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# Hearing on Review of the Peninsula Commute Service

Joint Committee on Mass Transit

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# California Legislature

Joint Committee on Mass Transit

Hearing on

## REVIEW OF THE PENINSULA COMMUTE SERVICE

August 6, 1982  
San Francisco, California



CHET WRAY  
Chairman

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82-10-74

JOINT COMMITTEE ON MASS TRANSIT  
SAN FRANCISCO HEARING  
AUGUST 6, 1982

CHAIRMAN CHET WRAY: We are scheduled to review today the Peninsula commute service and as you're all aware the Peninsula commute service is the oldest rail passenger service in the state, operating over a span of almost a century. Today, the service operates 46 trips on weekdays, 24 on Saturdays and 18 on Sundays and holidays. It serves approximately 17,000 passengers per day at a cost of approximately \$5.3 million per year to the state along.

In 1980, in order to prevent discontinuance of the service, the state signed a ten-year "purchase of service" contract with the Southern Pacific Company to provide public financing for the service. Since then the service has operated under the management of Caltrans.

It is important to recognize at the onset that the Legislature through AB 1853 of 1977, authored by Assemblyman Papan, demonstrated its commitment to the continued operation of the only commuter rail service in the state.

The purpose of this hearing is to review the operation of the service during the last 2½ years, but more importantly to examine and assess present and future available options which will improve service efficiency, increase patronage, and, last but not

least, will generate revenues which will contribute toward the self-sufficiency of the service.

To this end, we have directed specific questions to each witness. The aggregate content of these questions is threefold:

1. Inter-agency coordination
2. Service improvements, and
3. Near and long-term economic feasibility of the service

With regard to inter-agency coordination, there are five district entities directly involved with the operation of the service: Caltrans, the Southern Pacific Transportation Company, and the counties of San Mateo, San Francisco and Santa Clara. If we also include the Metropolitan Transportation Company, which is the regional transportation planning agency, the number of participating agencies rises to six. It should be obvious to anyone that under the most harmonious circumstances it would take deft negotiating skills to arrive at mutually agreed positions as to the operation and budget of the service.

As far as the service improvements are concerned, there are three key issues in this area. These are: purchase of new vehicles, extension of the service to downtown San Francisco and station rehabilitation and purchase along the service route. Any of these improvements have been interpreted to mean increased patronage and more efficient operation of the service.

The last point, which is the near and long-term economic feasibility of the service, is closely related to the previous two.

It is our hope that your testimony today will give us some suggestions and some recommendations which will contribute



to efficient and continued operation of the service. And we will start off with some introductions.

On my left, is Tom Vortmann representing Senator Ray Johnson. Next is Natalia Orfanos, consultant to the committee; Art Bauer who is also consultant to the committee, and from San Diego County the Honorable Robert Frazee, who has had a good deal of experience in the area of transportation having sort of pioneered an operation in San Diego County a few years ago. Joining us very shortly will be Assemblyman Lou Papan. Lou represents this district and has also been a leader in promoting transit activities. Four of the individuals who were scheduled to be here today are in the transportation conference in Toronto, Canada. Let's get into the agenda. I think Fred Barton is here. Fred, would you come forward and give us some comments. We've been hearing some very good things about the operation, Mr. Barton.

MR. FRED BARTON: Thank you for the invitation to appear before you today. Your hearing on the Peninsula Commute Service comes at a very appropriate time as we are on the threshold of making major improvements to the service including the replacement of the entire fleet of rolling stock. Before I begin my testimony, I would like to take this opportunity to discuss my background as it relates to my present position as Project Manager for the Peninsula Commute Service. I am Caltrans' Deputy District Director of Rail Operations and as such have served as Project Manager for this service since August 1, 1981. Prior to that time, I worked 30 years for the Milwaukee Railroad in the Operating Department, of which twenty five years were as an operating officer-trainmaster,

assistant superintendent, superintendent and regional manager. My responsibilities at the Milwaukee Railroad included the suburban commute operation between Chicago Union Station and Elgin, Illinois, Fox Lake, Illinois, and Walworth, Wisconsin, operating over 70 trains daily. I also worked for Conrail for 14 months as division superintendent, and two years for the Bechtel Corporation in their Washington, D.C. office as a consultant to the Federal Railroad Administration. My primary responsibility being the operations and maintenance of equipment facilities for the Northeast Corridor between Washington and Boston.

