather substantial subsidy from other communities within the Bay Area that continues to keep San Francisco as the commercial center of Northern California, and there was some threat, some question at the time of BART's inception as to whether or not that commercial center might shift to the east to be close to the

people who actually commute into San Francisco, so there's a lot of things you can draw. I've listened to people who come up and play violins for us, and they're underprivileged, etc., etc. And after awhile you begin to, shall we say, get jade about it.

I think we must move on ladies and gentlemen, but I'd like to close with the comment that was made by two members of the Public Utilities Commission which was from the testimony of Mr. DeMoss which is the bottom line here, that no one really wants to talk about, and that's making the people who ride the trains pay enough so that it can stay in business. The strained result in the decision of justice. Ironically, it is so bad it is likely even to jeopardize the interest of the one group who seems to benefit, the present SP commuters that are being so heavily subsidized by others. The bottom line is to make sure that we're going to ask a private entrepreneur to stay in the transit business, that we make sure that he receives a certain fair return for his money. Again, there's a question about what the fair return is, and we may have to look into that in this Committee, but that fair return is going to have to be given to that private entrepreneur, and I think, unless we have completely decided to adopt one another, and I don't see a lot of people running around trying to pay my bills, but unless we decide to adopt one another, we each are just going to have to pay his own way in this world, and one of the things you have to do when you figure out where you're going to work and what you're going to be doing for a living is how much it's going to cost you to go back and forth to wherever you're going to work.

ASSEMBLYMAN PAPAN: If you focus on Riverside and these



small control devices that we impose in order to alleviate your situation down there, I think you'll have less propensity to say a commuter paying...

CHAIRMAN INGALLS: Not in the Bay Area.

ASSEMBLYMAN CALVO: In California, we have a standard higher than most other states in the Union, and yet our pollution generally... I would buy that statement under any conditions and stated facts other than these, but we're talking about an agency that has been out front for years now saying they want to abandon the service. They don't want to continue it under any circumstances. That statement would be if you had as a major premise a desire to continue the service. They're turning their back on the service. There's a great disparity in the figures that they put forth and those which the Auditor General considers to be more reasonable. Accounting procedures have to be brought into clear focus.

CHAIRMAN INGALLS: That's what we're going to attempt to do here. I'm not accepting what SP put forward as their cost. But what I'm saying is the irony is that you have an irresponsible private entrepreneur who wants to go out of the business of serving the public and everyone who benefits from that private entrepreneur staying in business whether it's any of the cities in the West Bay, the three counties, the work force, the compatible transit districts, the commuters to be served, everybody is aiding and abetting them. Thank you.

ASSEMBLYMAN PAPAN: One last shot. Don't try to pay them any money for the sale of those tickets.

ASSEMBLYMAN CALVO: That's the point I wanted to make. I

can't see where an effort is being made by two transit districts to subsidize the passengers and indirectly the service.

CHAIRMAN INGALLS: Thank you, gentlemen, very much for your participation. We very much appreciate it.

Now we're ready to go into our afternoon session, and with Dr. Herringer's permission, we have Dr. Evans on first. She's a member of the Air Resources Board. This is her first appearance, I think, before this Committee, and we welcome her. And Sergeant, will you take this microphone and put it back. Okay. We'll have individual testimony from this point forward.

Mrs. Evans is not on our agenda. If anyone in the audience who wants to go on our agenda over and above those who are on the agenda and the people who have signed up? We have Mrs. Evans and Mr. Bongiorno. Dr. Marjorie Evans. Mrs. Evans, do you want to come forward, and Bob Bongiorno of the Brotherhood of Locomotive Engineers. If there is anyone else in the audience who wishes to testify, contact the sergeant or a member of the staff and give him your name and whom you represent. Mrs. Evans.

DR. MARJORIE EVANS: Thank you, Mr. Chairman, members of the Committee. I welcome this opportunity to testify before you this afternoon. I'm appearing as a member of the California Air Resources Board and one with a special interest in Northern California. I'm also appearing as the member of the ARB who is assuming the major responsibility representing the concerns of the Air Resources Board in a matter of petition of the Southern Pacific.

CHAIRMAN INGALLS: How many members do you have on your Board?

MRS. EVANS: We have four.

CHAIRMAN INGALLS: Four. Well, that's improvement.

MRS. EVANS: As a matter of fact, that's a 33 1/3% improvement.

CHAIRMAN INGALLS: Well, that's fantastic! That's the kind of thing that Jerry Brown points to with great pride, I'm sure.

MRS. EVANS: In the matter of the petition of the Southern Pacific before the Public Utilities Commission of the State of California, and very recently before the Interstate Commerce Commission to discontinue their commute service between San Jose and San Francisco, and points in between, the Air Resources Board's position is this. It has a strong interest in this San Francisco-San Jose commute or corridor transportation service. It has a strong interest in continuing and upgrading the commute service provided by the Southern Pacific. As evidence for that latter statement, I'll cite you the testimony which I gave before the Public Utilities Commission hearing recently, and the resolution of the Air Resources Board opposing the proposed discontinuance. We have a strong interest in implementation of the provisions of AB 1853, the provisions which permit subsidies, I view as a short-term measure to protect the service. The provision requiring the Department of Transportation of the state and the Metropolitan Transportation Commission to, in my view, assume the lead role in developing and implementing some strong and viable transportation plans which include rail commute also meet with our strong approval.

Now a question I think should be asked. Why does ARB take a strong position? What right has it to and on what facts does it go? In any case, most of us know, from what I've heard within the last few minutes, the comments that say all Californians know that automobiles, gasoline and diesel powered vehicles are very great contributors to the air pollution problem. That position of concern about finding ways to cut down on the emissions from automobiles has been recently very strongly reinforced from an eastern direction, namely from the passage of the Clean Air Act amendments of 1977 which were signed in August. That extremely complex and detailed act is really only now beginning to be understood by all of the people around the country, and members of the Air Resources Board, for one group anyway, are doing everything they can to talk to various groups within the State of California, to explain what the implications of that are. And the implications of the 1977 Clean Air Act, as a matter of fact, in my opinion and in the Board's opinion, have a strong bearing on the subject that is being heard before you today.

There are two thrusts to those Clean Air Act amendments. The first is that the health and welfare standards are real and are to be met. This is evidenced for one by the rigid and tight schedule for making implementation plans which is built into the legislation and built in by a Congress which has been through the mill since 1970 when the first act was passed and knows what it is that they're requiring, knows the difficulty of it. The second evidence is that failure to make a plan or a failure to follow the plan once made to meet the standards after it has been approved brings sanctions, and

these sanctions include such heavy things as the inability to permit federal grants for highways and the sewage to go to the states. Finally, evidence that health and welfare standards are viewed as real and to be met is the provision or the encouragement, I guess, that economic and social assessment of any implementation plans be encouraged, that they cannot be weighed in determining how the standards are to be met.

The second main thrust of these Clean Air Act amendments is that the local and state agencies which include regional agencies must decide how this is to be done, not the people in the federal agencies. Now what that means, this is a consistent thread Congress has taken for the last seven years, and it is strongly reinforced in this new version of the Clean Air Act. What this means is that local, state and regional people are the ones who are going to have to decide what it is that's emphasized in the region, what it is that has to be strongly controlled, how the balance is to be made, whether there is to be more industry, whether there is to be no more industry, whether there is to be industry that have strong retroactive controls placed on it, whether there are to be new suburbs, whether there are to be shopping centers, whether there are to be recreation centers, whether the number of causes will bring people to those things, whether there are to be vehicular controls. Now all of those things are possible ways of controlling the amount of pollutants in the air, and the local agents are the ones who are going to have to decide, and the ways they are going to have to decide are set forth in terms of a time schedule for submitting a plan and implementation of a plan.

Now with respect to the question that's before us today, it means this: the Peninsula corridor will almost certainly be in a non-attainment area. A non-attainment area is one in which the air quality standards are not met. This is going to be decided within a few days or so, but according to their time schedule, I'm sure there's not much thought that it would be other than a non-attainment area. Now, the meaning of that in the view of most people, not just state regulatory people like me, but industrial people who are meeting on a weekly basis on this question is that it will not be possible to expand the industrial base without over-compensating for a plan. In other words, utilizing its famous trade-off and offset rules for one thing. Now, if we don't control the vehicular emissions from whatever place they originate, whether it's cars coming in from new suburbs or from old suburbs going up to San Francisco, we don't control those and try to get those down, we simply make life harder on all of us in bringing in new industry and in strengthening the old industry. My conclusion is that the variety, that it's absolutely necessary that the variety of attractive alternatives be encouraged and put in place. In other words that the availability of alternative actions to people be increased. Everyone of us is probably an automobile driver and I think it's a simplistic view to assume that automobile drivers can be converted to total bus drivers or total train riders. In today's world we all use a mix of transportation, and anyone of us, I think, given attractive alternatives, would use those alternatives when they are feasible, and the Southern Pacific commute run is a typical one. It's a good service, as someone said just before me, in its way, SP does a good job of running it, in my

opinion. Now when it's upgraded, even more people who are parttime car drivers will utilize that service.

Further, to the point of AB 1853 now, the Clean Air Act of 1977 quite clearly brings air quality maintenance planning and comprehensive transportation planning inextricably together. The Act, as I read it, is going to require coordination between these two functions, however, the two functions may be set up. And it's going to require that a transportation plan be part of an air quality maintenance plan, and it gives general guidelines as to how to go about this planning and this coordination. Now in my view that just simply makes sense. Transportation is so clearly part of our problem in air pollution, that Congress showed good sense. Now having said what I've said, I now like to urge upon you as an important Committee with an overview on these things, I strongly recommend to you that you use your good services in whatever ways appropriate to assure that the State Department of Transportation and the Metropolitan Transportation Commission, both of them, increase their sense of urgency in taking the lead and preparing not a plan, we've had enough plans God knows, in preparing a proposal for assuring permanent retention in early improvement in Southern Pacific rail commute service between San Jose and San Francisco. I've been working with a number of these agencies and with the Public Utilities Commission in recent weeks, and I can tell you that I don't detect yet a sense of urgency in these two agencies, the Department of Transportation and the MTC. I don't detect an assumption of leadership, and I don't detect a movement in a negotiating phase. Now, leadership is required because there's so many agencies involved. I urge upon you that anything that your

Committee can do to expedite this assumption of leadership, this development of proposal or proposals, negotiation with Southern Pacific and implementation will be welcomed by everybody and will directly assist the counties and the Bay Area Air Pollution Control District in their struggle to permit industrial growth. Thank you very much.

ASSEMBLYMAN CALVO: Are there any questions of Dr. Evans? I appreciate your testimony.

MRS. EVANS: Thank you. I appreciate the opportunity.

ASSEMBLYMAN CALVO: The next witness, we'll return to the printed agenda to our 1:30 witness, Mr. Frank Herringer, General Manager of the Bay Area Rapid Transit District.

MR. FRANK HERRINGER: Thank you, Mr. Calvo. I'd thought I'd make a few comments as background for understanding BART's position and a possible BART role in the San Francisco-San Jose corridor, and then answer any questions that the Committee might have.

I'm sure that you can understand that in the two plus years that I've been at BART, I really haven't spent very much time studying or evaluating extensions. We've had our hands full with establishing a priority on trying to improve the quality of existing service without worrying about where we are going to extend the service next.

ASSEMBLYMAN PAPAN: You effectively precluded any worry about that.

MR. HERRINGER: I think that would be a more accurate representation of it. Although actually it was interesting in the early stages, 1970-71, a great deal of work was being done before



BART opened on where the next extension was going to be put in. I think when BART opened, everyone's eyes were opened at the same time, and then things were put in their proper perspective.

ASSEMBLYMAN CALVO: That's a nice way to put it.

MR. HERRINGER: I think, though, that we're now reaching a stage where the technical situation is stabilizing and, in fact, improving despite Chairman Ingalls' experience in San Francisco last week.

ASSEMBLYMAN PAPAN: He's not used to taking trains.

MR. HERRINGER: And with the passage of AB 1107 last year our financial situation is very stable now and I think we can look forward to a reasonable series of fare increases and over time probably keeping pace with inflation, but I don't believe that now with AB 1107 in place that we have to contemplate massive fare increases, and still I think we can keep our budget situation under control. So I think it's probably coming around to the time again when people are going to start talking about extensions of BART service. The official current position of the BART Board on the extension is embodied in a resolution they adopted in 1970, and as far as I can determine, it is the last time the Board made an official pronouncement on extensions, and that stated that priority would be given to the existing three-county possible extensions, the Pittsburgh-Antioch extension in Contra Costa, the Livermore-Pleasanton extension in Alameda, and the northwest San Francisco extension which in 1970 was considered to be a real possibility. Obviously a great deal has happened since 1970.

