INVESTIGATION AND SUSPENSION DOCKET No. 5585 [1]

NEW JERSEY-NEW YORK COMMUTATION FARES

Submitted February 14, 1950. Decided March 6, 1950

Interstate commutation fares between points on respondents' lines in the States of New Jersey and New York approved for the Jersey Central in the prior report in I. and S. Docket No. 5585, 273 I. C. C. 693, and proposed by the other respondents, found just and reasonable. Petition for reconsideration in proceeding covered by said prior report denied, and other proceedings discontinued.

Richard Swan Buell, J. P. Canny, Donald R. Creighton, Rowland L. Davis, Jr., Edward A. Kaier, Richard J. Lally, David I. Mackie, Judson C. McLester, Jr., M. C. Smith, Jr., and *B. J. Viviano* for respondents.

Charles D. Peet and *Nelson A. Sharfman* for intervener in I. and S. Docket No. 5637.

Frank H. Sommer for the State of New Jersey.

Daniël de Brier, Charles N. Gerard, Joseph Harrison, and *Theodore Parsons* for Board of Public Utility Commissioners of the State of New Jersey.

Albert A. Bloomquist, Frederick William Carlsen, Lawrence A. Carton, Jr., Joseph E. Connally, Wallace S. DePuy, Edward S. Disbrow, Augustus S. Dreier, Britton A. Everett, William F. Gorman, Edmund A. Hays, Ryman Herr, Clyde C. Jefferson, David M. Kaplan, Stanley J. Kufel, Francis M. Lynes, Edward P. Mahoney, C. H. McCollough, Richard T. McDonough, W. T. Meyer, Samuel C. Myerson, James F. Patten, Harry A. Pine, William A. Roberts, William Roe, D. W. Rubidge, Norman J. Stone, DuBois S. Thompson, John F. Thompson, Peter C. Triolo, Wallace Van Etten, E. Norman Wilson, and *Warren Woods* for protestants.

[1] Under the above generic title, this report embraces I. and S. Docket No. 5585, Jersey Central Commutation Fares (dealing with protestants' petition for reconsideration); I. and S. Docket No. 5637, Pennsylvania Railroad Commutation Fares, N. Y.-N. J.; I. and S. Docket No. 5652, Lehigh Valley Railroad Commutation Fares, N. Y.-N. J.; I. and S. Docket No. 5655, Commutation Fares, New York-New Jersey, Pennsylvania Railroad; I. and S. Docket No. 5663, Commutation Fares, Delaware, Lackawanna & Western Railroad; I. and S. Docket No. 5668, Erie Railroad Commutation Fares, N. Y.-N. J.; and I. and S. Docket No. 5679, Commutation Fares, New Jersey & New York Railroad.

Other appearances in I. and S. Docket No. 5585 noted in prior report, 273 I. C. C. 693.

REPORT OF THE COMMISSION

ROGERS, *Commissioner:*

Exceptions were filed to the report proposed by the examiner in certain of these proceedings, and the issues were orally argued. We have reached conclusions differing somewhat from those recommended in the proposed report. Exceptions and requested findings not discussed in this report nor reflected in our findings or conclusions have been given consideration and found not justified.

As indicated by their titles, these proceedings deal with proposals of certain railroads; namely, The Central Railroad Company of New Jersey,[2] The Delaware, Lackawanna and Western Railroad Company, the Erie Railroad Company, the Lehigh Valley Railroad Company, the Pennsylvania Railroad Company, and The New Jersey and New York Railroad Company (Peter Duryee, trustee), to make certain changes, mostly increases, in their interstate commutation fares in the so-called New Jersey-New York area. Respondents serve in interstate commerce New Jersey residents along their lines who commute to and from New York City, which is by far the most important commuting center in the United States. Each proceeding was heard separately with a similar proceeding before the Board of Public Utility Commissioners of the State of New Jersey.

The commutation-fare scales, present and proposed, are set forth in appendix I hereto. Operating results of the respective respondents for the years 1947 and 1948 are set forth in appendix II.

JERSEY CENTRAL CASE, I. AND S. DOCKET NO. 5585

By schedules filed to become effective July 5, 1948, the Jersey Central proposed certain changes, mostly increases, in its interstate and intrastate commutation fares, including its joint fares with The New York and Long Branch Railroad Company, estimated to yield an increase of about 27 percent or $900,000 per annum. The Long Branch is owned jointly by this respondent and the Pennsylvania Railroad Company and the passenger trains of the proprietary companies operate over the rails of the Long Branch under a trackage arrangement. The proposed fares, with certain exceptions, were patterned after the fares proposed by the Jersey Central, but not approved in *Increased Passenger Fares, Eastern Railroads*, 269 I. C. C. 87, hereinafter called the 1947 proceeding. They were suspended by us and

[2] The properties of this respondent emerged from the trusteeship of Walter P. Gardner on October 1, 1949.

the New Jersey Board, a joint hearing was held, and the matter was submitted on brief and oral argument without proposed report.

In the prior report herein, 273 I. C. C. 693, decided March 11, 1949, and in the related State proceeding, the two regulatory bodies disapproved the proposed fares and in lieu thereof approved fares patterned more nearly after the A and B scales approved for the Jersey Central in the 1947 proceeding, based on unrestricted monthly fares $3 higher than the scale A fares for 21 to 43 miles, inclusive, with fares for 20 miles down to 1 mile graded into the scale A fare for the latter distance, estimated to yield an aggregate increase of about 15 percent or $450,000 per annum.

In our report, we found that due and timely execution of our functions "imperatively and unavoidably required the omission of a proposed report," affirmed the action of the examiner in overruling protestants' motion to strike the proposed joint fares of the Long Branch, summarized the facts of record as to the Jersey Central's revenue needs, the nature, cost, and value of its commutation service, and the history and comparisons of fares, and found that respondent had not shown the proposed fares to be just and reasonable, but that the approved fares would (*a*) yield a substantial increase in revenue of which respondent is in need and to which it is justly entitled, (*b*) be as low as respondent can be required to maintain from a cost standpoint and at the same time be reasonably related one to another, (*c*) be necessary in order that respondent may be enabled, under honest and efficient management, to provide adequate and efficient service, at the lowest cost consistent with the furnishing of such service, and (*d*) be just and reasonable for the future.

Upon request of protestants, the 2-month period provided for the filing of a petition of reconsideration under rule 101 (e) of the General Rules of Practice was extended to 3.5 months or to July 1, 1949, on which date protestants filed the present petition, which, however, does not comply with rule 101 (d). Protestants do not point to any error in our statement of facts, but contend that the report omits other material facts and that the facts do not support the conclusions. No reply was filed by the Jersey Central.

Protestants still insist that this proceeding should have been the subject in the first instance of a proposed report by the examiner. However, in addition to the findings in the report on this subject, it should be pointed out that had such a proposed report been issued the commuters would have had to pay the higher increased fares proposed by respondent until the proceeding was finally decided, as the 7-month suspension period had long expired and respondent was unwilling to further postpone the effective date of the proposed schedules.

