

No. 32942¹INCREASED COMMUTATION FARES, CENTRAL
RAILROAD COMPANY OF NEW JERSEY

Decided July 14, 1959

Proposed increased interstate suburban fares of the Jersey Central and the Lackawanna in the New Jersey-New York area, found just and reasonable, except as indicated. Appropriate order entered.

Earle J. Harrington, Judson C. McLester, Jr., Rowland L. Davis, Jr., Richard E. Costello, and Richard B. Wachenfeld for petitioners.

Samuel Carotenuto, F. Michael Caruso, Alfred Cerceo, Donald R. Creighton, William G. Dixon, Augustus S. Dreier, Felix G. Forlenza, David D. Furman, William Gural, Joseph Harrison, Nicholas W. Kaiser, August W. Knauber, John F. Kraus, Milton A. Mausner, James R. Minogue, John A. Murray, William J. O'Hagan, Jr., Howard G. Russell, and John W. Van Brunt for protestants.

REPORT OF THE COMMISSION

BY THE COMMISSION:

These proceedings were heard separately but present related issues, and will be disposed of in one report. In No. 32942, a proposed report was waived by the petitioner The Central Railroad Company of New Jersey, hereinafter called the Jersey Central, and requested by protestants, but due and timely execution of our functions imperatively requires the omission of such a report. In No. 32946, a proposed report was waived by the parties and the proceeding submitted on brief.

In No. 32942, the Jersey Central proposes a uniform increase of 40 percent in its commutation fares² for the rail portion of the haul between points in New Jersey and New York City. In No. 32946, The Delaware, Lackawanna and Western Railroad Company, hereinafter called the Lackawanna, proposes flat increases in its commutation fares between such points of \$3 in the unrestricted monthly fares, \$2.70 or \$2.65 in the restricted monthly fares, and 75 cents in the weekly fares. In addition, it proposes, for distances under 75

¹This report embraces also No. 32946, Increased Passenger Fares, Delaware, Lackawanna and Western Railroad Company.

²Subject to maximum increased fares of 42 and 12 times the basic fares, in connection with the restricted monthly and weekly commutation fares, respectively.

miles between points in New Jersey, New York, and Pennsylvania, to increase its minimum coach fare by 8 cents, its other basic coach fares by 10 cents, its unrestricted 10-trip multiple fares so as to reflect 190 percent of five times the basic coach fares as at present; to substitute a 30-day round-trip excursion coach fare made 190 percent of its basic coach fare, good on any train, for its present 1-day round-trip excursion fare made 150 percent of its basic coach fare, good only on certain trains on its electric line; and to eliminate its 10-trip restricted multiple fare. Petitioners filed similar petitions with the Board of Public Utility Commissioners of the State of New Jersey, hereinafter referred to as the New Jersey Board. The present and proposed restricted monthly fares on interstate traffic for distances up to 40 miles are set forth in the appendix hereto.

These proceedings were handled under special rules of practice, designed to expedite disposition of the proceedings and at the same time give every interested party an opportunity to be heard. Petitioners' verified statements in support of their proposals were filed in advance of the hearings.

In No. 32942, hearings were held at Newark, White House Station, Shrewsbury, and Westfield, N.J. Protests were received in evidence from the State of New Jersey, the Inter-Municipal Group for Better Rail Service, 9 separate municipalities, and 9 individuals; and the protestants presented 43 witnesses in oral testimony, with a stipulation that 33 other individuals present at the hearing would testify to the same effect.

In No. 32946, a hearing was held at Newark. Protests were received in evidence from the State of New Jersey, the Northern Valley Commuters Organization, the Morris County (N.J.) Railroad Transportation Association, and five individuals; and the protestants presented two witnesses in oral testimony.

This is the seventh major report issued by this Commission since World War II dealing with the suburban fares in New Jersey-New York area, the six prior reports being cited in the footnote.³ These suburban operations have been conducted at a considerable deficit. Prior to 1946, the commutation fares in this area were made on inconsistent bases, without recognition of the growing trend toward the 5-day workweek, or of the expensive crossings between New

³ *Increased Passenger Fares, Eastern Railroads*, 269 I.C.C. 87 (1947); *New Jersey-New York Commutation Fares*, 277 I.C.C. 459 (1950); *Commutation Fares in C. F. A. and T. L. Territories*, 284 I.C.C. 129 (1952); *Commutation Fares, New York, New Jersey, Pennsylvania*, 297 I.C.C. 55 (1955); *Increased Commutation Fares, N.Y., N.J., and Pa.*, 302 I.C.C. 125 (1957); *Central E. Co. of N.J. Increased Commutation Fares*, 304 I.C.C. 761 (1958).