ASSEMBLYMAN CALVO: Where is the northwest extension?

MR. HERRINGER: The northwest extension, I believe, goes up toward the Golden Gate Bridge, along Geary Street. I believe that the city has since even rejected that for a possible Muni metro corridor, so from a city's point of view, that's no longer even a possible extension of BART.

I think, though, it's obvious that a great deal has happened since 1970, and when the Board again would consider extensions, perhaps reactions would be different, but that's the existing board policy. Personal point of view that I think if the political boundaries did not exist, if we didn't have the situation where we have three counties, and there's a boundary and then there's San Mateo County, that the logical extension of BART, the next extension of BART would be through San Mateo to the San Francisco Airport, and possibly beyond. That's a personal viewpoint, though, but I think we have to recognize that the political boundaries do exist.

ASSEMBLYMAN PAPAN: Who owns the airport?

MR. HERRINGER: San Francisco, City of.

That's of course a question that would have to be resolved in making the extension, is it an airport extension or is it really an extension for the people of San Mateo County to be used coming into the City? The political boundaries though do exist. BART's a three-county system. The property tax and the sales tax are being paid by the people in the three counties, and I think it would be fair to say...

ASSEMBLYMAN PAPAN: Not exclusively. You always want to bring the dimension of what the gentleman said from San Francisco about the number of commuters that go in there, and I'm sure they make considerable purchases...

MR. HERRINGER: That's right. Part of the sales tax is contributed...

ASSEMBLYMAN PAPAN: And San Mateo did lose considerable numbers of property in the Daly City area to facilitate the busiest station in that system.

MR. HERRINGER: Right. Part of which is, of course, patronized heavily by people from San Mateo County, about 85% of the patrons of Daly City.

ASSEMBLYMAN PAPAN: You located the station to do that?

MR. HERRINGER: That's right. It was put there. And, indeed, the parking lot has been built with San Mateo funds and federal funds.

ASSEMBLYMAN PAPAN: Surely.

MR. HERRINGER: Don't misunderstand me, Mr. Papan, I don't personally think that it is a reasonable, long-range view, to be parochial about this. I think that we should be interested in the transportation of the whole area, but all I'm trying to do here is reflect, that there are realities, that there are these feelings that are there among a lot of people. I don't happen to agree with them, but they are there, there is, particularly in the East Bay there is, whenever you mention an extension in San Mateo County, there are a number of people who start jumping up and down and saying that those people are getting...

ASSEMBLYMAN PAPAN: One of them is Senator Nejedly, right.

MR. HERRINGER: Senator Nejedly is one of those, that's right. Whatever BART would ultimately do in an extension would, of course, be governed by some extent by what the federal government

policies are on capital expenditures because everyone I think would agree there is little likelihood of many major capital monies being spent on a 100% local basis; it would only be with 80% federal participation.

ASSEMBLYMAN PAPAN: Sir, are you exploring the changing scene in Washington with respect to the concept of possible expansion, as constant push by BART on available monies for this kind of situation?

MR. HERRINGER: Yes, I think it would be fair to say that I'm well aware of what the situation is right now in Washington, and the growing skepticism with rail transit. However, I think that's primarily directed toward new systems, and I think when there will be, in my opinion, there will be money added to the UMTA capital account in the next Congress. It will be a substantial amount of money, and I think it will be pretty clear that the priorities will be though for rehabilitation and expansion of existing systems, so I think to some extent the attitude, the current attitude in Washington could work in favor of extensions of BART rather than against it. But I really think, yet as a personal opinion, that the alternatives analysis requirements of the federal government make it very difficult to justify at this time the Livermore-Pleasanton or Pittsburgh-Antioch extensions, which, I mentioned, are the current priorities from the resolution of the BART Board in 1970. I personally feel that at some point BART should be extended to and through the San Francisco Airport and beyond. I further feel that the possibility, at least, of this extension makes it imperative that we take every possible step to preserve that right-of-way from Daly City to San Bruno, and Mr. Papan

included a provision in his bill, which was very timely, that directed CALTRANS to do this, and SP is going through with the abandonment proceedings and I understand the ICC is just about ready to issue the certificate of abandonment and they'll give public agencies hopefully a four-month or five-month period to attempt to do something about it before...

ASSEMBLYMAN PAPAN: Three years is the time factor in the bill that would require... I don't know how much time has elapsed.

MR. HERRINGER: Well, that's what you put into the bill, but the ICC in their abandonment certificate initially their draft, as I understand it, did not allow any time for public agencies to acquire, and now they're coming, but we just got a letter today from the ICC saying that they will allow at least 120 days.

ASSEMBLYMAN CALVO: You know something we don't know then. Is the ICC actually issuing an abandonment certificate?

MR. HERRINGER: Remember, now, this is for the San Bruno to Daly City link, this is not the main line.

ASSEMBLYMAN CALVO: I'm sure glad I misunderstood you.

MR. HERRINGER: This is the San Bruno-Daly City...but if, and this is the corridor that was addressed in Mr. Papan's bill, that should be preserved for a period of time to see if we want to use it for public use, and I think it will be a disaster if that were allowed to disappear and be lost forever for possibility for public access. What are the political realities that will make an extension of BART feasible in the near future is yet to be seen. Again, I personally believe that eventually it's going to happen and...

ASSEMBLYMAN PAPAN: Couldn't you change the political realities? To say the fiscal picture in San Mateo precludes any

thinking of extensions such as what you have and the reliance on the property tax? I think San Mateo County is, would be receptive if you don't look to the property tax as the method of financing.

MR. HERRINGER: When I said political realities, I wasn't so much referring to San Mateo as the other counties. I think it will take some time for the other, particularly the East Bay counties, to come around to the point of view that an extension should occur in the West Bay.

ASSEMBLYMAN PAPAN: I agree.

ASSEMBLYMAN CALVO: May I ask a question concerning the present situation that exists with the strike of AC Transit, what has been the increase in ridership over the last week?

MR. HERRINGER: It's been substantial. We had been carrying 140,000, 143 or 144,000 passengers a day, in that range, prior to the AC strike. We started out the week before Thanksgiving, right as soon as the strike started, with 166 and 167,000, so we jumped about 20,000. Those were the two highest days up to that time in BART's history of carrying passengers. The Monday after the Thanksgiving holiday, we carried 192,000 people, that included about 20,000 in and out of the Raider game at the Coliseum. And then this week, the following Monday, we've steadily increased every day -- we carried 174,000 on Tuesday, and we carried 177,000 on Wednesday, and 179,000 on Thursday. So we're now at 179,000 and that compares to 143, let's say, before the strike, so that's a substantial increase of 35,000 passengers.

ASSEMBLYMAN CALVO: That's a significant increase, which I think highlights or points out the significance of a rail corridor.

MR. HERRINGER: That's right. It has the ability to take that kind of capacity increase. It says a number of things to us that are very interesting -- and we're very anxious to be able to analyze all the information that we're gathering, but we've actually lost some access, a substantial amount of access, because AC is not serving BART. On the other hand, and we've always felt that our parking was limiting the ability of BART to grow, but now we've got a situation where bus access is down, obviously our parking hasn't changed, and yet suddenly we're carrying 35,000 more people. And that's one thing. The other thing is what does it say about how AC routes might be restructured to take advantage of the service that BART provides, and at the same time provide better feeder service to BART, because these are obviously AC riders that can use BART, but choose to use AC. And it will also be interesting to see what happens after this strike. Whether these people stay with us, or not you know.

ASSEMBLYMAN PAPAN: You're pretty close to the scene there. What has happened to values around those stations in those counties that have BART? Real estate values.

MR. HERRINGER: I think it would be fair to say generally they've increased. Of course, it's been uneven. The most dramatic growth has been in downtown San Francisco, where the latest numbers are up to some 40 new office buildings put up in a very small area, and the vacancy rate is like four percent.

ASSEMBLYMAN PAPAN: And it's going down.

MR. HERRINGER: And its very... Real estate is very tight.

ASSEMBLYMAN PAPAN: It will be nil by '80.

MR. HERRINGER: I think that BART has had extremely positive impact on property values, particularly in downtown San Francisco.

ASSEMBLYMAN PAPAN: But you have a gentleman from San Francisco who proceeds to feed, to throw out a figure of a hundred and some odd dollars per capita as the cost of public transportation in this county, and tends to ignore the fact that here you have 192,000 people going from the East Bay into San Francisco, not including the autos that go into that city, and the economic impact and benefits...

MR. HERRINGER: You're correct. A lot of it is traced to what I referred to before as parochialism. Everybody is trying to preserve his own area and take something from somebody else.

ASSEMBLYMAN PAPAN: How many commuters go into San Francisco, total, from everywhere?

MR. HERRINGER: We carry over the Trans Bay Corridor we carry 25%, and we carry what, about 30,000 something -- probably 100,000 people go in over the Bay Bridge Corridor, and I don't know how many go over Marin, 300,000?

ASSEMBLYMAN PAPAN: You can imagine what kind of economic force that is.

MR. HERRINGER: In a city of 700,000 people...

ASSEMBLYMAN PAPAN: That's right.

CHAIRMAN INGALLS: Please continue. You're through? I heard something interesting today at lunch that during the strike that you had, the most recent one that BART experienced as opposed to other transit properties experienced, you put some personnel into the maintenance shops, some engineering personnel, is that true?



MR. HERRINGER: That's right.

CHAIRMAN INGALLS: What was your experience with putting these engineering people into your maintenance shops?

MR. HERRINGER: We managed to have higher car availabilities than we did when the shops were fully staffed with our regular people. In other words, in spite of staffing with about 25% of the regular work force, we were able to turn out more cars.

CHAIRMAN INGALLS: With one quarter of the maintenance work force? When I say trained for that job -- well, they do have engineering backgrounds, but they're not people who are strictly trained for that job? You will be able to turn out a higher rate of car availability?

MR. HERRINGER: That's correct.

ASSEMBLYMAN PAPAN: Are you reflecting on their management of that particular phase of their operation?

CHAIRMAN INGALLS: I'm just reflecting upon anomaly. It's sort of like the time when the doctors were on strike in the Bay Area and the mortality rate went down significantly. (laughter)

ASSEMBLYMAN PAPAN: I thought he started out as a doctor to talk in that same light, like the patient was improving.

CHAIRMAN INGALLS: The patient is improving, it's just that he may not make it. It's nip and tuck.

MR. HERRINGER: There are a lot of things that went into that production of cars, we had first of all a lot of highly motivated people who were just working all kinds of hours; they were working seven-day weeks, twelve-hour days, so right there you double persons, no sick leave, no time off for union business.

ASSEMBLYMAN PAPAN: What was the inducement, the money you were paying them?

MR. HERRINGER: No, I think it was just a lot of pride. We were running that railroad with 400 people when 75%...

ASSEMBLYMAN PAPAN: You can help Southern Pacific, after you've gotten all this experience. (laughter)

CHAIRMAN INGALLS: It is an interesting observation that motivated people can perform great feats. The sad thing is it's difficult to motivate people on a day-to-day, week-in, week-out, year-in, year-out basis to give us that kind of performance. For those of us who are concerned about the continuing cost of public transit, we are always looking at examples of increasing the productivity. I'm a little concerned about some of the work rules that the San Francisco Muni is going to adopt for their light rail system in terms of operators.

ASSEMBLYMAN PAPAN: If you're ever called down to Riverside, don't repeat the mistakes you made up here.

MR. HERRINGER: That's right. We've got four buses running all the time. (laughter)

CHAIRMAN INGALLS: Thank you very much, Mr. Herringer. Mr. Lammers. What is your relationship to Ms. Gianturco and your assigned responsibilities?

UNIDENTIFIED: He meant professional relationship, Mr. Lammers. (laughter)

CHAIRMAN INGALLS: We are not here to query about your private life.

MR. THOMAS LAMMERS: My relationship to Ms. Gianturco is

that she is the Director of the Department of Transportation and I'm one of the eleven District Directors for the Department of Transportation.

ASSEMBLYMAN PAPAN: I just wanted to warn you about the kind of response you're liable to get from our Chairman with respect to your department.

MR. LAMMERS: I've heard some of the comments in the past, and I will try to do my best to respond appropriately.

CHAIRMAN INGALLS: I should warn you that Mr. Papan has been even more vociferous and vocal on this issue than I.

MR. LAMMERS: Mr. Chairman and members. My name is Tom Lammers. I'm District Director for the Department of Transportation in San Francisco, and cover the Bay Area counties. I'm here to express CALTRANS' support for the continuation of the Southern Pacific passenger rail service between San Jose and San Francisco. CALTRANS participated in the Peninsula Transit Alternatives Project (PENTAP) at the project policy committee and technical advisory committee levels. This is consistent with CALTRANS increasing activities in the public transportation sphere.