In my testimony this morning, I will address the four general areas you asked me to cover. In addition, I want to discuss Caltrans' plans for modernization of the commute service which will lead to reduced operating costs and increased service levels.

The four general areas are concerned first with the overview of the service; second, the existing contract between Caltrans and Southern Pacific Transportation Company; third, the proposed extension of service, and finally, a status report on the station purchase program.

The San Francisco Peninsula commute service is the only commuter rail service presently operating in the state. This service is provided by the Southern Pacific between San Francisco and San Jose and has existed continuously for well over a century. The service has demonstrated the ability to move large numbers of people to a relatively concentrated area quickly and efficiently. Forty-six weekday trains, twenty-four Saturday trains, and eighteen Sunday trains operate over the line's 46.9 miles. Approximately

18,000 passengers are carried each weekday. A combination of very old (54 years) and moderately old (15 to 28 years) equipment is used, but the reliability and general level of service is high. The trains operate over 95 percent on time.

The Southern Pacific passenger service is characteristic of American commuter railroad systems in that it was designed mainly to provide residents of outlying suburbs with high capacity line haul transportation for trips between their home areas and centralized urban work places during morning and evening peaks. In this case, the schedule has been oriented for San Jose and Peninsula residents to commute to and from San Francisco. The passenger service operates about 18 hours each weekday with two two-hour "windows" provided for freight service during midday.

Although emphasis is still placed on northbound morning commuters and those traveling south in the afternoon, a new schedule instituted October 25, 1981, improves service to reverse commuters by approximately doubling the number of trains traveling in the southbound direction.

For the most part, the main line commuter track on the Southern Pacific's 46.9 mile peninsula line is in good condition. Seventy five percent is class four track allowing trains to reach maximum speeds of 70 mph. Higher speeds are prevented only by close station spacing. Shorter track stretches north of San Bruno and south of Santa Clara are class three (60 mph) while the 1.8 miles of track immediately south of San Francisco terminal is class two or 20 mph.



Direct local bus service is provided at 22 of the 27 stations on the route. In San Francisco, the Muni railway has buses serving each of its four stations.

Ridership on the Southern Pacific system achieved its greatest levels between 1942 and 1955, transporting approximately 8.5 to 9.5 million passengers yearly. Weekday ridership during this period averaged approximately 16,000 in each direction. In 1956, ridership began to decline and reached its low point of 4.3 million passengers in 1977, with 7,000-weekday passengers in each direction. In fiscal year 1979-80, the Peninsula train service experienced a 29.7 percent increase in ridership, spurred by rising gasoline prices and a locally subsidized discount fare program which held fares to their pre-1977 levels. On August 1, 1980, when the discount fare ended, ridership dropped immediately to 455,774 per month after seven straight months above a half a million. Total ridership for fiscal year 1980-81 was down 4.7 percent from the previous year and has dropped slightly, down 3.7 percent from last year's figures through April 1982.

While we have not realized the ridership we had projected prior to implementing our contract with Southern Pacific in July of 1980, the potential revenue deficiency has now been offset by a 25 percent fare increase instituted in May of 1982. Also, the costs have been held down with close monitoring of Southern Pacific's operations.

Under the Caltrans-SP operating agreement, public subsidy is provided to cover SP's operating losses. To date, UMTA Section 5 funds have covered \$2 million of this deficit per year and SP has

contributed \$400,000 a year. The balance is shared by the State and the three West Bay counties--Santa Clara, San Mateo, and San Francisco.

During the first year of operation, fiscal year 1980-81, the total cost of the service was \$19.33 million of which operating revenues covered \$7.81 million, for a 43 percent return out of the farebox. UMTA's share was \$2.0 million, SP's contribution was \$400,000 with the locals and the State each contributing \$4.56 million. Our estimated service costs for fiscal year 1982-83 is \$22.14 million with operating revenue expected to be \$8.10 million. After UMTA and SP contributions, the state and local shares are expected to be \$5.81 million each.