York City and the railroad terminals on the west bank of the Hudson River. As a result of the prior proceedings and related State cases before the New Jersey Board, the commutation fares for the rail portion of the haul have been placed on a uniform basis, recognition has been given to the 5-day workweek, and a differential established for the river crossing on interstate travel more nearly commensurate with the cost thereof. This differential, for example, is generally 20 cents per ride, or \$8.40 in connection with the restricted monthly ticket. The differential has resulted in reducing the ferry deficit of the Jersey Central from approximately \$1,400,000 to \$400,000 annually, with a similar reduction in the Lackawanna's ferry deficit. In authorizing increases in these commutation fares, the two Commissions have generally approved the flat increase rather than the percentage method, because this maintains the money relation in the fares for the various distances.

As a result of the above-mentioned proceedings and increased dieselization, as well as other economies, despite increased unit costs for labor and material and the growth of travel to and from New York City by bus and private automobile, the deficits from the rail portion of the suburban service have been reduced. However, they continue to be substantial.

Based on the 8 months from May 1 to December 31, 1958, adjusted to reflect the wage increase of November 1 of that year, the annual deficit of the Jersey Central from the rail portion of its commuter service is shown as \$1,984,205 on its interstate traffic and \$589,917 on its New Jersey intrastate traffic, or a total of \$2,574,122. The proposed increase in its commutation fares is designed to yield an annual increase of \$1,238,401 on interstate traffic and \$367,145 on New Jersey intrastate traffic, or a total of \$1,605,456. Jersey Central hopes that it will be accorded relief from taxes on its passenger facilities in the State of New Jersey in the amount of \$792,796, and from a proposed timetable revision in the amount of \$175,870, or a total of \$968,666, to cover the remaining portion of its deficit from this service.

The Lackawanna shows that the deficit from the rail portion of its suburban operations in 1958 was \$1,663,157 on interstate traffic and \$594,549 on intrastate traffic, or a total of \$2,257,706. The proposed increases in its commutation fares are designed to yield \$317,000 on interstate traffic and \$79,000 on New Jersey intrastate traffic, and the proposed increases in its other suburban fares are designed to yield \$220,000 on interstate and \$90,000 on New Jersey intrastate traffic. The total increase anticipated is thus \$537,000 on interstate

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traffic and \$169,000 on New Jersey intrastate traffic, or a grand total of \$706,000. The Lackawanna hopes to recoup the remaining portion of its suburban deficit referred to through the cooperative efforts mentioned below.

The impact of the suburban deficits on these two petitioners is particularly severe because the suburban operations constitute such a substantial portion of their total operations. Their taxes and other expenses connected with their terminal facilities have been relatively high, and their freight traffic has declined, all of which resulted in a deficit in net income in 1958 for the Jersey Central of \$1,905,000 and for the Lackawanna of \$3,934,319. It is true that there has been some improvement in petitioners' freight traffic in recent weeks, but the fact remains that such traffic can no longer be expected to make up any substantial portion of their suburban deficits.

Since 1946, many modern highways have been constructed in this area, with State and Federal funds, as well as tunnels, bridges, and bus terminal facilities by the New York Port Authority. The average number of persons per weekday traveling into New York City from 1946 to 1957, in thousands, declined from 208.7 to 115.3 by rail, and increased from 85.0 to 111.4 by bus, and from 82.3 to 152.8 by private automobile. One of protestants' principal contentions is that this trend will be accelerated by the increases in rail fares here proposed.

Protestants in No. 32942 urge particularly that the 40-percent increase proposed by the Jersey Central would result in commutation fares which constitute such a large proportion of the average family income and budget, frequently exceeding the monthly payment on their home mortgages, that the family would be forced to move or the wage earner forced to seek employment nearer home. The increase in commutation fares proposed by the Lackawanna is much more modest, averaging about 15 percent for the rail portion of the haul. Here, protestants' opposition is confined almost entirely to the proposed increases in the other suburban fares, which are frequently utilized by workers who have occasional absences from their offices for business or pleasure. However, it is the weekly commutation fare which was primarily designed for this purpose, and the increases proposed in the noncommutation fares do not appear to be excessive for the occasional rider.

Petitioners' suburban service continues to be an essential service, and while considerable progress has been made since World War II in reducing the deficits therefrom, the time has come when such deficits must be further substantially reduced or eliminated entirely,

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in order that adequate service may be maintained and an undue burden on freight operations avoided; and this is of vital importance to the petitioners, the commuters, the communities in which they live and work, the freight shippers, the States of New Jersey and New York, and the public generally.