CALTRANS is one of the active protestants in the current Public Utilities Commission hearings on Southern Pacific's application to discontinue passenger service between San Jose and San Francisco. Department representatives have testified in opposition to the application. Our testimony emphasized the following points:

Number one - clear legislative intent to preserve and enhance passenger rail service; need to preserve the existing Southern Pacific Transportation Corridor; need to preserve the Southern

Pacific rail service as an essential component of the Regional Transportation System; the virtual impossibility of creating any new major transportation corridors in the San Francisco Peninsula area; the high cost of providing exclusive lanes on Route 101 suggested by the Southern Pacific in their testimony; the increased freeway congestion likely to be caused by any diversion of Southern Pacific riders; positive action indicated in AB 1853 for local and regional agencies to develop short and long-term financial planning for Southern Pacific rail service; and, last, provision of funding in state legislation designed to assist local and regional transportation rail programs.

Copies of the Department's testimony have been attached for reference, which I handed to the secretary. Our attorney has participated in direct and cross examination of the hearing witnesses. Our testimony has been coordinated with the Metropolitan Transportation Commission and the three affected counties. The Director of our Department has expressed a strong supportive interest in preservation of the Southern Pacific rail service, and we are taking the following actions to help insure the preservation of that service.

First, CALTRANS had advocated and will continue to advocate strongly federal legislation to support commuter rail service outside of the Northeast corridor, specifically for the Southern Pacific Peninsula service.

Recent federal legislation, HR 8346, provides funds for operating commuter rail on a 50% matching basis. This was discussed briefly, I think, by Mr. Diridon this morning of Santa Clara County. It appears that the Southern Pacific rail service could be eligible for this subsidy in the very near future. Preliminary figures

indicate the Southern Pacific service could get approximately \$3.5 million from this source. We have had discussions with the U. S. Department of Transportation concerning these funds. It appears that the Southern Pacific service is a strong contender and we plan to pursue the filing of an appropriate application as soon as possible.

Second, CALTRANS is prepared to perform a strong advocacy role with UMTA for other types of funding to improve the Southern Pacific service. This, for instance, could include capital improvements for equipment, stations and parking.

Third, in order to determine the appropriate service improvements to enhance the Southern Pacific commuter operation, CALTRANS is conducting a comprehensive market survey. The preliminary work on this is already under way and onboard surveys of the commuter ridership were just completed.

Fourth, CALTRANS is prepared to recommend to the Legislature funding of the recent application from San Francisco Muni, which provides for a direct track linkage between the Muni system and the Southern Pacific Depot. This is slightly different than the questioning or discussion earlier with representatives from Muni which, I believe, related to extending the SP service directly up to the financial area of BART. This is a possible Muni direct linkage which does not occur now. In any event, this application has been submitted and we intend to support it, and further we will support Muni's application for UMTA matching funds for this project.

Fifth, CALTRANS will continue to encourage other eligible applications for improved feeder service to Southern Pacific under SB 1879.

Finally, in accordance with provisions of AB 1853, CALTRANS is prepared to negotiate with Southern Pacific over continuance of service. We recently had preliminary meetings, had a preliminary meeting with Southern Pacific officials to start dialogue on this and other issues of mutual concern. We plan to follow-up on this meeting in subsequent discussions with the Southern Pacific.

In summary, CALTRANS is an active participant in the move to oppose discontinuance of the Southern Pacific rail service from San Jose to San Francisco. We are prepared to carry out our responsibility as specified under AB 1853 and we propose taking the actions I have already outlined and we will be working with the other agencies to implement a program to enhance transit feeder service to the Southern Pacific mainline facility as well as improve the commuter service.

ASSEMBLYMAN PAPAN: Mr. Lammers, could I ask you, sir, you didn't reflect in your testimony on that abandonment between Daly City and San Bruno. What's the posture of the Department with regards to overtures in the acquisition of that corridor?

MR. LAMMERS: If I recall the details correctly with AB 1853, this particular item ended up being part of our overall railroad abandonment applications, there are several underway. The review of that and trying to prioritize that with the others has not been finalized. I don't think the Department has an official position yet, Mr. Papan.

ASSEMBLYMAN PAPAN: Well, you might make note of the concern and I for one would like to get something on it to know where they are and what time frame they're giving this their consideration.

The other thing is, SB 283 seems to be channeling off considerable money in that San Diego-L.A. corridor. What's available to us up here? Or what is going to be made available to us up here from the monies in that particular...

MR. LAMMERS: I honestly don't know. I'd have to get that answer for you. I know that the only one we've looked at seriously has been, of course, the possible continuation, not continuation replacement service, put back in service to run between San Jose, this area and the Monterey Peninsula. And that should still be one for consideration, again I'm not sure whether it's going to be for serious consideration...

ASSEMBLYMAN PAPAN: So let's include some exploration as to what the intent is under SB 283.

MR. LAMMERS: Yes.

ASSEMBLYMAN PAPAN: So that we begin to think in terms of getting some consideration for this area. I'd be most interested in hearing, a direct response to the Committee would be most appreciated.

MR. LAMMERS: We will obtain a response...

VICE CHAIRMAN WRAY: Okay. Thank you for your testimony, Mr. Lammers. Any questions from... It looks like the next individual to testify would be the Honorable Jim Self from Mountain View.

UNIDENTIFIED: From San Jose.

VICE CHAIRMAN WRAY: Oh, I'm sorry. We just promoted two towns north. Sorry, Mr. Self.

MR. JIM SELF: The Committee has dwindled.

ASSEMBLYMAN PAPAN: Only the best are here, so don't worry about a thing.

MR. SELF: It may be to my benefit.

VICE CHAIRMAN WRAY: We'll listen harder to your testimony.

MR. SELF: Good afternoon. My name is Jim Self. I'm a member of the San Jose City Council, and am also a member of the Metropolitan Transportation Commission and I represent the fifteen cities in Santa Clara County. Today, though, I'm speaking as a member of the City Council as an individual. You're here today to receive testimony on the future of public transportation in the San Francisco/San Jose Corridor relative to the implementation of AB 1853. This has been identified as one of the major transportation problems in the Bay Area, and I would like to briefly review the decision-making process with you, if I could.

ASSEMBLYMAN PAPAN: Were you planning to go around San Mateo in that title?

MR. SELF: No, San Mateo's right in the heart of the district and one of the important links in the process. I believe that a key to solving any problem lies in the way that the problem is defined. Many attempts in solving and solutions have failed because they were designed to deal with either the wrong problem or only a symptom of the real problem.

It is also important to remember that very few problems are one single dimensional, or single-faceted. There may be several causes or contributing factors, and we must decide how we can most effectively use the resources we have, and when I say resources, I don't mean just the financial resources.

Additionally, once we have defined the problem and assessed how we should deal with it, we must then determine who is going to do



what. This is a comprehensive problem involving many participants. The general public and their local governments, transit districts, Southern Pacific Transportation Company, Metropolitan Transportation Commission, the State of California, and even the federal government may have a role. Finally, once we get something under way, we must monitor it and see that it is doing what we want it to do.

The above is a description of the general process of what, how, who and the follow-up. The above process is already well under way, and the recent signing of AB 1853 authorizing, among other things, CALTRANS to negotiate with Southern Pacific for the purchase of service is a direct outgrowth of this process. And, while I heartily support all that we have done up until now, I am not certain that we have dealt with all the dimensions of the problem or gone far enough -- gone as far as we should have in the solutions that we need to find.

I believe the overall mobility problem in the San Francisco/San Jose Corridor can be separated into four sub-problems, and they are transportation facilities, land use, governmental structure, and funding.

Under Transportation Facilities, there should be no question in anyone's mind that the preservation of the existing Southern Pacific commute service is a number one priority. Several transportation studies in the past, the latest ones being PENTAP and Santa Clara County Light Rail Feasibility Study, have substantiated this need. Also, a basic assumption of the current Santa Clara Valley Corridor Evaluation is that SP commute service is maintained. And, as I mentioned before, this need is legislatively recognized in the recent passage of AB 1853.

Now, just as late as this morning, I received what I consider rather dramatic information from the City of San Jose staff, which indicates that within two miles on each side of the line between San Jose and Palo Alto, are located some 317,000 jobs, and this represents 61.2% of all the jobs in Santa Clara County.

Where we go beyond preserving the existing service will depend very much on what we can afford and its priority related to our other needs, but it is clear that a great potential exists to divert auto use to use of this rail service. This, of course, would have substantial and positive impact on all the Peninsula transportation problems. It would also help considerably in reducing the Bay Area air pollution problem.

Now, allow me to add one reservation. I would prefer it not be necessary to upgrade the existing service if the purpose of the upgrade is to accommodate additional jobs in the north end of the corridor, while continuing to locate housing for those jobs at the southern end of this corridor.

I can foresee extension of the existing service into southern Santa Clara County, and I can also foresee the need for seriously considering the relocation of the existing San Francisco terminal to improve transit operations.

Under the Land Use section, our primary mobility problem in this corridor is one of commuting during the peak hours. This is a symptom of the basic problem of having most of the jobs at one end or the middle of the corridor and most of the housing at the other end. Rather than aggravate the situation, wouldn't it be better if we could locate more future jobs where the future housing will be?

I certainly think so, and I'm not suggesting that this is something that this Committee or the Legislature will or should get involved in, but I certainly believe that that is one of the roles that we, at the local level, must fill, and are attempting to fill this in cooperation with ABAG here in the county right now.

Under the Governmental Structure section, the current strategy for maintaining existing services as outlined in AB 1853, is twofold: first, (a) subsidize existing commuters to offset the recent SP fare increase as granted by the PUC through bulk purchases from the SP to the commute tickets, and resell at a lower cost to regular commuters; and (b) the purchase of service from the SP to be negotiated by CALTRANS.

Now, I'm pleased to note that Part (a) is well under way and that three transit districts that are involved have all agreed to initiate the program beginning January 1 of '78, with a 30% discount on the resold tickets.

I do not have confidence, however, in Part (b). I don't have the confidence that Part (b) will be nearly as successful as Part (a) for two reasons:

First, the SP does not want to stay in the passenger ticket business and, therefore, I don't believe the SP will negotiate with CALTRANS in good faith and I think that's been pointed out to you this morning. If they did arrive at a price, I fear that it would be exorbitant because of SP's attitude and because of the labor constraints they operate under. We may not want or be able to pay for it.

And, secondly, funding for any settlement will, by the

requirements of AB 1853, have come from currently available sources. I foresee this leading to a long, bitter fight regarding priorities, regional versus local needs, and sharing of costs among the various participants. While I do feel that SP, through its franchise requirements and prior public gratuities, should share some of the burdens for maintaining its service, I would ask the Legislature to establish a special Peninsula Transportation District, with locally-elected board with power to purchase and operate a separate service.

Finally, the fourth area of Funding -- for many of the same reasons that I believe a special transit district should be formed, I believe this district must be granted the power to levy a tax or in other ways be given its own sources of revenue.

If the taxing power is granted, it obviously should have the limit and utilize special formula based on benefits to the district. Now, some people have suggested that this whole process is unnecessary at best, and unfair at worst. They feel that it will only benefit the white collar business and professional people, and I don't believe this to be the case. I believe that all the commuters in the corridor will benefit from the preservation of this service, even though they may not use it directly. One only has to imagine what the Bayshore Freeway or Highway 280, the Junipero Serra, would look like if all the commuters on the SP resorted to using their cars at peak hour flow. And let me add in addition to the written testimony a couple of comments.

Santa Clara County right now has the worst home-to-work commute in the entire United States. It averages approximately 15 point something miles on the trip. We find now in Santa Clara County

if you look at all of the general plans that in the future there will be some 825,000 jobs located in the County, and while that is extremely exciting to us in our economic development in the future, there are some problems that come along with it. Specifically, in order to accommodate those jobs, there has to be an increase of some 100,000 housing units built in this county. And we frankly don't know where those 100,000 housing units are going to come. My point is that as we begin to look to other mass transit modes to solve these home-to-work commutes, the bill begins to constantly increase in various areas, the air quality area as well as just the cost of building the road systems for subsidizing the automobile. So, I think these are things that the Committee has to look at in addition to just the standard SP/San Francisco commute. And I'll be happy to conclude and answer any questions that you may have.

ASSEMBLYMAN PAPAN: Mr. Self, someone reminded me and I haven't read the article in New West Magazine about the two most desirable places to live, one being Washington, and San Jose being the other one.

MR. SELF: Well, I'm sure that's accurate, Mr. Assemblyman, and I think the recent article says in the New West Magazine that San Jose is the second most desirable place to live in the West Coast, next to Seattle.

ASSEMBLYMAN PAPAN: In spite of the bad transportation.