For the current fiscal year (1982-83), we have projected the cost of service at \$24.40 million and operating revenues at \$9.90 million. This is reasonable considering the recent 25 percent fare increase. If these numbers are correct, the state and local share will be \$6.05 million each.

You have asked about the stability of existing financial arrangements for the continued support of this service. Santa Clara County has the ability to fund its share of the operating program. Support for the commute service has been identified in the Santa Clara County Corridor Study by MTC and the Association of Bay Area Governments (ABAG) and in the county's five-year plan. On July 1, 1982, SAMTRANS levied its voter authorized one-half cent sales tax to fund its share of the SP costs as well as part of the deficit for SAMTRANS bus operations. The San Francisco portion of the operating deficit represents a small enough share of the

city's public transportation budget, that San Francisco believes it will be able to continue financing the service as long as projected operating deficits are maintained.

The State's contribution of funding for this program will come from the State's Transportation Planning and Development Account provided through the process legislated by AB 1010 as authored by you, Mr. Chairman.

The federal commitment to the program, while eliminating the operating subsidy of \$2 million beginning in the 1984-85 year, remains steadfast in the capital program as evidenced by their present policy on existing commuter rail services which is to maintain, replace, or rehabilitate.

Let me turn now to the existing contract between Caltrans and Southern Pacific for the operations of this service. Since the contract has been the subject of previous hearings, I will not spend much time discussing it.

The contractual agreement is basically a purchase of service contract that spells out the terms, conditions, and responsibilities of each party as negotiated. Southern Pacific is to provide the passenger service as an independent contractor in a safe and efficient manner. Caltrans agrees to assume financial responsibility for and to compensate SP for the operations as set forth in the agreement. Caltrans with its local partners is responsible for setting the overall policies governing the establishment and modification of the passenger service, maintenance and performance standards, determination of fares, schedules and train consists, determination of type of equipment used in the

passenger service, and provisions for special trains.

The agreement with SP provides for a Project Management Committee (PMC) composed of representatives from Caltrans, SP, and the three counties. A separate co-op agreement was executed by Caltrans with each of the three county transit districts. In addition to the financial role played by each party, the co-op agreement sets the role of the PMC to plan, evaluate, and take action to adopt projects, programs, and changes in operations that could increase ridership, improve service, and lower costs. Caltrans is the project manager for the PMC.

As project manager I am directly responsible for the administration of the basic agreement with Southern Pacific. My staff and I monitor the commute operations in three general areas:

1. Maintenance of tracks, stations, and equipment.
2. Operational costs and revenues.
3. Day-to-day operations of the commute service itself.

To assist us in the cost monitoring process, we have an inter-departmental agreement with the California Public Utilities Commission for the use of financial examiners that work with our cost control people as a team. The use of these financial examiners have been invaluable to our program.

Through our monitoring process, two major issues have emerged. Several deficiencies in SP's cost accounting procedures and methods resulting in erroneous charges have been discovered. As a result of our audits, SP has modified its costs accounting procedures which has resulted in large savings to both the state and local transit properties involved in the service.

ASSEMBLYMAN PAPAN: Excuse me, how long has that been going on?

MR. BARTON: I've been here since August 1st and it was going on then.

ASSEMBLYMAN PAPAN: How much before that?

MR. BARTON: July, 1980.

ASSEMBLYMAN PAPAN: Was it going on at the time they were asking for rate increases before the Public Utilities Commission?

MR. BARTON: Before Caltrans went or SP?

ASSEMBLYMAN PAPAN: Yes.

MR. BARTON: Yes, it was going on then.

ASSEMBLYMAN PAPAN: So what they were doing is submitting false information to the Public Utilities Commission in order to get rate increases. Is that what you're saying?

MR. BARTON: No, I'm not saying that. I'm not saying that at all.

ASSEMBLYMAN PAPAN: There were deficiencies and irregularities in your accounting procedures and they've existed before you came on the scene. We did send the auditors in there once and somewhere they were ripping off the public. You have to be saying that if this was occurring prior to us coming into the picture.

MR. BARTON: Well, we do know there were some deficiencies in the cost, in the reporting of materials used in the maintenance of equipment and fuel.