The parties are agreed that this need cannot be completely met by increases in fares. The New Jersey Board has contributed to this objective by authorizing adjustments in the suburban service. The parties are agreed that other measures must be resorted to, such as tax relief and perhaps some form of subsidy. The State of New Jersey is cooperating in the solution of this problem through its Division of Railroad Transportation under its Governor, and through its legislative body, and the petitioners and municipalities which they serve have likewise expressed a willingness to cooperate. It appears to us that it is only by the prompt achievement of this objective through such cooperative efforts, coupled with the increases in fares herein authorized, that the slogan "Save the Suburban Service" may be realized.

In the meantime, an increase in these fares to the extent that they can reasonably be borne by those who pay them must be promptly authorized. On this record, we believe those proposed by the Lackawanna meet this test, both as to level and method, the flat increases proposed being consistent with those authorized in the prior proceedings of this Commission and the New Jersey Board. That board has not yet completed its hearings on the Jersey Central petition, but under the negotiation provision of the New Jersey statutes, it has authorized that petitioner to increase its fares on an interim basis by 20 percent, subject to a refund provision. The Jersey Central asks that we grant similar relief on interstate traffic. As however, there is no negotiation provision in the Interstate Commerce Act, and, as above stated, the object of the procedure followed in No. 32942 was to expedite a final decision, after giving all interested parties an opportunity to be heard; moreover, in view of our findings pertaining to the Jersey Central proposal, we see no need for consideration of the interim action requested.

We are convinced, on the record before us, that the 40-percent increase proposed by the Jersey Central far exceeds what this traffic can reasonably bear, and that the evidence justifies substantially the same flat increases in the Jersey Central's commuter fares as is proposed by the Lackawanna, without recourse to a refund provision.

In No. 32942, we find that the proposed increased fares are unjust and unreasonable, but that the present fares, as increased \$3 in con-

nection with the unrestricted monthly fares, \$2.70 or \$2.65 (as proposed by the Lackawanna) in connection with the restricted monthly fares, and 75 cents in connection with the weekly fares, will not exceed just and reasonable fares. In No. 32946, we find that the proposed increased fares are just and reasonable.

An appropriate order will be entered authorizing petitioners to establish the fares herein approved, on not less than 10 days' notice, and modifying our outstanding orders in Investigation and Suspension Docket No. 6260 and No. 31663, 297 I.C.C. 55, as previously modified, so as to permit the approved fares to be established and maintained.

CHAIRMAN TUGGLE and COMMISSIONER MCPHERSON did not participate.

APPENDIX

Restricted monthly commutation fares: Interstate—present and proposed¹

Distance	Present	Proposed by Jersey Central	Proposed by Lackawanna	Distance	Present	Proposed by Jersey Central	Proposed by Lackawanna
5 miles.....	\$16.50	\$19.75	\$19.20	23 miles.....	\$31.40	\$40.60	\$34.10
6 miles.....	17.70	21.45	20.35	24 miles.....	31.80	41.20	34.50
7 miles.....	18.85	22.65	21.55	25 miles.....	32.20	41.75	34.85
8 miles.....	20.05	24.35	22.70	26 miles.....	32.55	42.25	35.20
9 miles.....	21.10	26.20	23.80	27 miles.....	32.95	42.80	35.60
10 miles.....	22.20	27.30	24.85	28 miles.....	33.30	43.30	36.00
11 miles.....	23.20	27.30	25.85	29 miles.....	33.70	43.85	36.40
12 miles.....	24.15	28.55	26.85	30 miles.....	34.05	44.35	36.75
13 miles.....	25.15	30.20	27.85	31 miles.....	34.45	44.90	37.10
14 miles.....	26.15	31.05	28.80	32 miles.....	34.75	45.30	37.40
15 miles.....	27.15	32.75	29.80	33 miles.....	35.00	45.65	37.70
16 miles.....	28.10	36.00	30.75	34 miles.....	35.30	46.10	37.95
17 miles.....	28.60	36.10	31.25	35 miles.....	35.60	46.50	38.25
18 miles.....	29.10	37.40	31.75	36 miles.....	35.85	46.85	38.55
19 miles.....	29.55	38.05	32.25	37 miles.....	36.15	47.25	38.80
20 miles.....	30.05	38.75	32.75	38 miles.....	36.40	47.60	39.10
21 miles.....	30.55	39.40	33.25	39 miles.....	36.75	48.10	39.40
22 miles.....	31.05	40.15	33.75	40 miles.....	37.00	48.45	39.65

¹ Present and proposed fares include \$8.40 for the river crossing.