MR. SELF: In spite of the bad transportation. If I can add one piece to that. The county transportation projections for 1990 indicate that we want to have a mass transit capture of 30% ridership. And in 1974, there was a study done that indicated that

in order to accomplish a 55 mile light rail system and a comprehensive bus system, the bill on that system would be approximately \$3½ billion. If you take a normal inflation rate from 1974 and you use it against that, we think by 1990 the bill on that system will be running closer to \$7 billion, and you know, as well as I do, those kind of monies are not really and readily available, and our concern is if you wind up eliminating one of the major corridors which in my estimation is the backbone of this county, the mass transit system will not work and the automobile transit system will continue to be congested at a point that will be unacceptable and intolerable.

ASSEMBLYMAN WRAY: Thank you, Mr. Self. One question about projected figures about the 850,000 jobs. What was your projected time? Just at the end of your testimony, you projected 850,000 jobs in the area?

MR. SELF: Eight hundred twenty-five thousand jobs according to the fifteen cities general plan by 1990.

ASSEMBLYMAN PAPAN: Let me ask you, Mr. Self. My understanding is your running for mayor. Do you have any solutions in this regard other than the ones you proposed here with respect...

MR. SELF: Who told you that, Mr. Assemblyman?

CHAIRMAN INGALLS: The Honorable Emily Lyon, Councilwoman, Mountain View City Council. Mrs. Lyon.

MRS. EMILY LYON: Good afternoon. It's an honor to be here to speak to you on behalf of the City of Mountain View. I am Mayor and Council Member of Mountain View, also member of the County Transportation Commission. I've been involved in transportation for a number of years.

ASSEMBLYMAN PAPAN: How much did you have to do with Dial-A-Ride?

MAYOR LYON: Actually, I hate to tell you this, but I was really in favor of Dial-A-Ride. People keep laughing and saying, oh, no. But I really believe in the concept. And I think it could have worked. I think the problem was the way it was implemented and not the concept. You don't want to get me off on that one! (laughter)

I noticed as I was sitting down and trying to decide what to say to you this afternoon that I was really having a hard time and I thought about that and decided that it was probably because it was so obvious to Mountain View and to me that we need SP that it was really very difficult to try to think of reasons to tell you why it's important. It was sort of like telling you why we can't get along without motherhood. But I tried, and I came up with a few ideas why SP is really significant to the City of Mountain View as well as to the Peninsula as a whole. But first I want to focus on Mountain View. There was a survey done in 1976, in the summer time, when actually the patronage was quite low, of 500 passengers at a Mountain View station and they were all commuters who were using the SP station in Mountain View, and of those commuters 41% were from Mountain View and the others were all from surrounding communities, 21% from Sunnyvale, 20% from Los Altos and Los Altos Hills, and 18% from other communities, so that shows that Mountain View is really a central point for many people to come to use the SP station. The SP has some of the image of being a white collar commute system, but I would maintain that SP has a lot of potential significance to people who are not of the upper incomes who live in Los Altos Hills, because in Mountain View the two transit

stations are very close to low-cost housing, low-income housing and moderate cost housing. And I feel that that shows a great potential for use by many employees for many different kinds of industry and not just people who are commuting to San Francisco. Mountain View is not only a transit center for other communities, but it is also the center of major businesses and industries. There is a saying that in Mountain View of the employees within a mile of the transit SP line, and 90% of the employees in that area came into Mountain View from other communities, and since they were so close to the SP line, they could have used SP, although many of them didn't, of course. Of course, the SP is also Mountain View's only link to the rest of the region and to San Francisco, and for that reason that's very important. But the Southern Pacific is significant not just to Mountain View now, but also perhaps even more so to our future transportation plans. You are already familiar with PENTAP. I am sure you are aware that it costs \$25,000 to \$50,000 and probably the cost for implementation rising. There was a long, long time for study, lots and lots of citizens were involved in it, and the unanimous opinion was that SP is significant. I think it's important to listen to that because many alternatives were studied as you're aware.

The ways I've always looked at transit systems is that there should be a sort of main spine with other systems feeding the spine and going off from it in sort of varying degrees of intensity, and it seems obvious to me and to the city that SP is the obvious spine for the Peninsula because it's the existing transit system that we have now, and since I'm here and I have this august body before me, I'm going to put in a plug for community transit because I believe



that that's one of the essential components of a regional transportation system which is not being given enough attention, and it is important to a system like SP because if you don't have community transit that serves the small community and allows people to collect and be brought to the SP station, you're not going to get as many riders, and also you're going to have a lot more parking problems. Right now there are funds for community transit, but they will probably be stopped in 1980, and we'd like to see that this concept of community transit be encouraged by the Assembly. SP was also very important to the light rail study and I don't know if you're aware that this success of the projected light rail links in the county was based on an upgraded SP system. It's absolutely essential to all the projections for ridership on the light rail system to have an upgraded SP.

CHAIRMAN INGALLS: What light rail system?

MAYOR LYON: The light rail system that was studied for Santa Clara County a couple of years ago. It's especially important to Mountain View because none of the projected rail lines that were proposed for the county were in Mountain View, and the only links that Mountain View would have is to the SP station, the SP line. It's estimated that by 1990, one-third of the patronage of this projected light rail system would be coming north through Sunnyvale, Mountain View and Palo Alto. And that would amount to something like 53,000 riders, so that's a significant number of riders, and that's a significant component of the system, so it's clear that the Southern Pacific is a basic element in any projected future transportation system. If we don't have the Southern Pacific we're going to have to do something else. There's been some mention here this afternoon of the possibility

of a BART link, and I think any of us who have been in politics in this area for very long know what the citizens of this area think of BART, and I think we would find it's practically impossible to get them to support it. I'm not sure that I would support it at this point, either because we already have a transit system. We have the Southern Pacific, and it seems to me in these days, it's highly inefficient to allow our present system to disintegrate, to fall apart and die and try to build up something new because of the costs that are involved. A lot of people bemoan the loss of the old trolley car system that used to run all around San Jose. I like to see us not let the Southern Pacific die also.

ASSEMBLYMAN PAPAN: Did you ever try to go aboard their train to pass out your leaflets for public office?

MAYOR LYON: No, I haven't.

ASSEMBLYMAN PAPAN: They'll throw you off.

MAYOR LYON: They will? Oh, dear.

I guess in conclusion I would just say that I personally get very tired of studies and studies and more studies and spending millions of dollars on studies, and I am sure any of us who have been in government very long feel the same way, and there has been a lot of money spent already on studies that have all indicated that the Southern Pacific is an important component of the transportation system, and I'd like us to at least justify all those millions of dollars by listening to the studies and paying attention to what they have to say.

CHAIRMAN INGALLS: Ma'am, Mr. Wray has a question.

ASSEMBLYMAN WRAY: Yes, Councilperson Lyon. You brought

up a point that I think should be borne a bit more heavily upon. Throughout our country, land use depends upon available transportation ordinarily, and we built in those corridors, notably the East Coast I guess is probably the perfect example. You take the Long Island Railway or any one of the links that supports a community away, you know your community dies. I'm an outsider finding time to be as quiet as possible, but I certainly get the view that you brought up probably the most pertinent thing that's been said today and that's what would happen to the community, the very reason for which it existed, the transportation mode that was built around is being taken away.

MAYOR LYON: I'm glad you focused on that point because I think that's very important, that most of the community in Palo Alto and Mountain View, Sunnyvale, the industrial community has been built with the SP as a basis. Thank you.

ASSEMBLYMAN WRAY: I think you can go even further than that, Mr. Chairman, the trip that I took to San Francisco today, I just thought what would happen if all those people on those rail cars that were passing us were put out on the freeway...

CHAIRMAN INGALLS: Thank you very much, ma'am. We have now Mr. Ted Noguchi, who is Director of Transportation, City of Palo Alto. Mr. Noguchi.

MR. TED NOGUCHI: Thank you, Mr. Chairman. My name is Ted Noguchi. I'm Director of Transportation for the City of Palo Alto. I would also like to bring a local perspective regarding this very important subject, but first I'd like to preface my remarks by stating that the policies in Palo Alto's recently adopted comprehensive plan, which is a general plan for the city, fully supports and endorses

recommendation B of the PENTAP study. In addition, Palo Alto was one of the very few cities in Santa Clara County whose council officially urges Santa Clara County Transit District to approve the implementation of AB 1853 on the basis of a full 30% subsidy for SP commuters.

The Palo Alto Comprehensive Plan identifies traffic, housing, and capital expenditures generally as key problem areas directly linked to employment in Palo Alto. For instance, Palo Alto has a current jobs-to-household ratio of about 2.5 to 1. What this ratio suggests is that Palo Alto along with a few other Peninsula cities that are employment centers has similar job-to-housing ratios will continue to face serious traffic, parking, housing and capital expenditure problems because of the excessively high percentage of in-commuters.

In 1970, for instance, out of a total work force of 53,000 workers in Palo Alto, over 40,000 commuted into Palo Alto. Our present estimates are that about 60,000 out of 70,000 are in-commuters. By 1990, we are expecting the number of in-commute workers to increase to over 65,000.

The Palo Alto Comprehensive Plan tried to adjust this imbalance, and one of the policies states that, "Support the mixing of residential uses in commercial and industrial areas".

The thrust of this policy is to try to reduce the percentage of daily in-commute workers by increasing the housing supply in the city, particularly in or near the commercial industrial areas. I think Councilman Self alluded to some of these problems earlier in his testimony.

This policy is an honest attempt to use a landuse strategy to help resolve the city's transportation problems.

The ABAG/MTC Santa Clara County Corridor Study, now in its fourth or fifth phases, is also exploring such landuse strategy as one alternative in helping to reduce transportation demands. The October '77 Santa Clara County Housing Task Force Report also suggests such a landuse strategy to help reduce transportation demands.

The PENTAP Study and the recommended Alternative B adopted by MTC, attempts to resolve the Peninsula's transportation problems through a transportation-oriented strategy. Such a strategy is still consistent with Palo Alto's comprehensive plan.

It's our view that both types of strategies -- those dealing with landuse and those based on transportation -- have the common objective of trying to help reduce the transportation impacts and costs to society.

It seems both logical and reasonable, then, to pursue both strategies on a regional as well as on a local basis.

Severe in-commute transportation problems probably occur in enough of the Peninsula cities to warrant consideration on a regional basis. But it should be understood that a city's willingness to support a transportation plan for the Peninsula will most likely be evaluated by that city on the basis of its ability to resolve local transportation problems.

There is also a clear need to provide better interfacing and better interaction between the several transit districts serving the Peninsula. Such matters as compatible fare structures, better transfer arrangements, improved schedules, and better service information need to be addressed. This interfacing is particularly important to Palo Alto which is at the edge of two transit districts

and is served by buses from both districts, and also relies heavily on SP's rail passenger service. Additionally, good bus feeder service to trunk routes such as SP and those proposed by PENTAP on #280 and 101 are very important from both a local and regional perspective.

It is important to recognize that besides the 7,500 commuters, traveling to San Francisco in the morning from the Peninsula, there are many, many more people who live and work in the Peninsula communities between San Francisco and San Jose, particularly along or near the SP Corridor. These people would avail themselves of an improved SP service such as those recommended in Alternative B of the PENTAP study.

SP service improvements in both directions (both north and south) throughout the day, coupled with good bus feeder service, would attract to SP a significant number of in-commute workers who now come to Palo Alto in their private autos.

Further, the merits and benefits of para-transit, particularly van pooling, have not been discussed today. We view this as an additional mode of public transportation that should be considered since it has been highly extolled in many technical reports.

ASSEMBLYMAN PAPAN: Is that why you think Southern Pacific came up with the van pool idea?

MR. NOGUCHI: They had other reasons for proposing that, I am sure. Finally, the public transportation plan for the Peninsula must recognize the need for and include required funding for what is known as community transit services as Emily Lyon from Mountain View mentioned earlier.

It's our view that community transit services should be

funded on a permanent basis. The current state legislation contained an amendment that TDA Act of 1971 permits, but does not require, transit districts to fund such services, and that applies only through 1980.

Perhaps we have a parochial viewpoint on this specific matter because we do have a project that serves mobility impaired low-income people in the community which is funded by the city and solely by the city and provides a needed service for the community.

That covers my testimony. Thank you for your cooperation.

CHAIRMAN INGALLS: Thank you, Mr. Noguchi. Thank you, sir. Next we have Mr. J. P. Jones, United Transportation Union, and that will conclude our testimony today. I should indicate to the membership of the Committee that Mr. Bongiorno, of the Brotherhood of Locomotive Engineers, is here in the audience, recognized earlier, says he has no prepared statement, but is here to answer any questions you might have concerning the union that he represents and its relationship to SP lines.