ASSEMBLYMAN PAPAN: All right. Let me ask you the next question. Has anyone examined if their accounting procedures were causing a rip-off and is there money due and owing the public?

MR. BARTON: A few months ago I received a check for \$6,000 for some unaccounted for revenues that one conductor had not remitted properly and there were some other revenues that due to exercise of seniority, some of these trainmen operate both in passenger and freight, they had not remitted properly or immediately after completing their tour of duty on the passenger service.

ASSEMBLYMAN PAPAN: That's not the stuff that concerns me. It's the accounting procedure when a train is using the same track, it is making money for SP, if it's a freight train, and they may be charging off the maintenance on those tracks to the passenger service. I have difficulty and I've always had difficulty understanding, that as you look at a train going down the same track, one's making money and the other is not. And the idea of dividing that kind of accounting and attributing costs to different services is incredible to me. That's a total operation and the same tracks are being utilized.

MR. BARTON: That's a national problem with railroads, the bookkeeping.

CHAIRMAN WRAY: Maybe we can clarify this just a little. Certainly Assemblyman Papan had a real legitimate, shall we say, grievance that we all share but isn't it a fact that at one time you were using the railroad accounting system which in fact Amtrak and some others are still attempting to work with and now you have



changed to an accounting system that relates to the actual cost.

MR. BARTON: I'm no accountant but I believe the word they are using is avoidable cost accounting, and we're into an attributable costing method right now so it's actual costs.

ASSEMBLYMAN PAPAN: Have they accepted that, sir?

MR. BARTON: Yes, there are mid-year adjustments in the budget. I think in '80 through '82 there was an \$812,000 adjustment in over-charges.

ASSEMBLYMAN PAPAN: How much?

MR. BARTON: \$812,000.

ASSEMBLYMAN PAPAN: Let's never talk about the \$6,000 that the guy failed to turn in when you've got that kind of a figure dealing with the company itself.

MR. BARTON: That was all part of this \$812,000.

CHAIRMAN WRAY: The accounting methods that we have now and which is mutually agreed on by SP and all the districts, in a sense ensure this type of thing does not occur in the first place and is promptly brought to your attention in the second place, if it occurs. Isn't that so?

MR. BARTON: Yes, arrangements are made. Our accountants have access to their records more or less at will and we are in there accounting for fuel charges, material charges, looking at the revenues and so forth, so it's tightened up considerably.

CHAIRMAN WRAY: The reason I was so sensitive to this particular thing, we had one of the better transportation accountants in the country working with Amtrak for about a week and when he came back he was more confused I think than when he went in,

basically because of the system that the railroads have used all of these years. What they use is not the type of accounting that you could really relate to profit losses or determine where those profits and losses came from. I think that's the one thing we were dealing with at the beginning of the commute service and what you're not having to deal with at the present time.

ASSEMBLYMAN PAPAN: Let me ask, Mr. Chairman, if I may, has any thought been given to establishing a charge just for the use of tracks during a normal operation of that line between San Jose and San Francisco? A type of charge which would include cost of maintenance crews and the like; in other words, what it costs a train to come down those tracks irrespective of whether it is passenger or freight?

MR. BARTON: No, the only arrangement that we've made so far is on the track maintenance charges itself and that's based on an ICC formula divided between the use by freight and ...

ASSEMBLYMAN PAPAN: No division. I just want to know what it costs if we were to reduce to a definite figure, a rental for using that track. Somewhere along the line, accounting has a way of creating \$825,000 discrepancies but I also know that accounting can establish what the cost in very simple terms would be for the use of a track by a train from San Jose to San Francisco.

MR. BARTON: That could be established. It has not been done but it could be established.

ASSEMBLYMAN PAPAN: And then it's conceivable to me that at some point we should think in those terms. Everytime we use the track, we pay for the use of the track and get away from all of

this involvement. Maybe the \$825,000 discrepancy or figure that you threw out at me is not really 825, but considerably more. Because we are partners with them now, let's act like partners.

MR. BARTON: Well, we're not partners with the SP. We have purchased a service contract and they're providing a service. Of course with the formula we have now for track usage, we're based on a more or less 50/50 arrangement. Certainly with their reduction in freight service, it's more than fair on our side right now. They're running a lot less freight trains than we are passenger trains.