Protestants also insist that the action of the examiner in overruling their motion as to the Long Branch should have been reversed. However, in addition to the findings in the report on this subject, it should be noted that we disapproved the proposed 20-percent increase in the interstate fares of that carrier and approved an average increase of only about 8 percent therein.

Protestants contend that respondent's passenger-train deficit and operating ratio for 1947 set forth on page 699 of the report as $7.7 millions and 179 percent, respectively, are overstated because of respondent's use in certain instances of pro rata apportionments of operating expenses, rents and taxes, although direct assignments would have been more appropriate. In No. 30256, *Increased Fares, Eastern Railroads, 1949*, 276 I. C. C. 433, we said of a similar contention with respect to the eastern railroads, that—

> it appears that the more extensive use of direct assignments would, if anything, increase rather than reduce expenses, deficits, and operating ratios shown for the passenger service.

This is particularly true of the Jersey Central. In this connection, it should be noted that the apportionments referred to are principally in connection with expenses for maintenance of way and structures, which as shown on page 702 of the report constitute only about $2 millions out of a total $15 millions for passenger train operating expenses and taxes; equipment and transportation expenses being mostly direct assignments.

The evidence as to the cost of the commutation service is set forth in the report in considerable detail. For 1947 respondent estimated the out-of-pocket cost of that service, including taxes and return on value, to be $6.1 millions and the deficit to be $2.4 millions. Protestants estimated the out-of-pocket cost of the service, not including taxes and return on value, to be $2.5 millions. We found that the commutation revenue for 1947 of about $3 millions (without the fare increase granted in September) was less than the out-of-pocket cost of the service. Protestants do not directly assail this finding but say that they could not determine whether the commutation service is operated at a profit or at a loss, but this is directly contrary to the admission of counsel for protestants at the original argument in this proceeding that "there is some loss from the commutation service."

On page 703 of the report, we found that respondent's increases in costs as of July 1, 1948, over 1947 were about 15 percent. This percentage is based on the actual experience of respondent as to wages and fuel and on the so-called A. A. R. indices as to material and supplies as the latter is not available for respondent separately. Protestants contend, among other things, that the use of the A. A. R. indices for material and supplies does not give adequate consideration to the recent downward price trend. However, the 15 percent estimate includes no allowance for the additional labor costs, if any, due to the 40-hour week. We think that 15 percent is a conservative estimate of the increases in respondent's costs since 1947.

Protestants contend that the report does not give adequate consideration to the inferior service rendered by respondent. As to this, in addition to the matters set forth in the report, the following statement at the oral argument by counsel for respondent is self-explanatory:

> The New Jersey Board does have jurisdiction over the service rendered by the Central, and the Central recognizes its duties under the New Jersey law, and we believe that we have performed safe, adequate, and proper service. At any time that the New Jersey Board feels that we are derelict, we are prepared, of course, to answer it.

Protestants contend that finding as to respondent's revenue needs did not give consideration to possible reductions in respondent's operating expenses and taxes by changes in its intercorporate relations, or to the improvement in respondent's financial position resulting from our decision in *Central R. Co. of New Jersey Securities Modification*, 271 I. C .C. 501. The latter, of course, had no relation to the rate of return which respondent should have an opportunity to earn on the value of its property devoted to the transportation service. The other matters are speculative and any possible reductions in expenses and taxes resulting therefrom would not affect the conclusions set forth in the report that respondent is in need of additional revenue from the commutation service.

Finally, protestants say that the report does not give adequate consideration to their evidence to the effect that the proposed fares would not result in increased revenue and that the evidence does not support the conclusion that the proposed fares will yield a substantial increase in revenue. Upon this subject, the evidence was conflicting, respondent's evidence being to the effect that the proposed fares would result in little, if any, reduction in its commutation travel, while protestants' evidence, which is set forth in considerable detail in the report, was to the contrary. Upon consideration of all the evidence, we found that the proposed fares would result in a substantial reduction in such travel but that the approved fares would result in a substantial increase in revenue.

LACKAWANNA CASE, I. AND S. DOCKET NO. 5663

By schedules filed to become effective June 8, 1949, the Lackawanna proposes certain changes, mostly increases, in its interstate commutation fares between New York City and points on its line in the State of New Jersey. Upon protest of certain municipalities, commuters and associations of commuters served by respondent, the operation of the proposed schedules was suspended until January 7, 1950. Hearing was held, pursuant to notice, at Newark, N. J., on June 9 and 28 and July 6, 1949, jointly with a similar proceeding before the New Jersey Board in which the Lackawanna proposes like changes in its intrastate commutation fares within that State. In addition, a conference was held at Washington, D. C., on June 16, 1949, as a result of which additional information was called for by the examiner and the parties and furnished by respondent at the sessions of the hearing on June 28 and July 6.

The Lackawanna serves in interstate commerce New Jersey residents along its lines who commute to and from New York City, its access to the latter being by ferry from its terminal at Hoboken, N. J. It performs commutation service over its electric lines between Hoboken and Dover (42), through Newark (9), Summit (21), Denville (37), between Newark and Montclair (14), and between Summit and Gladstone (43), and over its steam lines between Hoboken and Blairstown (66) on the west, Washington (68) on the south, and Branchville (71) on the north, through Passaic (12), Paterson (16), Boonton (30), Denville (35), Dover (39) and Netcong (49), all of the points named being in the State of New Jersey, and the figures in parentheses being the distance in miles over the respective lines from New York, allowing 1 mile for the ferry crossing.

The Lackawanna now proposes for its electric line exactly the same basis as was approved in the prior report for the Jersey Central, with fares for its steam lines made 10 percent lower, which would restore the relation between its fares and those of the Jersey Central established as a result of the 1947 proceedings. In other words, the fares of the Lackawanna's electric lines would be exactly the same mile for mile as those of the Jersey Central, while the fares of its steam lines would be 10 percent lower. The Lackawanna estimates that the proposed fares would result in an increase of about 16.8 percent, or about $451,000 on interstate traffic and $94,000 on intrastate travel.

As shown by appendix II, there has been a substantial improvement in the Lackawanna's freight and total operations, but this is not true of its passenger-train operations, the deficit in net railway operating income for such operations having increased from $2.9 millions in

1946, to $3.4 millions in 1947, and to $3.7 millions in 1948. As seen hereafter, of the deficit in net railway operating income of $3.4 millions in 1947, $1.7 millions is ascribed to the commutation travel, of which $0.7 million is in turn ascribed to the ferry operations.