We have Mr. Jones from the UTU.

MR. J. P. JONES: Thank you, Mr. Chairman, members of the Committee, my name is Jim Jones. I'm the Assistant Director for the California State Legislative Board of the United Transportation Union. With the exception of the locomotive engineers, our organization represents all of the operating people on the commute trains of the Southern Pacific, and for that reason we are opposed to the application filed by the Southern Pacific. Additionally, we are opposed to this application because we feel that this is a needed and necessary element in the corridor transportation, and it should not be eliminated,

either by the ICC or the PUC. Now in this regard, in our formal presentation before the Public Utilities Commission, we made it clear that our organization stands ready, willing and able to negotiate a relaxation of work rules which the Southern Pacific contends drives their cost so high on this commute service. Now what we have done is told Southern Pacific we're willing to meet, confer, and consider seriously relaxation of work rules because we don't want to see this service discontinued. So we are waiting for the Southern Pacific's response to our request.

ASSEMBLYMAN PAPAN: When did you make that, sir?

MR. JONES: We made it, Assemblyman Papan, during our formal presentation to the Public Utilities Commission in opposition to the advocacy.

ASSEMBLYMAN PAPAN: How long ago, Mr. Jones?

MR. JONES: It was our general chairman for the conductors and trainman, made it when? About six weeks ago.

ASSEMBLYMAN PAPAN: Don't hold your breath.

MR. JONES: For the Southern Pacific to respond? Well, we are hoping that they do. We really are, Mr. Papan, we seriously are.

ASSEMBLYMAN PAPAN: Let me tell you. They're not going to do much responding to anything affecting that line because they are under attack from so many avenues, that they won't take any position, and I'm surprised that he came up with some of the answers he did today. I think he's all over the ball field, and he's being clobbered, and I don't think he's going to do much answering to anyone on any matter.

MR. JONES: Our general chairman for our enginemen made



his presentation approximately three weeks ago and stated that he was willing to meet and confer. I do agree with you, Assemblyman Papan, that possibly this is exactly what they will do. We hope that it's not the case.

ASSEMBLYMAN PAPAN: The contradictions are so flagrant in their position over the last three years that they've got something up before the ICC, and they have it before the California Public Utilities Commission. They're being clobbered by Assembly committees. There's a lot of public sentiment about that, so any time you confront them with every good intention, I have serious reservations whether you'll ever get an answer from them, as long as they're being hit as hard as they are.

MR. JONES: Well, in that regard, Assemblyman Papan, that was one thing that was brought out by our formal presentation, and that is that the Southern Pacific has never, ever filed a formal notice under the Railway Labor Act to our organization to change the work rules on that commute service.

ASSEMBLYMAN PAPAN: They don't want to do that.

MR. JONES: And this is why we make our offer. And we made it in the context of the offer made by the transit districts in the Peninsula Area to offset the cost of the commuter with the bulk sale tickets in addition to the offers made by the other regulatory agencies to subsidize expansion of the service. And it's made in concert with this. And we are just as sincere in our offer as these other agencies are.

CHAIRMAN INGALLS: Have the other unions that also represent workers on that line made any offers similar to yours about relaxation of work rules?

MR. JONES: Mr. Chairman, I can't talk for them, but being president and representing our organization at the hearings before the Public Utilities Commission from its inception, to my knowledge, no.

CHAIRMAN INGALLS: How many unions are involved in that commuter line, do you know? Besides yours?

MR. JONES: Well, there is a differentiation, Mr. Chairman, between operating and non-operating. Operating, there are two, and non-operating, there's a wide range from the clerks to the maintenance-of-way, there's quite a few non-operating.

CHAIRMAN INGALLS: How many unions?

MR. JONES: I can think of six or seven right off the top of my head. Because there is a wide range of other employees. Some of them are not affected by the discontinuance. Our organization represents approximately 45% of the employees whose jobs will be eliminated, if this discontinuance is granted. So, this is why we are very, very interested in retaining it.

CHAIRMAN INGALLS: I assume the Brotherhood of Locomotive Engineers is the other operating union?

MR. JONES: Yes, Mr. Chairman, they are the other operating union.

CHAIRMAN INGALLS: What's the maintenance union, Amalgamated?

MR. JONES: They have a name. It escapes me at this time. It's not Amalgamated, no. It's a separate maintenance union on the railroad. Maintenance-of-Way and Signalmen, I believe it is.

ASSEMBLYMAN PAPAN: Do you care to make a horseback remark or comments about the kind of statistics and figures they've submitted as to what they're losing?

MR. JONES: As to their loss, their reported loss?

ASSEMBLYMAN PAPAN: Yeah.

MR. JONES: I think it's inflated, grossly inflated. As it was brought out today, there's accusations of people's salary in Texas and Arizona, and this type of thing. There was one thing that was brought out just in that vein, Assemblyman Papan. There was a statement made in one of the exhibits which the Southern Pacific presented in the PUC hearings where they use Sacramento and Roseville as maintenance locations for their fleet before their equipment. And it develops that the cars on the commute trains don't go any further than Oakland for maintenance, and occasionally, the engines will get to Sacramento, but very seldom, almost never to Roseville, for maintenance, per se. In that vein, put in expenses which are questionable at best.

ASSEMBLYMAN PAPAN: Would you have any knowledge about how many freight trains they operate in this corridor in the course of one day?

MR. JONES: We can get that information.

ASSEMBLYMAN PAPAN: The reason I asked is, if we were to assume that there was an abandonment, we never had that service, what would it mean in personnel? Operating that freight line, we'll call it a freight line, and that would give us a handle on existing cost to operate the freight service as opposed to the commuter service because the accounting procedures, you know, the idea that figures don't like but people do, that concept is ever present. I think they have a great facility for bogus figures, and they really throw those around. I think much of the service that they perform in freight

service in that corridor is being charged off because I can't see a guy who is on that line standing there watching a freight go by, and he says now we've made money, and the same guy stands there for passenger service and says now we're losing money. I mean it's incredible to me how you can make that distinction when you've got that line constantly being used, and I presume 24 hours a day.

MR. JONES: In that same regard, Mr. Assemblyman, the fact that they testified at the Commission hearing, that their intentions were to pull up one of the double-tracks if the discontinuance was granted, I think lends perfectly to the statement you just made.

ASSEMBLYMAN PAPAN: They're pulling up the tracks because, to my understanding, to maintain passenger tracks, you have to do it at a higher degree of care than you do operating the freights. I don't know if they make that distinction in a line. Do you know if all those lines are used for both freight and passenger service, those three lines, in some cases there are only two?

MR. JONES: You mean between San Jose and San Francisco?

ASSEMBLYMAN PAPAN: Yes.

MR. JONES: Yes, they do use them both for freight and passenger.

ASSEMBLYMAN PAPAN: Right, so for all practical purposes they're getting some benefit that they may be charging to keep the tracks at a pitch for passenger service.

MR. JONES: True.

ASSEMBLYMAN PAPAN: And these are the kinds of things that we get lost in and he conveniently hides behind the fact that we require this accounting procedure, I mean the ICC, the governmental

bodies. So they're conforming to existing law but conveniently dodging a true benefit of the operation of that commuter service because the accounting procedures don't lend themselves to that kind of distinction. He's saying, we're doing what the law requires us to do.

MR. JONES: I agree with that fully, Assemblyman Papan, because I, although I don't like to admit it, but I feel that your previous statement was correct, that they may not approach this due to the fact that we will want to have information as to the cost of the rules they wish us to relax.

ASSEMBLYMAN PAPAN: Sure, and that's why they're not going to do that.

MR. JONES: True.

CHAIRMAN INGALLS: Mr. Wray has a question.

ASSEMBLYMAN WRAY: Yes, Jim, let me invert Assemblyman Ingalls' prior question and ask if any of those millions that you were mentioning or recalling, that they have indicated they wouldn't work with you in trying to keep the lines open, keep the thing going?

MR. JONES: There was not -- Mr. Wray, there was no one who said they wouldn't work with us, there's just those who, to my knowledge, have not, you know, come right up and said it...

ASSEMBLYMAN WRAY: They're somewhat taciturn about committing themselves, eh?

MR. JONES: There haven't been any who said they will not, but it's just that to my knowledge, and my exposure to the hearings, they haven't said that directly.

ASSEMBLYMAN PAPAN: Does the law require that they answer you?

MR. JONES: Does the law require that they answer us?

ASSEMBLYMAN PAPAN: Yes.

MR. JONES: In relation to what?

ASSEMBLYMAN PAPAN: To the proposal that you were willing to negotiate, meet and confer about...

MR. JONES: No.

ASSEMBLYMAN PAPAN: Are they required, in their filings to include information, the kind of which would affect your union or a position that you might take with respect to cutting back of service and the likes?

MR. JONES: You mean in the filing, for instance, before the Commission?

ASSEMBLYMAN PAPAN: Yes.

MR. JONES: They do have to show some justification and cause and they always use cost as a factor. Let me just back up for a minute so that I don't -- I want to be responsive to your question, Assemblyman Papan. In the context that the suggestion was made that we're willing to meet and confer to relax rules, they do not have to respond. Now, if they were to serve a Section 6, as they call it, under the Railway Labor Act, if they were to serve it or if we were to serve it, then both sides are required by law to meet and confer.

ASSEMBLYMAN PAPAN: Are you intending to serve it? Have you served it under that section?

MR. JONES: No, our suggestion to the Southern Pacific is, show us what you want changed and justify that change based on costs that you're incurring at the present time.

ASSEMBLYMAN PAPAN: And are they required to answer under that section of the law?

MR. JONES: In the context that the proposal was made in, no.

ASSEMBLYMAN PAPAN: Okay.

MR. JONES: But if they serve a notice on us, then we must meet and confer and we're suggesting that we are open to this procedure. But we do want to show the cost of the work rules they wish amended.

CHAIRMAN INGALLS: Mr. Calvo.

ASSEMBLYMAN CALVO: A matter of accounting, which is, I think, the most puzzling issue before us. I think it should not be too difficult to establish the cost of operating the service, of the incremental costs, then when you talk about systemwide apportionment of additional cost to that service, we begin to get a varying answer and I think that's where the issue lies. It can show as much as a \$9 million loss when presented by the SP, to \$263,000 loss developed by the PUC, or perhaps to no loss at all with the subsidization that is being developed. We have a report in our hands now from the Auditor General showing that 49% of those charges shown in the projected loss cannot be substantiated, or have not been substantiated properly or have been misapplied, so I think that we ought to, somehow or other, develop, if we're going to talk about whether they are operating at a loss, develop what the incremental amount is for providing the service and then working from there.

MR. JONES: I agree with that, Mr. Calvo, I think that would be excellent. That concludes my formal presentation, Mr. Chairman and members. If there are any additional questions?

CHAIRMAN INGALLS: Any questions? Thank you, Mr. Jones.

MR. JONES: I'd just like to thank the Committee also for inviting us to participate and give our views.

CHAIRMAN INGALLS: Thank you. Mr. Bongiorno...is that correct, Mr. Bongiorno? Has your Union made a similar offer to the one made by the UTU or are contemplating or have you given no thought to that kind of an offer? Why don't you come forward so we can get it on the record, sir.

MR. BOB BONGIORNO: It's Bongiorno.

CHAIRMAN INGALLS: Is it Bongiorno? Bongiorno - that's good morning, yes.

MR. BONGIORNO: Would you please repeat your question, Mr. Chairman?

CHAIRMAN INGALLS: The UTU spokesman, Mr. Jones, testified that his Union made some offer to negotiate relaxation of work rules to the Southern Pacific as part of an attempt to save this line that we're all talking about. I would like to know whether or not you've made a similar proposal, an offer to negotiate with SP, have you contemplated doing so, your Union, or have you given no thought to it or made any moves in that direction?

MR. BONGIORNO: Oh yes, we've given it considerable thought and the Southern Pacific management is well aware of the Brotherhood of Locomotive Engineers' position. They know they are free to meet with us any time they wish to discuss work rules as they apply to the Peninsula commute service. They have done so in the past in changing agreements to either suit themselves or suit certain conditions. They know we're receptive, but they have never made any opening...



CHAIRMAN INGALLS: Have you made any recent offers similar to the UTU offer in light of the fact that this abandonment proceeding is going forward?

MR. BONGIORNO: No, we haven't made any recent offers because throughout the Public Utilities Commission hearings, Southern Pacific has really not directly pointed a finger at labor and blamed labor for its ills in this problem and until they do so, well, we've developed a wait-and-see position at this point.

CHAIRMAN INGALLS: Thank you. Any questions?

MR. BONGIORNO: Any further questions?

CHAIRMAN INGALLS: Thank you.

ASSEMBLYMAN PAPAN: Mr. Chairman, could I suggest that we...