ASSEMBLYMAN PAPAN: I'm not worried about their freight traffic. Then tell them to give up the line. I mean at some point, and I'll tell you, I have the highest respect for the managers of SP when it comes to accounting and when it comes to writing off losses. There you're dealing with the best. I'd like to know at some point, if you would, sir, what a single run would cost or is costing us and what a single run of freight is costing.

MR. BARTON: That would involve basically the same charges that we're being charged now, I would say, as far as fuel, crew wages, dispatching, track usage and so forth.

ASSEMBLYMAN PAPAN: How much is that for one run?

MR. BARTON: Well, I don't have that off the top of my head right now.

CHAIRMAN WRAY: Give us those figures so we can write them into the report. Proceed with your testimony, Fred.

MR. BARTON: Yes, Mr. Chairman. The contract has been to institute modern cleaning methods for the existing coaches.

Interiors and exteriors are cleaner now than ever before and windows damaged for years are being replaced on a regular basis.

ASSEMBLYMAN PAPAN: You say they were dirty before?

MR. BARTON: More or less. The window material was the type that over the years gets cloudy and you can't see through them and so forth. They agreed to replace the windows with new windows as a maintenance item.

ASSEMBLYMAN PAPAN: This was not going on when they were doing it themselves? Is that what you're saying?

MR. BARTON: Broken windows, yes. But obviously the windows were not changed, no.

ASSEMBLYMAN PAPAN: So they had no regard for the customer at all. They were just maintaining dirty cars in some instances. You know, we have a tendency of refining such statements. They were operating dirty cars?

MR. BARTON: Right.

ASSEMBLYMAN PAPAN: They're cleaner now than they were before?

MR. BARTON: Yes, their cleaning methods have been changed. We are now into a heavy cleaning program.

ASSEMBLYMAN PAPAN: We articulate things so well that we lose something in expression.

MR. BARTON: Right. You've asked for a discussion of the proposed extension of the commute service to downtown San Francisco. This extension is critical to the survival of the service. Not only Caltrans, but city and county agencies, railroad labor unions, and a growing number of commuters support and think the proposal to

extend the SP commute trains into San Francisco's central business district makes a lot of sense.

Here I would just like to interrupt for a moment and, I believe, SP's representative will probably be making an announcement, but we have a letter in our possession from SP which indicates that in principle they have agreed to operate our three trains to the Ferry Building. The issues of crewing, track arrangements, operations and scheduling and other issues are to be worked out.

ASSEMBLYMAN PAPAN: That's commendable.

MR. BARTON: We have that and it's the right step.

National transit studies and experience in a number of North America cities have shown that rail commuters prefer to walk directly from a rail terminal to their place of work rather than rely on a transfer to another mode assuming that the walk is less than 10 minutes.

The existing passenger service provided by SP is not utilizing its full potential in serving the travel demands of the Peninsula residents who are employed in downtown San Francisco. This inadequacy in service is mainly due to the location of the present SP terminal which is remote from the high density employment centers in the city's financial district. In fact, an additional twenty to thirty minute travel time and a transfer to Muni bus service is required by the commuters in order to reach the financial district.

ASSEMBLYMAN PAPAN: Will this help their development to the Marina that they're talking about at all? There are a lot of people in there.

MR. BARTON: We're working with Redevelopment, City Planning and so forth to include some type of permanent extension along with Muni's proposed extension.

ASSEMBLYMAN PAPAN: Particular reference is made to the fact that this morning's paper indicated Southern Pacific is considering a sizeable development in the China Basin.

MR. BARTON: Yes.

ASSEMBLYMAN PAPAN: And this service will undoubtedly go into that area in some way I presume. So service to that area is going to probably enhance the whole project. I would presume it would enhance the project.

MR. BARTON: I would say so. It certainly will. It'll enhance the development in South Beach Rincon.

According to the recent on-board train survey, a large majority of the current rail commuters are employed in the vicinity of the financial district. According to the development proposal received by the City, future employment increases are expected to occur in the general vicinity and more to the north and west of the financial district. In fact, a survey of employment sites indicates that over 300,000 job sites are located within a 10-minute walking distance from the Ferry Building, whereas only 160,000 sites are located within the same distance of the existing station at Fourth and Townsend.