Respondent presented a cost study as a result of which it arrives at the following operating results for the suburban passenger service (Dover and east) for the year 1947, and for the commutation service for the years 1947 and 1949:

Summary of cost study

[Figures in millions]

Item	Suburban (1947)			Commutation (1947)			Commutation (1949)		
	Electric lines	Steam lines	Total	Electric lines	Steam lines	Total	Electric lines	Steam lines	Total
Revenues	$5.8	$0.9	$6.7	$3.7	$0.5	$4.2	$4.4	$0.5	$4.9
Out-of-pocket costs:									
Operating expenses	4.6	2.0	6.6	3.0	1.4	4.4	3.6	1.7	5.3
Taxes	.9	.2	1.1	.6	.2	.8	.7	.1	.8
Return on value	2.7	.3	3.0	1.7	.3	2.0	1.7	.3	2.0
Ferry deficit	1.0	.2	1.2	.7	.1	.8	.8	.1	.9
Total	9.2	2.7	11.9	6.0	2.0	8.0	6.8	2.2	9.0
Total out-of-pocket deficit.	3.4	1.8	5.2	2.3	1.5	3.8	2.4	1.7	4.1

The out-of-pocket costs (operating expenses, taxes, and return on value) for the suburban passenger service were computed by first determining the facilities and train operations which would be required wholly or in part if no suburban passenger service were operated in the territory Dover and east and then computing the cost of the remaining facilities and operations. As for train operations this was readily determined, as the suburban and through passenger operations are largely separate and distinct. As to way and structures, respondent has assumed that the entire electric line would not be required if there were no suburban passenger service, although about $2 millions in freight revenue were earned by that line in 1947. However, no credit for the freight revenue or debit for the freight expenses was included in the study. As to certain bridges and station buildings on the steam line, respondent assumes that smaller facilities would be adequate for the through service and charges the suburban service with the costs related to the present facilities minus the cost of the facilities which would be considered adequate for the through service. A more reasonable approach would have been to determine what portion of the present facilities would be required for the through service and apportion the costs accordingly.

Respondent computed the costs for the commutation service by deducting from the costs as above determined for the suburban service those costs which it ascribes to the handling of the noncommutation traffic. This involved the determination of the facilities and train operations which would be required wholly or in part if no commutation service Dover and east were operated. As to train operations, respondent set up a so-called hypothetical train service which it considered adequate to take care of the noncommutation travel. A traffic study was made showing in intervals of 1 hour and/or one-half hour, the 24-hour travel habits for passengers on suburban trains on Wednesday, December 3, Saturday, December 6, and Sunday, December 7 of the year 1947. Classifying as commuters the monthly unlimited, monthly restricted, 46-trip school, weekly, 10-trip and 50-trip passengers; and as noncommuters, the one-way and round-trip regular and round-trip restricted passengers, and with pass riders shown separately, the traffic study results in totals as follows:

	Total passengers	Commuters	Noncommuters	Passes
Wednesday, Dec. 3	79, 929	59, 918	15, 736	4, 275
Saturday, Dec. 6	39, 416	17, 652	18, 428	3, 336
Sunday, Dec. 7	17, 531	4, 544	11, 572	1, 415

From the detail by hours shown in the traffic study respondent determined the maximum 1-hour, 2-hour, and 3-hour noncommutation loadings and designed a train service to handle such maxima. This produces in equivalent service units the following comparisons as to the present suburban train service with the hypothetical noncommutation service and the residual train service charged to commutation.

Division of service units between commutation and noncommutation for a typical weekday [1]

Line	Units	Total	Noncommutation	Commutation
1	Passengers	75, 654	15, 736	59, 918
2	Passenger miles	1, 265, 358	256, 339	1, 009, 019
3	Scheduled trains	284	82	202
4	Train miles	7, 475	2, 526	4, 949
5	Cars	360	97	263
6	Car trips	1, 575	318	1, 257
7	Car miles	35, 129	11, 424	23, 705
8	Road engines	18	3	15
9	Yard engine miles	64	24	40
10	Gross ton-miles	2, 932, 528	1, 191, 214	1, 741, 314
11	Ferry slips	10	3	7
12	Ferry boats	9	3	6
13	Car per train (line 6 divided by line 3)	5. 5	3. 9	6. 2
14	Car per train (line 7 divided by line 4)	4. 7	4. 5	4. 8
15	Passengers per train (line 1 divided by line 3)	266	192	297
16	Passengers per train (line 2 divided by line 4)	169	101	204

[1] Figures do not include pass riders (nonrevenue passengers).

It is believed that the hypothetical noncommutation train service which was estimated by this respondent to meet the needs of this class of passengers represents too great a reduction under the present non-commutation service, even when it is considered that such service is possibly above the present actual requirements. In this latter connection respondent stated that some of the trains are now operated in the non-rush-hour service for the reason that excess crews and equipment are available and also because of the necessity of balancing the equipment and returning crews to their base. Under the hypothetical service for example, the electric service to Hoboken, respondent estimated that 28 daily trains would be sufficient to handle noncommutation traffic, whereas at present there are 113 trains operated on Wednesday, 95 trains on Saturday, and 51 trains on Sunday according to the traffic study. Although a considerable number of commutation ticket passengers (8,045) ride on Saturday, it is not generally considered a day of commuter travel in view of the general adoption of the 5-day week, and the absence of any particular peak or rush-hour service problem. Furthermore, there are approximately 19,000 or 70 percent fewer commutation passengers on Saturday than on weekdays. On Sunday there are approximately 25,000 or 92 percent fewer commuters and no rush-hour service problem, so that a daily service of only 28 trains would appear to represent too great a departure from the present service to noncommuters to be reasonable.

Also, in estimating the service for the noncommuters, respondent has considered only the passengers riding on regular one-way and round-trip tickets and restricted round-trip tickets as noncommuters. Respondent treated the 10-trip and 50-trip riders as commuters despite the fact that the 10-trip unrestricted tickets are good for a year and the 10-trip restricted tickets are good for 3 months and no study was made to determine whether the tickets were used daily and how many were used for shopping and other purposes. It is noted in connection with the 10-trip restricted passengers that their travel habits appear to be similar to those of noncommuters. It is also noted that in a weekday period (electric east-bound) 6 a. m. to 10 a. m., 2,131 noncommuters are traveling on the present train accommodations. Respondent provides for the operation of 3 trains in this period which replaces 44 trains, and does not include any train arriving at Hoboken between 2:45 a. m. and 8:55 a. m. Approximately 1,300 noncommuters travel on trains arriving at Hoboken during this period on the present service.

The commutation revenue and out-of-pocket costs as above determined for the year 1947 were brought up to date (1949) by consider-

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ation of changes in the level of fares, wages, fuel, material and supplies, and pay-roll taxes. The adjustments made were as follows:

The 1947 ticket revenue was expanded to reflect a fare increase of 13.6 percent in 10- and 50-trip tickets in June 1947, and a commutation fare increase of approximately 15 percent in October of that year. The 10- and 50-trip ticket revenues were then further increased by 20 percent to reflect the July 1948 increase granted in these fares. The total increase in revenue was $611,273 for the electric lines and $64,650 for the steam lines, or a total of $675,923.