CHAIRMAN INGALLS: Ciao.

ASSEMBLYMAN PAPAN: Yes. Beautiful. I mean, the man doesn't understand what you're saying. Say it another way: adios.

CHAIRMAN INGALLS: He said bongiorno; I said ciao.

ASSEMBLYMAN PAPAN: Let me ask you a question, is there any chance, Mr. Chairman, we would have the Committee request, and I'm receptive of approving it, to expeditiously reduce the present testimony to writing, only because there are pending hearings that...

CHAIRMAN INGALLS: Well...

ASSEMBLYMAN PAPAN: That's not the problem? What is the problem?

CHAIRMAN INGALLS: What is the problem?

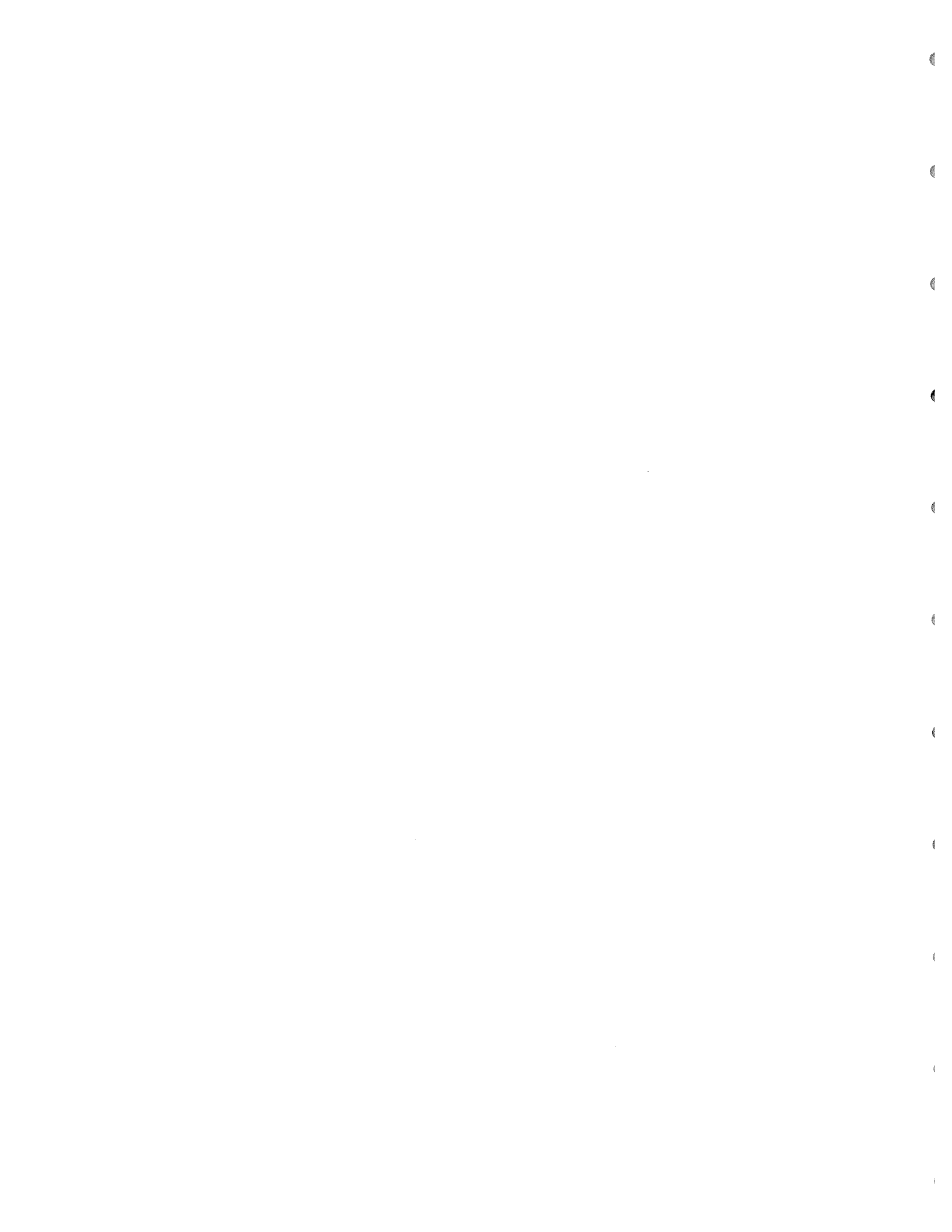
SECRETARY: Well, when we send it upstairs, the Pool takes first come, first serve and I have to get special permission from Rules Committee...

ASSEMBLYMAN PAPAN: You've got special permission.

CHAIRMAN INGALLS: I think that the Committee Secretary can represent that the Rules Committee has ordered that this be given top priority in the Pool. Yes, yes, we've just been given the authorization from the Chairman of the Committee.

Without any further -- is there anyone in the audience who wishes to testify from the public who was not previously scheduled to testify? If not, then we'll consider the meeting adjourned. Thank you.

APPENDIX



Prepared Testimony of John C. Beckett

My name is John C. Beckett. I am a Commissioner on the Metropolitan Transportation Commission (MTC). I hold the position of Director of Government Relations for the Hewlett-Packard Company in Palo Alto, California.

I attended Stanford University, completing undergraduate studies with "Great Distinction" in 1938. I received a postgraduate engineering degree in 1941, and while at Stanford earned membership in Phi Beta Kappa and Tau Beta Pi. I am a fellow of the Institute of Electrical and Electronics Engineers. I served in World War II with the Navy and retired from the Naval Reserve with the rank of Commander. I have served as chairman for both the San Francisco Section of the American Institute of Electrical Engineers and its successor, the Institute of Electrical and Electronic Engineers. I have also served as president of the Electric Club of San Francisco and director of the Engineers Club of San Francisco.

Prior to joining the corporate headquarters of Hewlett-Packard in 1960, I was president and general manager of the Palo Alto Engineering Company, a subsidiary of Hewlett-Packard. From 1945 to 1960, I was chief engineer of Wesix Electric Heater Company of San Francisco.

I have long been associated with the development of rapid transit in the San Francisco Bay Area. I was a member of the Bay Area Rapid Transit Commission from 1952 to 1957, where I served as chairman of the Engineering Planning Committee. Between 1957 and 1960, I was vice president of the San Francisco Bay Area Rapid Transit District and also chaired the district's Engineering Committee. My association with this organization ended when I moved from Marin County to Santa Clara County, which was not a part of the District.

In 1963 I was appointed by the Santa Clara Board of Supervisors to be chairman of the county's Mass Transit Committee; this group merged in 1966 with the County

Trafficways Committee and became the Transportation Policy Committee. I served on this committee until it disbanded in 1972 in favor of the present Santa Clara County Transportation Commission. I served on this body until June of 1976.

During this time, from 1964 to 1969, I was also a member of the Bay Area Transportation Study Commission and served as Chairman of the Organization and Planning Study Group.

I became an MTC Commissioner in 1971, when the Santa Clara County Board of Supervisors appointed me to represent the county on the Commission. I was elected vice chairman and served in this capacity until September, 1973, when I was elected chairman, a position I held until September, 1976. During my chairmanship of the MTC, I was reappointed to the Commission for a second term which will expire in 1979.

In 1975, I was appointed by MTC to chair a legislatively mandated study of Peninsula Transit Alternatives, commonly known as PENTAP.

I was designated by a formal resolution of the Commission (Resolution No. 479) to appear here today in my capacity as chairman of the PENTAP study and as an MTC Commissioner to express the Commission's opposition to Southern Pacific's application to discontinue the operation of passenger rail service between San Francisco and San Jose and intermediate points, filed with the California Public Utilities Commission in May, 1977.

The following testimony provides information about the creation, authority, and responsibilities of MTC, the Regional Transportation Plan (RTP) adopted by MTC, appropriate RTP policies pertaining to the issues at hand, findings and conclusions of PENTAP, and the consequent legislative actions. I believe that this supportive information will show the importance of Southern Pacific's passenger service in the region and MTC's commitment to support this regional transit service.

## Regional Transportation Planning and Programming

As the decade of the sixties was drawing to a close, it became increasingly evident that a well-defined, cohesive transportation planning, programming, and implementation process was needed for the San Francisco Bay Area. On September 14, 1970, the Governor of California signed into law Assembly Bill 363. This legislation, Title 7.1 of the California Government Code, Sections 66400 through 66522, created the Metropolitan Transportation Commission, which is defined as the regional transportation planning agency for the nine counties of the San Francisco Bay Area. Under this law and other subsequent legislation, MTC is mandated to fulfill specific responsibilities. We submit Title 7.1 in its entirety to be placed in evidence. Portions of the Government Code immediately applicable are as follows.

1. Development and Maintenance of the Regional Transportation Plan. Government Code Sections 66508 through 66513 read as follows:

66508. The commission shall adopt, by June 30, 1973, a regional transportation plan for the region. Prior to the adoption of such a plan, the operation, construction, and modification of those transportation systems under the purview of the commission may be undertaken without the approval of the commission.

66509. In developing the regional transportation plan, the commission shall consider:

(a) The plan recommended by the Bay Area Transportation Study Commission, with such modifications recommended by the Regional Transportation Planning Committee.

(b) The ecological, economic, and social impact of existing and future regional transportation systems upon various facets of the region, including, but not limited to, housing, employment, recreation, environment, land-use policies, and the economically disadvantaged.

(c) The regional plans prepared and adopted by organizations concerned with policies and programs designed to meet the near- and long-term planning needs of the region. Such consideration by the commission shall include, but not be limited to, plans prepared and adopted by the Association of Bay Area Governments, the San Francisco Bay Conservation and Development Commission, and the State Office of Planning.

66510. The regional transportation plan shall include, but not be limited to, the following segments of the regional transportation system:

(a) The national system of interstate and defense highways, the California freeway and expressway system, and other highways within the state highway system.

(b) The transbay bridges.

(c) Mass transit systems.

The commission shall pay particular attention to the interfacing of the various modes of transportation.

66511. The regional transportation plan shall also include an estimate of the regional transportation needs during the ensuing 10 years and a schedule of priorities for the construction, modification, and maintenance of various segments of the regional transportation system on a project basis to meet such needs.

66512. In addition, the regional transportation plan shall include a financial plan for the regional transportation system. The financial plan shall include a proposal for each segment of the system, including the amount and sources of revenues necessary to construct and operate that segment.

In developing the financial plan, the commission shall consider various sources of revenues, without regard to any constraints imposed by law on expenditures from such sources, necessary to assure adequate financing of the system and, if necessary, recommend appropriate legislation to the Legislature to secure such financing.

66513. The regional transportation plan shall be subjected to continuous review by the commission, with revisions prepared as the need may arise. Revisions to the plan shall be adopted annually by the commission.

## 2. Approval of Transportation Grant Applications. Government Code Sections

66515, 66518, and 66520 read as follows:

66515. No public multicounty transit system using an exclusive right-of-way which is proposed to be constructed within the region on or after the effective date of this section shall be constructed or operated without the approval of the commission.

66518. When allocating funds for construction on the state highway system within the region, the California Highway Commission shall conform to the regional transportation plan and the schedule of priorities for such construction included therein. The California Highway Commission, however, may deviate from the regional transportation plan and the schedule of priorities established for construction on the interstate system and the state highway system within the region because of an overriding statewide interest.

66520. Any application to the federal or state government for any grant of money, whether an outright or a matching grant, by any county, city and county, city, or transportation district within the region shall, if it contains a transportation element, first be submitted to the commission for review as to its compatibility with the regional transportation plan. The commission shall



approve and forward only those applications that are compatible with the plan.

Review by the commission, however, is not required where revenues derived from the Motor Vehicle Fuel License Tax Law are subvented to local governmental entities in accordance with statutory provisions.

### Metropolitan Planning Organization

In addition, MTC has been designated by the Governor of the State of California as the metropolitan planning organization for the Bay Area. Under this designation, MTC is responsible for the conduct of a continuing, cooperative, and comprehensive transportation planning process with state, regional, and local transportation agencies and entities to maintain federal certification (i.e., eligibility for federal funding assistance) for this region.

### Allocation of Transportation Funds

The State Transportation Development Act (TDA) of 1971, as amended, provides for 1/4-percent of sales tax monies collected in the state to be used for public transportation purposes. As the designated transportation planning agency, the MTC administers these funds for the nine-county San Francisco Bay Area. The following are sections from the California Public Utilities Code.