This increase in revenue was offset by an increase in costs of $1,-061,895, of which $494,730 was for wage increases averaging 17.45 percent, $291,106 was for increases in prices of fuel, material, and supplies averaging 25.83 percent, $32,083 was for operating rule changes, $33,026 was for a net increase in taxes ($64,133 increase in property and franchise taxes offset by a reduction of $31,107 in pay-roll taxes, the latter resulting from a reduction of the statutory rate from 8.75 to 6.5 percent), and an increase in the ferry deficit of $210,950. No consideration was given in respondent's study to any increases in costs which might result from the 40-hour week which became effective September 1, 1949.

The amounts assigned in respondent's study to both the suburban and commutation service for return on value are overstated not only because of the excess facilities assigned to such services but also because the valuation base used was based on the average of the cost of reproduction new less depreciation and original investment less depreciation, although a more appropriate basis would have been "the best evidence we have as to the original cost and depreciation upon the basis of the accruals by the petitioners, together with the present value of lands" (See *Increased Freight Rates, 1947*, 270 I. C. C. 403, 436,) and secondly because the 6 percent rate used in respondent's study is excessive, the rate of return being determined by value of service or other noncost considerations. In this instance, the relatively greater amount of dollars assigned for return on value to the electric than for the steam lines, is, of course, due to the relatively greater investment in the former.

This discussion might well end here were it not for the fact that respondent says that in lieu of the scale appearing in the suspended schedules and set forth in column III of appendix I as proposed, it prefers the scale set forth in column II of that appendix as an alternative, which reflects a more or less fixed percentage increase over its pre-1947 scale. As compared with the proposed scale, the alternative scale is higher for hauls between 8 and 17 miles on both the electric and steam lines and for hauls beyond 53 miles on the steam lines.

In this connection, it should be noted that about 50 percent of respondent's commuters are in the short-haul area between 8 and 17 miles. It will be observed that the alternative scale has a number of very steep and abrupt jumps, for example, 145 cents between 5 and 6 miles, 135 cents between 6 and 7 miles, and 140 cents between 7 and 8 miles, while the scale approved herein has no such jumps but diminishes gradually from a 60-cent gradation for the shortest distances to 5 cents for the longest distances.

Although the fares approved in the 1947 proceeding have been in effect for nearly 2 years, respondent does not show, and indeed does not contend, that such fares have had any adverse effect on its commutation travel or revenues as between the various mileage blocks. Like the scale originally proposed by the Jersey Central in I. and S. Docket No. 5585, the alternative scale would go far toward restoring the helter-skelter and illogical situation which the 1947 proceeding was designed to correct. The alternative scale is not entitled to our approval if indeed it can be considered as in issue herein.

ERIE CASE, I. AND S. DOCKET NO. 5668

By schedules filed to become effective July 10, 1949, the Erie proposes certain changes, mostly increases, in its interstate commutation fares between points in the States of New York and New Jersey. Operation of the proposed schedules was suspended on our own motion until February 9, 1950. Hearing was held pursuant to notice at Newark on July 7, 1949, jointly with a similar proceeding before the New Jersey board, in which respondent proposes like changes in its intrastate commutation fares within that State. Certain municipalities and associations of commuters in the State of New Jersey appeared in opposition to the proposed schedules. Subsequent to the hearing, by agreement of the parties, the two Commissions and one of the commuter associations served interrogatories on respondent, which together with respondent's answers were made a part of the record in the two proceedings.

The Erie serves in interstate commerce New York and New Jersey residents along its line who commute to and from New York City, its access to the latter being by ferry from its terminal at Jersey City, N. J. Included in its New York-New Jersey suburban passenger and commutation area are points on its lines in the State of New Jersey and stations on its main line and northern division in the State of New York between Suffern (32) and Port Jervis (88) and Tappan (24) and Nyack (29), inclusive, respectively, the figures in parentheses being the distance in miles from New York City, allowing 1 mile for the ferry service.

The Erie now proposes interstate and intrastate commutation fares in the New York-New Jersey area on exactly the same basis as was approved in the prior report for the Jersey Central. In other words, its unrestricted and restricted monthly commutation fares, instead of being 10 percent lower than those of the Jersey Central as approved in the 1947 proceedings, would be exactly the same mile-for-mile as those of the Jersey Central, the customary relation of the 27-trip monthly fares on the northern division and of the weekly and scholars' fares to the unrestricted monthly fares being continued as before. The Erie estimates that the proposed fares will result in an increase of about 32 percent, or about $525,000 on interstate travel and $15,000 on intrastate travel.

Respondent's suburban and commutation service is at present operated by steam locomotives, with non-air-conditioned open-vestibule all-steel coaches, equipped with safety bars which are lowered across the car platform on the side away from the station platform, and with one open-type toilet and no wash-basin facilities.

As to the power situation, respondent has on order 12 Diesel electric locomotives. Five of these locomotives are 2,000 horsepower and will entirely displace the use of steam power from and to points in the suburban area beyond Suffern, N. Y. Seven Diesels are 1,500-horsepower and will displace steam power on 49 trains on the main line and Bergen County division east of Suffern. Deliveries were to begin in September 1949, and were to be completed before the end of the year. For the present the balance of the main line as well as trains on respondent's Newark branch, Greenwood Lake division, and Northern division will continue to be operated by steam power, although the possibility of the extension of dieselization to certain of these trains is now the subject of study. In order to keep the Diesels operating at top efficiency, plans have been drawn for the construction of maintenance facilities at Jersey City. The cost of these 12 Diesels and the maintenance facilities will be $3,000,000.

As to the coaches, 144 are programmed for modernization. This is more than can be scheduled through the shop in a year's program although they are being placed in service immediately after they are turned out. At the present time 45 coaches have been modernized and placed in service.

Improvements include repainting and renewal of seat covers in lighter and cooler colors in 100 suburban cars. Respondent has studied the problem of cooling cars in summer and has decided upon installation of new type air-circulating fans and exhaust fans. Installation consists of circulating fans at either end of the car and in the center of the car with two high-speed exhaust fans mounted in the roof of the car. These exhaust fans are capable of completely changing the air in the car in approximately 4 minutes. Tests have shown that this installation is effective in reducing the temperature and improving the atmosphere inside the cars during the hot weather. The cost of these improvements is estimated at $113,500.

In addition, 34 coaches used in suburban service are programmed for interior repainting in lighter and cooler colors, the application of more modern seats, installation of baggage racks, double flush-type toilets, and the application of diaphragms. These coaches are likewise designed for use in the suburban area to and from points beyond Suffern, N. Y. The cost of improvements in these 34 coaches is estimated at $194,000. They will enable respondent to confine the use of its coaches with open-type toilets to runs where the entire journey does not exceed an hour and a quarter, the average being considerably less. For such short runs respondent provides no drinking water, the furnishing of water, ice, and paper cups being likewise confined to trains operating to and from points beyond Suffern. There are only about 250 commuters who travel such long distances, making it necessary to stop the train at stations east of Suffern in order to fill out a reasonable trainload.

Coach windows are all equipped with a device to permit of their being opened. It is necessary that they fit tight to keep out dirt as well as rain and cold air. In instances where they may stick due to temperature changes, a member of the train crew is available to assist in opening them if so desired. Respondent's instructions provide that toilet doors are to be kept unlocked except when trains are standing in stations, and this is being checked to see that the instructions are followed. An additional 10 coaches already equipped with flush toilets, baggage racks, and vestibules are programmed for the installation of the air-circulating and exhaust fans. These cars will also receive the same interior color treatment as the ones previously described. The cost is estimated at $20,000.

A car-washing machine is now being installed in the Jersey City yards for the exterior cleaning of cars at a cost of $53,000. The total cost of the improvements described above is approximately $3,400,000.

A large proportion of respondent's commuters are white-collared, salaried, and professional workers. Due to the proximity of its suburban lines to the tunnels and highways to New York City, respondent has encountered considerable competition from busses and the use of private automobiles. Although there has been a decline in the number of commuters handled since 1920, such decline has not resulted in respondent's ability to operate many fewer trains except on the branch lines, so that the facilities required for peak movement are substantially the same as in earlier years with the exception of fewer cars on certain trains. The 1947 commutation-fare increase resulted in no diversion in travel as shown by the fact that respondent's commutation passengers and commutation passenger-miles were greater in number during the latest 12-month period than they were during the corresponding period preceding the 1947 increase. No substantial diversion is anticipated by respondent under the fares now proposed.

As shown by appendix II, there has been a substantial improvement in respondent's freight and total operations, but this is not true of its passenger-train operations, the deficit in net railway operating income for such operations having increased from $8.6 millions in 1946, to $9.3 millions in 1947, and to $9.8 millions in 1948. In respondent's New York-New Jersey suburban area, commutation travel consists of 59.4 percent of the rides, 68.2 percent of the passenger-miles, and yields 50.3 percent of the revenue. The New Jersey intrastate commutation service constitutes 1.8 percent of the rides, 1.8 percent of the passenger-miles, and 1.4 percent of the revenue.

Respondent presented a cost study as a result of which it arrives at the following operating results for the suburban passenger service for the year 1949 and for the commutation service for the same year separated as between New Jersey intrastate and other (principally interstate) operations.

Summary of cost study

[Figures in thousands]

Item	Suburban	Commutation		
		New Jersey intrastate	Other	Total
Revenues:				
Fares	$3,442.7	$48.9	$1,683.3	$1,732.2
Other	245.5	3.8	157.5	159.3
Total	3,688.2	52.7	1,840.8	1,893.5
Out-of-pocket costs:				
Operating expenses:				
Maintenance of way and structures	680.0	12.2	446.7	458.9
Maintenance of equipment	1,241.6	22.3	824.5	846.8
Transportation	3,879.5	65.9	2,459.7	2,525.6
Total	5,189.1	100.4	3,730.9	3,831.3
Taxes	141.3	2.5	92.6	95.1
Rents	1.4		0.9	0.9
Return on value	831.4	14.8	548.4	563.2
Total out-of-pocket costs	6,775.2	117.7	4,372.8	4,490.5
Deficit	3,087.0	65.0	2,532.0	2,597.0

The method used by this respondent in computing the suburban out-of-pocket costs was based primarily on a determination of the facilities and services which would not be required, wholly or in part, if it were not necessary to render suburban passenger service. In view of the fact that the suburban service is quite separate and distinct from the other services performed, costs associated with suburban equipment, crews, fuel, and other transportation expenses, were readily segregated and present no problem of jointness of operation with other services. Expenses such as maintenance of way and structures are considerably more joint in character and were apportioned to the suburban passenger service on a use basis. Computations of the out-of-pocket costs of tracks and facilities which were wholly assigned to suburban service were made, giving consideration to the requirements of the remaining through passenger and freight services.

The amount assigned in respondent's study for return on value is somewhat overstated because it is based on the original cost to date, including original cost of land to December 31, 1947, of the facilities and equipment wholly assigned to the suburban passenger services, and on a rate of 6 percent, although the more appropriate basis and rate would have been those referred to above in connection with the Lackawanna.

No allowance was included in the study for superintendence, general, traffic, or ferry expenses. Respondent estimates the total ferry deficit to be in excess of $800,000 per annum, of which 60 percent or $480,000 is chargeable to the commutation service.

The out-of-pocket costs as thus determined for the suburban passenger service were apportioned between the commutation service and travel under the standard and multiple fares on a passenger-mile basis, except for certain station and other incidental expenses. This apportionment, of course, gives no consideration to the peak requirements of the commutation service, on the one hand, or the relatively low volume of the noncommutation travel, on the other.

LEHIGH VALLEY CASE, I. AND S. DOCKET NO. 5652

By schedules filed to become effective April 29, 1949, the Lehigh Valley proposes to increase its interstate commutation fares between New York City and points on its line in the State of New Jersey. Upon protest of certain of its commuters, the operation of the proposed schedules was suspended until November 28, 1949, and their effective date has subsequently been indefinitely postponed by respondent, pending the outcome of this proceeding. Hearing was held pursuant to notice at Newark, N. J., on June 27 and November 2, 1949, jointly with a similar proceeding before the New Jersey board, in which the

Lehigh Valley proposes like increases in its intrastate commutation fares within that State.

This respondent has direct rail service in connection with the Hudson & Manhattan Railroad Company to Hudson Terminal, New York City, with a supplemental fare to Pennsylvania Station in which no change is proposed. It serves only about 250 commuters, 200 in interstate and 50 in intrastate commerce living at five communities on its line in New Jersey, the most distant point being Flemington, N. J., located 53 miles from New York City. Its present fares are on the scale B–C level approved in the 1947 proceeding, and its proposed fares are on the basis approved in the prior report for the Jersey Central.

Based on the first 4 months of 1949, its annual commutation fare revenue was $47,141 interstate and $10,125 intrastate, or a total of $57,266, and the proposed increase totals $10,756 interstate and $2,753 intrastate, or about 27 percent. No trains primarily for the suburban or commuter service are operated on the main line of this respondent, and it carries its commuters in its regular through air-conditioned trains. It estimates that six coaches, three in each direction, between New York City and Lehighton, Pa., 119 miles, are required because of the commutation service. Apportioning its system operating expenses, rents and taxes, on a car-mile basis results in a pro rata expense for the main-line commutation service of $51,885, with no allowance for taxes or return on investment. The terminal charges of the Pennsylvania for the six coaches are $15,819 per annum. The total of these two figures results in an estimated cost of $67,704 or $10,438 more than the revenue received from the service.

This respondent's passenger traffic manager testified that the proposed fares would not result in a loss by diversion to an extent that it would deprive respondent of a substantial increase in revenue.

NEW JERSEY & NEW YORK RAILROAD CASE, I. AND S. DOCKET NO. 5679

By schedules filed to become effective July 22, 1949, The New Jersey and New York Railroad Company (Peter Duryee, trustee) proposes to increase its interstate commutation fares between points in the States of New York and New Jersey. Upon protest of association of commuters served by it, operation of the proposed schedules was suspended until February 21, 1950, and their effective date has subsequently been postponed until March 8, 1950. Hearing was held pursuant to notice at Newark, N. J., on November 2 and 28, 1949, jointly with a similar proceeding before the New Jersey board in which respondent proposes like increases in its intrastate commutation fares within that State.