Article 2, Section 99220. Legislative Findings and Declarations. The Legislature finds and declares as follows:

a. Public transportation is an essential component of the balanced transportation system which must be maintained and developed so as to permit the efficient and orderly movement of people and goods in the urban areas of the state. Because public transportation systems provide an essential public service, it is desirable that such systems be designed and operated in such a manner as to encourage maximum utilization of the efficiencies of the service for the benefit of the total transportation system of the state and as not to deprive the elderly, the handicapped, the youth, and the citizens of limited means of the ability to freely utilize the systems.

b. The fostering, continuance, and development of public transportation systems are a matter of state concern. Excessive reliance on the private automobile

for transportation has caused air pollution and traffic congestion in California's urban areas, and such pollution and congestion are not confined to single incorporated areas but affect entire regions. Furthermore, public transportation systems which are not designed so as to be usable by handicapped persons foster increased welfare costs and the waste of human resources. Thus, the Legislature has elected to deal with the multiple problems caused by a lack of adequate public transportation on a regional basis through the counties, with coordination of the programs being the responsibility of the state pursuant to contract with county governments.

c. While providing county assistance to a particular transportation system may not be of primary interest and benefit to each and every taxpayer in a county, providing an integrated and coordinated system to meet the public transportation needs of an entire county will benefit the county as a whole. It is the purpose of this chapter to provide for such systems in those counties where they are needed.

Article 3, Section 99222. Legislative Intent for the Use of Funds. The Legislature finds and declares that:

a. It is in the interest of the state that funds available for transit development be fully expended to meet the transit needs that exist in California.

b. Such funds be expended for physical improvement to improve the movement of transit vehicles, the comfort of the patrons, and the exchange of patrons from one transportation mode to another.

Article 3, Section 99230. Allocation Determination.

The designated transportation planning agency shall, from an analysis and evaluation of the total amount anticipated to be available in the local transportation fund and the relative needs of each claimant for the purposes for which the fund is intended, and consistent with the provisions of this chapter, annually determine the amount to be allocated to each claimant.

Article 3, Section 99234.9. Passenger and Commuter Rail Service.

Any county or city entering into an agreement with the Department of Transportation for the extension of passenger rail services, or the upgrading of other commuter rail services, pursuant to Section 4 of Chapter 1130 of the Statutes of 1975, may file claims with the transportation planning agency for all, or a portion, of its required contribution toward the cost of providing

such services. The capital expenditure requirements of Section 99267 shall not apply to allocations made for purposes of this section.

Article 4, Section 99260. Eligible Claims.

Claims may be filed with the transportation planning agency by operators under this article for the following purposes:

- a. The support of public transportation systems.
- b. Aid to public transportation research and demonstration projects.

In fulfilling its mandated responsibilities, MTC has adopted a Regional Transportation Plan which outlines the Bay Area's transportation needs for the coming decade. Adopted in 1973 after intensive study, research, hearings, and review, it was purposely designed to be flexible in order to reflect the economic, environmental, and social changes in the region. The plan is reviewed and amended each year to reflect revisions adopted by the Commission in response to changing transportation needs in the Bay Area.

The Regional Transportation Plan contains six sections:

Section I : This section broadly spells out the Commission goals of coordinated planning of land use and transportation, preservation of environmental quality, improvement of economic opportunity for all social groups, and development of a safe, efficient and balanced transportation network.

Section II : This section specifies MTC objectives and policies which the Commission employs as guidelines in carrying out its assigned functions. Those objectives and policies which are most relevant in the case now before the PUC are:

Objective C: More efficient utilization of existing transportation facilities shall be explored as an alternative to construction of new facilities:

Policy 1.1: MTC shall emphasize the development of public transit to provide a level of mobility within this mode that is more reasonably comparable to that afforded by the privately owned automobile.

Policy 1.4: Major urbanized areas shall be served by frequently scheduled trunk line service.

Policy 1.5: Major transit service improvements shall be made within congested core areas of the region.

Policy 1.7: Transit shall meet peak-hour travel demands to major activity centers, assuring reasonable comfort and convenience.

Policy 1.9: The speed, frequency, and service efficiency of transit shall be increased to enable it to compete with the automobile as a feasible and attractive choice.

Objective 0: Transport programs shall be efficiently operated and efficiently coordinated within the region.

Policy 6.7: Financial policy shall be employed by the Commission in a manner that will encourage financial contribution to transportation from the private sector.

Section III: This section describes the elements of the regional transportation system within the major transportation corridors of the Bay Area. The RTP suggests alternatives to be considered in those areas where there is a need for new facilities, as well as proposals to improve transit and reduce

congestion without new construction and large investment. Most of the proposals are also contained in a five-year plan required by the federal government which is called the Transportation Systems Management Element, which will become part of the RTP following the annual revision process for 1978.

In April of this year, MTC amended this section of the RTP and it now includes the following policy on the West Bay corridor:

This corridor extends from San Francisco in the north to San Jose in the south and includes the intensively developed urban area between the Bay and the crest of the peninsula hills. It links California's third and fourth largest cities and is inhabited by approximately two million people who make several million trips daily. Three transbay bridges join the corridor to the East Bay. The ports of San Francisco and Redwood City and the San Francisco airport are located within the corridor along or near the edge of the Bay.

San Francisco, at the northern end of the corridor, provides a major source of employment for many of the corridor's residents. The central part of the corridor, located mainly in San Mateo County, is an area largely residential in character with heavy commute travel both north and south. South of Palo Alto and Mountain View the corridor widens into the more spacious Santa Clara Valley and ends in San Jose, a thriving, diversified, growing city characterized by low-density development and heavy reliance on the automobile.

The corridor's transportation service is provided by a mesh of freeway, commuter rail, and transit systems. Two freeways with six to eight lanes traverse the length of the corridor. The older and more easterly of the two facilities, the Bayshore Freeway (Route 101), carries heavy traffic in both directions for much of the day. It is frequently congested during peak hours at several locations. The newer facility, the Junipero Serra Freeway (I-280), has drawn some traffic away from the east side of the corridor. It is congested during peak hours at its southerly and northerly ends. With the exception of several bus stop pads on Route 101 and a short segment of preferential bus lane in I-280, both freeways are without these facilities.

Commuter rail service to San Francisco is provided by Southern Pacific Railroad. The railroad's tracks are used almost exclusively for passenger service for approximately five hours each workday during the morning and evening peaks. At other times the tracks are used for freight operations, but time slots are provided for passenger trains at one to two hour intervals.

Transit needs within the corridor are met by Greyhound Bus Lines, Bay Area Rapid Transit District (BARTD), San Francisco Municipal Railway (Muni), and the transit districts of San Mateo and Santa Clara Counties. The corridor is connected to other parts of the region by trunk service provided by Golden Gate Transit (GGT), Alameda-Contra Costa Transit District (AC Transit), BARTD, and a number of charter transit companies.

Greyhound operates express bus service between San Francisco and San Jose. Headways during the peaks are approximately thirty minutes. Bus service provided by Santa Clara, San Mateo, and San Francisco is primarily within county boundaries. In March of 1977 the San Mateo County Transit District (SamTrans) assumed responsibility for all Greyhound service within San Mateo County. SamTrans also provides an express bus connection between the Daly City BART terminal and the San Francisco International Airport via I-280 and Route 101, and service from northern Palo Alto to downtown San Francisco. The three counties provide support service to trunk transit operations. This is especially important in San Francisco where approximately two out of three passengers arriving by Southern Pacific Railroad transfer to bus.

The region's largest airport, San Francisco International Airport (SFO), lying largely on bay fill east of San Bruno, is the region's principal airline service point accommodating approximately 79% of the 24 million Bay Area air passengers in 1976. Approximately 300,000 airline aircraft arrive and depart the airport each year. The daily person trips made by passengers, employees, and visitors to SFO make it a major generator of ground trips, most of which are accommodated by automobile.

Over one-quarter of a million persons enter San Francisco from the south each workday. This is more than the combined total entering the City via the Transbay and Golden Gate corridors. The number of corridor trips on transit in 1976 was approximately 25,000 per workday. However, the present share of transit in total trips is smaller than for the other corridors entering San Francisco.

The adequacy of the transportation system to carry travel--particularly the heavy commute movement--throughout the corridor is a major problem. Many highways are often overcrowded and rights-of-way for new facilities are not available without extensive disruption to communities and the environment. Operation of trunk transit service has suffered from under-patronage, some service cuts, and a widening gap between expenses and revenues. Consequently, management has shown itself reluctant to expand or promote service.

In the southern end of the corridor, transportation problems relate to rapid and spreading urban growth. Low-density development has caused heavy reliance on the automobile and considerable difficulty in providing effective transit service.

Environmental and social considerations are important throughout the corridor. Protection of the Bay and its shoreline is a prime concern in the planning of transportation services. Both San Jose and San Francisco have significant problems associated with the needs of the poor, minorities, and disadvantaged. Air quality problems associated with dense automobile usage are prominent in the southern end of the corridor.

Section IV : This section includes the Transportation Development Program (TDP), the Transportation Improvement Program (TIP), and the Financial Plan. The TDP identifies the spending priorities, in broad terms, for transportation improvements over the next ten years. The TIP contains more specific language on priorities for the coming five years and is required by federal regulations, if funding is to be approved for the region. The Financial Plan indicates possible sources of revenue to finance the improvements identified in the TDP.

Section V : This section documents specific proposals for action by the MTC, other agencies, and the State Legislature to enable implementation of transportation facilities and services development. For example, MTC requested from the State Legislature the authority to use net toll bridge revenues for regional transportation development projects. Legislation was enacted which authorized the MTC to adopt procedures for the submission of applications for funding projects which would implement the Commission's capital planning objectives in the vicinity of toll bridges and with respect to ferry systems, as set forth in its adopted Regional Transportation Plan.

Section VI : This section deals with the procedures for revising the plan each year. Since 1973, the plan has been revised four times--1974, 1975, 1976 and 1977. The process includes a public hearing before the Commission's Work Program and Plan Revision Committee. In addition, four other public hearings are held in the region, generally in north, south, east, and west divisions. Public comments on the proposed revisions are received and reviewed by the Work Program and Plan Revision Committee. Following this review the revisions are submitted to the Commission for adoption. In several instances, proposed revisions have been adjusted based on public comment submitted to the Commission.

In adopting the Regional Transportation Plan, the Commission has determined that the basic purpose of the plan is the provision of safe, efficient, and environmentally responsive transportation facilities and services at reasonable cost for the movement of people and goods, through a coordinated regional transportation system composed of mass public transit, highways, airports, seaports, and railroads. The Commission intends through its Regional Transportation Plan to achieve this coordinated, integrated transportation system in order to reduce automobile usage and emphasize less energy-consuming and polluting modes of transportation.

A regional transportation interest exists when a transport facility or service is a necessary element in a unified and coordinated regional transportation system because it has regional usage. Regional use is defined by the RTP as the capacity for serving or linking one or more localities, units of government, or institutions of regional significance. A regional interest is especially involved in routes that cross jurisdictional lines and pass through several local communities, where assurance is needed that all intermediate links of such routes are provided.



In 1975, MTC was mandated by the Legislature, through the passage of SB 283, Chapter 1130, Section 14, of the Public Utilities Code, to conduct a study on alternative forms of transit development within the West Bay corridor in the San Francisco Bay Area.

SB 283 called for MTC to determine the feasibility of implementing several transit alternatives, including upgrading SP's commuter service to a transit level. MTC was to submit to the Legislature by January 1, 1977, a report on its conclusions and recommendations.

To develop the required report, MTC established a committee consisting of the six MTC Commissioners representing Santa Clara County, San Mateo County, and the City and County of San Francisco; the MTC Commissioners representing BCDC and the State Business and Transportation Agency; a PENTAP Citizens Advisory Committee representative; and an MTC Minority Citizens Advisory Committee representative. The committee became known as the "PENTAP" Committee, an acronym for Peninsula Transit Alternatives Project.

In addition to the PENTAP Committee, which was the policy committee, there were two advisory committees: the Technical Advisory Committee, consisting of technical staff members from the several local, state, and federal agencies, the academic community, and representatives from Greyhound and the Southern Pacific Company; and a Citizens Advisory Committee, meeting in the evenings, open to all citizens on the peninsula. A consultant team was selected to conduct the technical analysis.

The PENTAP Committee met approximately once each month during the course of the project from October, 1975, to April, 1977. All meetings were open to the public. The advisory committee also met at least once a month, and sometimes more often. The Citizens Advisory Committee held meetings in various locations throughout the peninsula in order to allow as many people as possible to express their opinions and obtain information about the project. In addition to the regular citizen committee meetings, public forums were held in November, 1976, in four locations--San Jose, Palo Alto, San Bruno, and San Francisco.

On December 30, 1976, the MTC submitted to the Legislature the Peninsula Transit Alternatives Summary Report, as required by SB 283.

The PENTAP Committee initially considered some 25 transportation alternatives ranging from very little change in the existing conditions to a full BARTD extension around the southern end of the Bay to Fremont. Based on the initial analysis and advisory committee review, the PENTAP Committee examined the following five possibilities:

Alternative A: Leave train and bus services essentially as they are.