Respondent serves in interstate commerce New York and New Jersey residents along its line who commute to and from New York City, its trains being operated by steam, its access to New York City being by ferry to and from the Erie terminal at Jersey City. Respondent's line is located entirely within the New York-New Jersey area, its passenger service being confined to commuter and other suburban service from and to points in New Jersey and points in New York between Pearl River (27) and Spring Valley (32), the figures in parentheses being the distance in miles from New York City, allowing 1 mile for the ferry service. Its passenger service consists of five trains east-bound and six west-bound on weekdays, two trains in each direction on Saturday and none on Sunday. Its situation is like that of The New York, New Haven and Hartford Railroad Company in that about one-half of its revenues are derived from its passenger service and like that of the Jersey Central in that a substantial portion of its passenger service is devoted to commutation and other suburban travel.

This respondent was not a party to the 1947 proceedings and it now maintains, 54-, 46-, and 27-trip monthly and 12-trip weekly commutation fares at a considerably lower level than the fares of the other respondents. Its 54-trip fares range from $9 for 10 miles to $15.85 for 32 miles, and it proposes to raise them to the unrestricted monthly basis of the Jersey Central, namely $12.10 and $22.55, respectively. The increases proposed range from 31 to 42 percent, estimate based on the month of April 1949 to yield about $92,000 per annum on interstate traffic and $600 per annum on intrastate traffic, the latter being practically negligible. Respondent anticipates no substantial diversion of travel from the increased fares but frankly says that this is almost a matter of one man's guess against another's. Protestants contend that there would be substantial diversion to competing bus lines.

During the first 8 months of 1949, respondent's deficit in its net railway operating income was $219,932 or 57 percent larger than during the corresponding months of 1948.

The following table shows the results of respondent's passenger and commutation service for the year 1948, operating expenses, rents, and taxes being apportioned to commutation and between New Jersey intrastate and other on a passenger-mile basis. As between commutation and noncommutation travel, this apportionment, like that of the Erie, gives no consideration to the peak requirement of the commutation service, on the one hand, or the relatively light volume of the noncommutation travel, on the other. No allowance for return on value was included in respondent's study.

Passenger operations (1948)

Item	All Passenger	Commutation		
		New Jersey intrastate	Other	Total
Revenues:				
Fares	$390,989	$1,829	$310,463	$312,292
Other	5,349	51	4,489	4,540
Total	396,338	1,880	314,952	316,832
Expenses:				
Operating expenses:				
Maintenance of way and structure	56,667	227	50,442	50,669
Maintenance of equipment	79,925	308	68,463	68,771
Transportation	340,746	1,363	303,264	304,627
Total	502,342	2,010	447,083	449,093
Taxes	25,477	102	22,674	22,776
Rents	30,251	122	26,923	28,045
Total expenses	575,246	2,303	511,966	514,269
Deficit	178,908	423	197,014	197,437

PENNSYLVANIA RAILROAD CASES, I. AND S. DOCKETS NOS. 5637 AND 5655

By schedules filed to become effective March 27, 1949, this respondent proposes to increase its commutation fares between New York City and points on its line common with the Jersey Central, including Elizabeth and Perth Amboy, N. J., and points on the New York & Long Branch, to the level of the fares approved for the Jersey Central in the prior report, the Elizabeth proposed fares being proposed as a minimum from and to Linden and Rahway, N. J., to clear the fourth section of the Interstate Commerce Act. Upon protest of the municipalities and commuters, the proposed fares to and from Elizabeth, Perth Amboy, and related points were suspended under I. and S. Docket No. 5637 and by order dated March 29, 1949, were permitted to go into effect but the investigation of their lawfulness was continued. Hearing was held at Newark on March 31, 1949, jointly with a similar proceeding before the New Jersey board at which the Jersey Central intervened in support of the proposed fares and the principal result insofar as the interstate schedules were concerned was that respondent undertook to make refund in the event that lower fares were ultimately approved over its line between the points covered by the original suspension order.

By schedules filed to become effective May 14, 1949, as amended at the hearing, this respondent proposes to increase its commutation fares between New York City and all other points on its line north of and including Trenton, N. J., to the basis approved for the Jersey Central in the prior report for 40 miles and less and for distances over 40 miles at the same rate per mile as is proposed for that distance.

Upon protest, these schedules were suspended until December 14, 1949, in I. and S. Docket No. 5655, and their effective date has subsequently been voluntarily postponed by respondent until March 15, 1950. Hearing in both proceedings was held at Newark jointly with similar proceedings before the New Jersey board on November 28 and December 20, 1949, a prehearing conference before the adjourned hearing being held at Washington on December 6, 1949, and briefs filed on January 16, 1950.

This respondent serves in interstate commerce New Jersey residents along its line north of and including Trenton, N. J., 57 miles, who commute to and from New York City, these commuters having direct access to the latter over electrically operated trains in connection with the Hudson & Manhattan Railroad. For this service its present commutation fares are generally on the scale B–C basis, or 10 percent lower than the Jersey Central basis prescribed in the 1947 proceeding, with a buffer scale from and to points on the Trenton line more than 30 miles from New York City. These commuters also have access to its Pennsylvania Station at an excess fare of $6 per month where the one-way trip is 32 miles and less, the excess fare grading down from $4.60 at Adams, N. J., 46 miles, to nothing at Trenton, 57 miles. No change in such excess fares is proposed in this proceeding.

Respondent estimates that the proposed fares including those which have already gone into effect in this area, reflect an average increase of 22.1 percent or about $822,500 annually, based on 1950 travel which is estimated to be 4 or 5 percent below 1949 regardless of an increase in fares, or $627,800 annually, assuming a further maximum diversion due to the increased fares of 4.3 percent. Respondent stresses the fact that the general increase in this respondent's commutation fares in 1947 as well as the increase in its commutation fares from and to points common with the Jersey Central in March 1949 did not result in any diverson of travel and the fact that the estimates presented by it in the various passenger proceedings since World War II have proved to be substantially correct.

The straight-time hourly wage rate of respondent's employees rose from 77.5 cents in 1940 to 159.1 cents in September 1949, an increase of 105 percent, the increase since 1946 being 38 percent. The index, using 1939, as a base, of the cost of materials and supplies purchased by respondent as of November 1, 1949, was 192.9, the increase since 1946 being 40 percent. The latest available figures for 1949 show an increase over 1940 in the consumer price index of 69.3 percent, in the wholesale price index of 95.9 percent, and in disposable personal income of 129.3 percent. The rise in respondent's freight rates has been about 60 percent since 1939, in its basic passenger fares about 57 percent since 1940, and in its commutation fares about 25 percent since 1920 or 1940. However, its commutation fares were not reduced in 1936 as were its basic fares.