Alternative B: Improve train and bus service.

Alternative C: Improve train and bus service and extend BARTD to the airport.

Alternative D: Improve bus service and substantially improve train service.

Alternative E: Improve bus service and extend BARTD to the airport.

The choice of these alternatives by the PENTAP Committee stemmed from committee assessments of the chances of implementation and from the desire to concentrate the analysis on viable and realistic alternatives.

As a result of the analysis, the PENTAP Committee recommendations, and the final environmental impact report, the MTC adopted a policy for future Westbay transit development that corresponds to Alternative B; i.e.:

- a. There should be better utilization of fixed rail transit facilities in the near future.
- b. Transit operations should be changed to improve or add service to meet the needs of groups not adequately served at present.
- c. Transportation facilities and options should be preserved for longer-range expansion and modernization of the transit system.

The following specific proposals were adopted by the Commission for improved trunk transit service and modernization in the Westbay Corridor:

- a. Upgrading of commuter rail service including improved service in the reverse direction at peak hours, improved off-peak service, and improvements to stations and parking facilities.
- b. Provision of improved bus service to the Southern Pacific Terminal in San Francisco at 4th and Townsend Streets.
- c. Supplemental bus service on I-280 and Route 101.
- d. Improved facilities for bus movement of existing freeways in the corridor.
- e. Provision of direct bus access ramps to the Transbay Terminal in any future connection of I-280 from 3rd Street to the Bay Bridge.
- f. Coordination of trunk transit service with local transit systems in Santa Clara and San Mateo Counties.

g. Provision of public acquisition of a segment of the Southern Pacific right-of-way south of Daly City if that right-of-way is abandoned.

#### Why Alternative B?

One of the fundamental objectives of PENTAP was to decide on an implementable solution to the Westbay Corridor trunk transit system and implement it. Frankly, political jurisdictions affected were not able to agree beyond this level of transportation development. Alternative B does provide flexibility for further development. The PENTAP solution in any event begins with the fundamental notion that Southern Pacific Railroad passenger service in the corridor will stay. Specific reasons for our choice of Alternative B are as follows.

1. There is flexibility in the choice of Alternative B with regard to other alternatives. The choice of B eliminates only the alternative to do nothing. It is compatible with the option of extending BARTD at some time in the future if warranted, or even accepting SP's proposal of separating freight and transit operations. Since uncertainty over the future need for public transportation is greater today than some years ago, this flexibility is an asset.

2. There is flexibility within Alternative B. Many combinations of bus and rail service are possible in the corridor. Certain areas may be served best by rail only; certain areas may be served best by a combination of bus and rail.

3. Alternative B is cost effective, offers prospects of early implementation, and retains the flexibility required to eventually achieve the Regional Transportation Plan objectives.

This decision reflects the practical transportation planning climate of the 1970s. The actions of the 1950s indicated the hope that regional transportation problems could be solved by adding more freeways; the actions of the 1960s in the central part of the Bay Area indicated the hope that regional transportation problems could be solved by adding a new transit technology--BART. The PENTAP decision indicates the belief that we can make progress by better management of existing resources and by matching resources with transit demand.

#### Implementing the PENTAP Plan

On May 25, 1975, MTC adopted Resolution No. 411. This resolution recommended implementing the rail element of the PENTAP Plan in three phases:

Phase I: Maintain existing service levels with a discount fare program and improved Southern Pacific Muni interface service.

Phase II: Improve existing service levels and standards of service as provided for by Alternative B under a purchase of service contractual arrangement. The emphasis in negotiations should be on defining service levels and standards to meet transit requirements, as opposed to how the specifics of the transportation services should be developed and operated.

Phase III: Possible expansion of the improvement program for the rail service within the parameters of Alternative B.

Assembly Bill 1853 (Papan), enacted by the 1977 session of the Legislature, implements MTC's PENTAP recommendations. This legislation states that it is the policy of the State to preserve and enhance existing railway passenger service. This legislation also acknowledges that public subsidies and other forms of support may be required to advance this policy. AB 1853 authorizes the peninsula transit

agencies to sell Southern Pacific commute tickets at reduced rates and authorizes Caltrans to contract with Southern Pacific for service based upon availability of funds and specific levels and standards of service specified by MTC and acquire abandoned rail rights-of-way for future transit use.

Transportation Development Act funds (\$1.150 million) have been programmed by the MTC in the 1977-78 Regional Transportation Improvement Program and TDA funds are also included in the operating budget of Santa Clara County Transit District, San Mateo County Transit District, and the City and County of San Francisco for the discount resale of Southern Pacific commuter tickets.

The bill requires MTC to submit to the Legislature by February 1, 1978, a detailed financing plan to meet the goals of Phase I of the recommended PENTAP plan. The law also requires MTC to submit to the Legislature by September 1, 1978, a detailed financing plan to meet the goals of Phases II and III of the plan.

MTC's position is summarized based on the exhibits submitted together with my prepared testimony and can be stated simply as follows:

1. The Southern Pacific rail passenger service between San Francisco and San Jose is a vital part of the regional transportation system, and this transportation system is very important to the people of this region.
2. The Metropolitan Transportation Commission, therefore, by its Resolution No. 479, urges the California State Public Utilities Commission to deny the application submitted by the Southern Pacific Transportation Company on May 6, 1977, to discontinue the rail passenger service between San Francisco and San Jose.
3. MTC further urges that the California Public Utilities Commission enjoin the Southern Pacific Transportation Company to work positively with the MTC to promote and

provide viable public transportation in the West Bay corridor of the San Francisco Bay Area, not only for the citizens living in the immediate area but for the residents of the entire nine-county Bay Area.

The Metropolitan Transportation Commission wishes to submit in evidence the following documents:

1. Prepared Testimony of John C. Beckett, Application No. CPUC 57289.
2. Assembly Bill 363, Chapter 891, Title 7.1, Metropolitan Transportation Commission Act.
3. Peninsula Transit Alternatives Project, Final Report, January, 1977.
4. Senate Bill 283, Chapter 1130.
5. Metropolitan Transportation Commission Resolution No. 411, "Adoption by Metropolitan Transportation Commission of Recommendations for Implementation of PENTAP," dated May 25, 1977.
6. Assembly Bill 1853, amended August 31, 1977.
7. Metropolitan Transportation Commission Resolution No. 479, "An Expression of the Metropolitan Transportation Commission's Opposition to Southern Pacific Transportation Company's Application to Discontinue the Operation of Rail Passenger Service Between San Francisco and San Jose and Intermediate Points," dated September 28, 1977.

TESTIMONY OF JOHN T. MAURO, GENERAL MANAGER  
SAN MATEO COUNTY TRANSIT DISTRICT  
BEFORE THE CALIFORNIA STATE ASSEMBLY TRANSPORTATION COMMITTEE  
FRIDAY, DECEMBER 2, 1977 AT SAN JOSE, CALIFORNIA

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Mr. Chairman and ladies and gentlemen, the San Mateo County Transit District appreciates this opportunity of presenting the District's position with respect to public transportation improvements on the Peninsula. First, some background on our agency may be useful.

The San Mateo County Transit District was formed on January 13, 1975. Its basic purpose is to develop a coordinated transportation system in San Mateo County. We began this task on July 1, 1976, with the consolidation of existing public and private systems into a single, unified operation. Twelve systems have been merged to date.

We presently serve all municipalities in San Mateo County. Our fleet consists of 149 buses. Most of our 59 routes operate six days a week. Between July 1, 1976, and October, 1977, our ridership has risen from 14,000 passengers a day to nearly 40,000 passengers a day. This dramatic increase has demonstrated a substantial market for public transportation in San Mateo County and we have every intention of tapping that market with a series of transit improvements in the months ahead. These improvements essentially will implement the recommendations of the Peninsula Transit Alternatives Study which, as you know, was funded by the State Legislature and carried out by the Metropolitan Transportation Commission with the cooperation of transit agencies such as ours in San Mateo County.

In following up on Alternative B recommendations, the San Mateo County Transit District moved first to strengthen the north-south regional



bus trunk lines. Traditionally, Greyhound has furnished inter-city service linking Santa Clara, San Mateo and San Francisco Counties. In recent years, for a variety of reasons, this service has steadily declined and within a matter of months would have been abandoned. Sam Trans moved in to negotiate a three-year contract with Greyhound to continue the service. Operations began with 38 Greyhound buses, painted in Sam Trans colors, transporting passengers between Palo Alto, Bart-Daly City and Downtown San Francisco, on July 2, 1977. All of these buses travel on El Camino Real, the major commercial thoroughfare linking Peninsula cities, and on Route 101, fares were reduced.

Between July 2, and early November of this year, ridership has risen from 7,500 to 12,500 passengers a day. In four months, we have carried more than a million passengers.

With new schedule changes to go into effect on December 12, we will be running 111 trips daily into Downtown San Francisco and 64 trips to Bart-Daly City. An equal number of trips will move southbound. There will be frequent stops at San Francisco International Airport.

Revival of bus transportation is one step. The District, from its inception, has been deeply involved in preservation of the Southern Pacific Railroad passenger service, which we regard as the backbone of the regional transportation system in San Mateo and Santa Clara Counties. Major impetus to these efforts came with the passage of Assembly Bill 1853 sponsored by Assemblyman Louis Papan.

In our 1977-78 budget, we reserved \$600,000 in Transportation Development Act funds to provide a 30 percent discount to San Mateo County residents who purchase various types of commute tickets from the railroad.

This discount, which will go into effect January 1, 1978, will mean a savings of between \$11 and \$16 a month to purchaser of monthly rail commute tickets in San Mateo County. The amount will vary from fare zone to fare zone and proportionately will benefit buyers of weekly and 20-trip tickets.

For the person buying a monthly ticket, the discount price for a railroad ride between Redwood City and San Francisco will be 72 cents a ride. It was 82 cents prior to the PUC's 25% August 6 increase and is \$1.03 today.

The rail fare will also be 38 cents cheaper than Sam Trans' bus fare between San Francisco and Redwood City. There will be a 13 cent difference if the rail commuter buys a MUNI bus ride from the Fourth and Terminal Station, to uptown destinations.

At the moment, we are in the process of concluding our contract negotiations with Southern Pacific, whereby we will buy the tickets in bulk at Southern Pacific's prices for resale at a discount at Southern Pacific stations beginning December 19.

As part of this presentation, we are enclosing material involved in these transactions. This includes ads run to register San Mateo residents, a copy of the discount identification card to be issued, a comparison of fares before and after discounts, and a copy of a rail ridership survey we made in early October.

In addition to proposing a 30 percent discount on train fares, our Board of Directors has authorized free bus rides to and from Southern Pacific stations in San Mateo County to Southern Pacific card-holders who want to avail themselves of our frequent connecting bus schedules.

If we can work out suitable arrangements, physically and financially, we may seek free or reduced shuttle charges on MUNI in San Francisco and perhaps free auto parking spaces on the Peninsula.

At the latest count, nearly 1,700 San Mateo County residents have registered to take advantage of this unique transportation bargain--and we expect another 800 or so to qualify by the first of the year or shortly thereafter.

Registration has given us an up-to-date record of virtually every committed Southern Pacific commuter. We will be contacting him from time to time with other transit information.

The bulk purchase plan is designed to stabilize ridership by stabilizing fares. Recognizing that the Southern Pacific is entitled to some additional revenue to offset rising costs, we have made it possible for the PUC to increase the railroad's income while, through public grants, we are eliminating the possible financial impact on the rider.

The Transit District is prepared to take other measures to insure that the railroad continues its vital service to the residents of San Mateo County and the rest of the San Francisco Peninsula. Among these steps are:

-In conjunction with the bulk purchase plan, we expect to launch an extensive advertising campaign built around the theme of cost savings, i.e. "a trip to San Francisco from San Mateo will cost three and one-half cents a mile--can you drive that cheaply?"

-We have vigorously opposed before the State PUC and will continue to oppose before the ICC, if necessary, any actions taken by Southern Pacific to discontinue passenger operations. Retention of this service,

in private ownership and under private management, is a cornerstone of transit plans and transportation programs in San Mateo County.

-We are prepared to take part in any discussions involving the preservation and public acquisition of the Southern Pacific's right-of-way between San Bruno and Daly City for future transit purposes.

-We are ready to discuss a longer-term program for the preservation of Southern Pacific rail service on the Peninsula with all parties concerned: SP, PUC, MTC, Santa Clara, San Francisco and BART, as well as various segments of the State Legislature.

The District presented a more extensive statement with regard to the Southern Pacific in the recent PUC proceedings. We will be happy to make that data available. I also will be happy to answer any questions you may have with regard to these brief remarks.