As shown by appendix II there was a substantial improvement in respondent's freight and total operations 1948 over 1947, but this was not true of its passenger-train operations, the deficit in net railway operating income for such operations being an increase from 39.5 million in 1947 to 44.7 million in 1948. This improvement in respondent's freight operations did not continue into 1949, its rate of return on its depreciated investment for the first 10 months of that year being only 1.25 percent as compared with 1.45 percent in 1947 and 3 percent in 1948.

Respondent presented a cost study as the result of which it arrived at the following operating results for its commutation service in the territory north of and including Trenton, N. J., for the month of May 1949. No allowance was included in the study for return on investment or the effect of the 40-hour week.

Summary of cost study (May 1949)

	Intrastate	Interstate	Total
Revenues	\$119, 774	\$314, 012	\$433, 786
Expenses—			
Operating:			
Maintenance of way	\$37, 657	\$88, 222	\$125, 879
Maintenance of equipment	\$63, 630	\$134, 409	\$198, 039
Transportation	\$111, 824	\$276, 878	\$388, 702
Traffic	\$7, 401	\$76, 945	\$24, 346
Miscellaneous	\$1, 833	\$8, 646	\$10, 479
General	\$5, 703	\$13, 059	\$18, 762
Taxes	\$12, 205	\$28, 759	\$40, 964
Rents	\$5, 221	\$4, 905	\$10, 126
Total expenses	\$245, 474	\$571, 823	\$817, 297
Deficit	\$125, 700	\$257, 811	\$383, 511
Operating ratio	190. 4	171. 4	176. 6

Respondent's commutation service furnishes 37 percent of its passengers and 10 percent of its passenger-miles but yields only 5.7 percent of its passenger revenue. Twelve of respondent's principal commuter carrying trains in this area in May 1949 produced 329,749 seat-miles and 160,923 passenger-miles, an occupancy of 48.8 percent, obviously because commuter trains are loaded to capacity at the New York end of the run and are practically empty at the other end of the run.

Respondent's commutation fares, like the charges for any other service, should, if possible, be sufficient to cover the direct or out-of-pocket cost of the service plus a reasonable contribution to the indirect or constant cost, including return on value, such reasonable proportion being determined by the nature and value of the service, history and comparisons of fares, matters of public interest, and other noncost considerations. Respondent's cost study in effect consists of a pro rata apportionment to its commutation service, based on passenger-miles and other service units, of its total passenger expenses both direct and indirect in the area covered by the study. No estimate is given in this study of its noncommutation revenue and expenses. It is impossible to determine from this record the direct or out-of-pocket costs of its commutation service or whether such cost is greater or less than those of the other respondents. However, the deficit from its total passenger service, as well as from its commutation service in this area as shown by its study on a pro rata basis, is so large that it is obvious that respondent is in need of a substantial increase in revenue from the latter service.

GENERAL DISCUSSION AND CONCLUSIONS

In I. and S. Docket No. 5585, as shown by the prior report and the discussion set forth above, there was no procedural error. The statements of fact and conclusions thereon set forth in the prior report are not shown to be erroneous or to give inadequate consideration to the evidence of record or to be inconsistent with our findings in prior proceedings.

In the other proceedings, respondents show that their expenses for wages and materials and supplies and losses from their passenger service are substantialy greater than they were in 1947. They have also presented more or less detailed studies of the cost of their commutation service in this area. These studies, while not free from defects, disclose a loss from this service far exceeding the estimated increased revenue from the proposed fares.

In the 1947 proceeding we said:

> Giving due consideration to the many difficulties that inhere in an attempt to achieve a rational commutation structure, we think that the fares here approved constitute a considerable improvement over those at present in effect, both from the standpoint of the carriers and the commuters whom they serve. The eventual complete uniformity of commutation fares in the New York area may be a consummation to be desired. This may be attainable after some experience with the fares approved herein as tested by changing times and conditions.

The approved fares of the Jersey Central, coupled with the proposed fares of the other five respondents, will constitute a further step toward uniformity of commutation fares in the New York area. It is true that they will not accomplish complete uniformity, among other reasons because they are somewhat higher for distances under 40 miles than the fares approved in the 1947 proceeding for the New Haven and the New York, Susquehanna & Western Railroad Company, which are still in effect and are not before us in these proceedings. But the proposed fares, being amply justified from a cost standpoint, cannot be condemned solely because they are somewhat higher than the fares of the two railroads named.

Nor can the proposed fares be condemned on the theory that they will not yield as much revenue as would a uniform basis for all railroads in this area. The respective records show that the Jersey Central level if applied as proposed for all six respondents will yield substantially more revenue for each of them than that yielded by their 1947 fares, and, as we said of the 1947 adjustment, "will constitute a considerable improvement over those presently in effect, both from the standpoint of the carriers and the commuters whom they serve."

Under our rules and on the merits, the petition for reconsideration in I. and S. Docket No. 5585 will be denied.

In the other proceedings we find that the proposed fares—

1. Will yield a substantial increase in revenue of which respondents are in need and to which they are justly entitled.

2. Will be as low as respondents can be required to maintain from a cost standpoint and at the same time will be reasonably related to one another and fair to the commuting public.

3. Are necessary in order that respondents may be enabled under honest and efficient management, to provide adequate and efficient service, at the lowest cost consistent with the furnishing of such service, and

4. Will be just and reasonable for the future.

These proceedings will be discontinued by appropriate order.

COMMISSIONER CROSS, being necessarily absent, did not participate in the disposition of this proceeding.

APPENDIX I

Commutation fares (present, proposed, and approved)

Distance	Unrestricted monthly fares			Distance	Unrestricted monthly fares		
	I	II	III		I	II	III
Miles				*Miles*			
1	$6.80	$6.80	$6.80	46	23.95	25.40	26.60
2	7.15	6.80	7.40	47	24.25	25.80	26.75
3	7.55	6.80	8.00	48	24.60	26.10	26.90
4	8.00	6.80	8.60	49	24.90	26.40	27.05
5	8.40	7.05	9.20	50	25.20	26.80	27.15
6	8.85	8.50	9.80	51	25.45	27.00	27.25
7	9.25	9.85	10.40	52	25.65	27.20	27.35
8	9.70	11.25	11.00	53	25.85	27.40	27.45
9	10.10	12.15	11.55	54	26.05	27.70	27.55
10	10.50	12.75	12.10	55	26.25	27.90	27.65
11	10.95	13.40	12.65	56	26.50	28.10	27.75
12	11.35	14.00	13.20	57	26.70	28.30	27.85
13	11.80	14.55	13.75	58	26.90	28.55	27.95
14	12.20	14.90	14.30	59	27.10	28.80	28.05
15	12.60	15.25	14.85	60	27.30	29.00	28.15
16	13.05	15.70	15.40	61	27.55	29.20	28.25
17	13.45	16.05	15.95	62	27.75	29.40	28.30
18	13.90	16.45	16.50	63	27.95	29.70	28.35
19	14.30	16.75	17.05	64	28.15	29.90	28.40
20	14.70	17.10	17.60	65	28.35	30.10	28.45
21	15.15	17.45	18.15	66	28.60	30.30	28.50
22	15.55	17.75	18.55	67	28.80	30.55	28.55
23	16.00	18.10	19.00	68	29.00	30.80	28.60
24	16.40	18.40	19.40	69	29.20	31.00	28.65
25	16.80	18.65	19.80	70	29.40	31.20	28.70
26	17.25	19.00	20.25	71	29.50	31.30	28.75
27	17.65	19.25	20.65	72	29.65	31.40	28.80
28	18.10	19.55	21.10	73	29.75	31.55	28.85
29	18.50	19.80	21.50	74	29.85	31.70	28.90
30	18.90	20.05	21.90	75	29.95	31.80	28.95
31	19.25	20.45	22.25	76	30.05	--------	29.00
32	19.55	20.75	22.55	77	30.15	--------	29.05
33	19.85	21.05	22.85	78	30.25	--------	29.10
34	20.20	21.45	23.20	79	30.35	--------	29.10
35	20.50	21.75	23.50	80	30.45	--------	29.15
36	20.80	22.05	23.80	81	30.55	--------	29.15
37	21.10	22.40	24.10	82	30.70	--------	29.20
38	21.45	22.75	24.45	83	30.80	--------	29.20
39	21.75	23.10	24.75	84	31.90	--------	29.25
40	22.05	23.40	25.05	85	31.00	--------	29.25
41	22.40	23.75	25.40	86	31.10	--------	29.30
42	22.70	24.10	25.70	87	31.20	--------	29.30
43	23.00	24.40	26.00	88	31.30	--------	29.35
44	23.35	24.80	26.30	89	31.40	--------	29.35
45	23.65	25.10	26.45	90	31.50	--------	29.40

Column I fares are the prior unrestricted monthly fares of the Jersey Central and the present unrestricted monthly fares of the electric lines of the Lackawanna. The unrestricted monthly fares of the Erie, Lehigh Valley, Pennsylvania, and steam lines of the Lackawanna, and the 54-trip fares of the Northern division of the Erie are 10 percent lower, except for the so-called buffer scale on the Trenton-New York line of the Pennsylvania.

Column II fares are the unrestricted monthly fares proposed as an alternative by the Lackawanna for its electric lines, its alternative scale for its steam lines being 10 percent lower.

Column III fares are the present unrestricted monthly fares of the Jersey Central as approved in the prior report. They are also the unrestricted or 54-trip monthly fares of the other respondents, as proposed and approved herein, except on the steam lines of the Lackawanna where the proposed and approved fares are 10 percent lower, provided that the fares of the Pennsylvania for distances of over 40 miles shall be at the same rate per mile as the fares for that distance except for its fares in connection with the New York & Long Branch which are not in issue herein.

The corresponding restricted or 46-trip monthly fares, present with certain exceptions, and proposed and approved without exception, are 10 percent lower than the unrestricted or 54-trip monthly fares.

Twenty-seven-trip and weekly fares, where in effect, shall be 50 and 25 percent, respectively, of the unrestricted or 54-trip monthly fares.

APPENDIX II

Operating results, 1947–48

[Dollar figures in millions]

Item	Jersey Central [1] 1947	Jersey Central [1] 1948	Erie 1947	Erie 1948	Lehigh Valley 1947	Lehigh Valley 1948	Lackawanna 1947	Lackawanna 1948	Pennsylvania 1947	Pennsylvania 1948	N. J. & N. Y. [2] 1948
Passenger train operations											
Operating revenues:											
Commutation fares	$3.1	$3.6	$2.1	$2.5	$0.1	$0.1	$4.0	$4.6	$8.1	$9.2	$0.3
Other than commutation	$2.8	$2.9	$5.2	$5.8	$4.4	$4.2	$6.2	$6.2	$151.2	$151.1	$0.1
Other	$1.4	$1.4	$4.9	$5.9	$2.0	$1.5	$3.5	$4.0	$49.7	$56.0	----------
Total	$7.3	$7.9	$12.2	$14.2	$6.5	$5.8	$13.7	$14.8	$209.0	$216.3	$0.4
Operating expenses	$13.2	$15.2	$19.5	$22.1	$9.1	$8.6	$15.3	$16.6	$229.8	$244.6	$0.5
Operating ratio ... percent	179.35	191.71	159.74	155.90	139.61	148.75	111.41	112.59	109.91	113.10	126.75
Rents and taxes	$1.9	$2.0	$2.0	$1.9	$1.5	$1.2	$1.8	$1.8	$18.8	$16.4	$0.1
Net railway operating income (deficit)	$7.7	$9.3	$9.3	$9.8	$4.1	$4.0	$3.4	$3.7	$39.5	$44.7	$0.2
Freight operations											
Operating revenues	$30.2	$34.8	$139.9	$160.9	$66.1	$74.3	$67.5	$76.6	$692.8	$782.5	$0.4
Operating expenses	$21.0	$23.0	$100.4	$107.9	$51.3	$55.2	$48.5	$52.2	$559.1	$587.3	$0.3
Operating ratio ... percent	69.51	66.20	71.79	67.09	77.54	74.35	71.98	68.12	80.70	75.05	81.53
Rents and taxes	$6.4	$6.4	$18.7	$22.9	$6.5	$5.8	$7.2	$9.4	$62.1	$81.3	$0.1
Net railway operating income	$2.8	$5.4	$20.8	$30.6	$8.4	$13.2	$11.7	$15.1	$71.6	$113.9	(3) (4)
Total operations											
Operating revenues	$37.5	$42.7	$152.1	$175.1	$72.7	$80.1	$81.2	$91.4	$903.3	$1,000.0	$0.8
Operating expenses	$34.2	$38.2	$119.9	$130.0	$60.4	$63.8	$63.8	$68.8	$789.9	$832.8	$0.8
Operating ratio ... percent	90.95	89.44	78.86	74.28	83.13	79.73	78.65	75.30	87.45	83.29	105.09
Rents and taxes	$8.3	$8.4	$20.7	$24.8	$8.0	$7.0	$9.0	$11.2	$81.1	$97.9	$0.2
Net railway operating income	(3) $4.9	(3) $3.9	$11.5	$20.2	$4.3	$9.2	$8.3	$11.4	$32.3	$69.3	(3) $0.2
Rate of return [5] ... percent	----------	----------	3.23	5.62	2.12	4.37	3.20	4.28	1.45	3.00	----------
Net income	(3) $3.1	(3) $8.5	(3) $4.9	$14.3	(3) $1.5	$3.3	$3.3	$6.3	$7.3	$34.4	(3) $0.2

[1] Central R. Co. of New Jersey (Walter P. Gardner, trustee).
[2] Passenger-freight separation for 1947 not available.
[3] Deficit.
[4] $10,136.
[5] On book investment, less accrued depreciation.