Extension of the SP train service to a 'CBD' terminal will not only result in increased patronage by eliminating the additional commuter fare expense and delay of transferring to Muni buses, but it will also save Muni approximately \$1 million by



eliminating this redundant shuttle service. The public need and necessity is obvious. Recent proposed development projects--SP's Mission Bay, the City's Redevelopment Agency's Rincon Point-South Beach, and the new stadium--already overwhelm the projected capacity of the "Muni Metro Extension".

Caltrans' recent request before the California Public Utilities Commission to extend the operation of three morning and three afternoon peak-hour trains to and from the Ferry Building is the initial action toward the permanent extension. To stimulate interest and increase ridership by such means as extending the service to the Ferry Building, we must have a long term, permanent extension.

This service can be brought downtown by upgrading the existing trackage to provide Federal Railroad Administration Class 1, 15 mph Passenger Operation. The extension is approximately 1.7 miles in distance and running time between Fourth and Townsend and the Ferry Building will be seven to ten minutes. This is less than the time consumed making the present bus/train transfer. Passenger platforms can be provided at the Ferry Building by widening existing sidewalks and most riders can reach their destination with a ten minute walk. Others can connect directly with BART or the Muni Turnaround Facility across from the Ferry Terminal.

Caltrans traffic studies conclude that any potential traffic problems on city streets can be mitigated. Intersections of Third and King Streets and Eastbound Mission and Embarcadero can be relieved simply by restriping Third Street from three to four lanes and by signal retiming at Mission and Embarcadero. The

estimated time a train would block an intersection is one to two minutes including warning and clearance times. Traffic queues with mitigation will dissipate rapidly.

I would like to add that the Burlington Northern Commute Service with a central business district station in Chicago is operating with a 71 percent farebox return, and there is no reason to believe that SP with a 'CBD' terminal cannot do as well or better. Of course later on in here I mention that that comes about with modernization of the operation and equipment in addition to the extension.

Peninsula cities and counties have passed resolutions supporting Caltrans proposed extension and we have over 4,000 commuter signatures petitioning for commute service to the Ferry Building with ultimate permanent extension to downtown San Francisco.

With regard to Caltrans' plans for station purchases, approximately \$7.0 million of state money is available for acquisition of the SP stations. Barton-Aschman Associates has been hired to determine which stations should be retained in service and those to be discontinued. Attached to my statement is a copy of Barton-Aschman's Five-Year Station Improvement Program Summary for your information.

Presently, Caltrans' right-of-way agents are appraising SP station properties and have made an offer for the San Carlos Station.

As to operations and maintenance of these stations, current budget language requires that local agencies contribute 50 percent of these costs. This percentage is similar to the

lease arrangements outlined in the existing co-op agreements.

This completes the testimony on those issues which you have identified. At this time I would like to discuss Caltrans' program to upgrade the existing service. These activities are in addition to those I have previously discussed.

The present mode of operation is not the "state of the art" and gives heavy-rail commuter service a poor image. Caltrans is going to modernize and market this commute service extensively. Caltrans' plans for modernization and marketing will reduce operating costs and increase service levels, ridership, and employee productivity. Primary objectives to accomplish this are:

1. Purchase new locomotives and coaches operating in the "push-pull" mode.

ASSEMBLYMAN WRAY: May I interrupt just one moment? Aren't any American-built coaches of that type available now?

MR. BARTON: Budd is manufacturing the same type gallery car that we have now and it's operated in Chicago by all the commuter railroads.

CHAIRMAN WRAY: Okay, good.

MR. BARTON: It's an off-the-shelf type vehicle.

CHAIRMAN WRAY: In conversation with Budd a couple of years ago in their New Jersey plant, they were contemplating being forced to discontinue all special coaches. They were really concerned about their future and of course what we're doing here and what's happening in other parts of the country.

MR. BARTON: We have had a pre-bid conference and they were one of the attendees.

ASSEMBLYMAN WRAY: Great. What about the foreign attendees? Did we have any?

MR. BARTON: There were two Japanese, a French and a Canadian, I believe.

CHAIRMAN WRAY: I certainly hope our American company is able to meet the competition and get the contract.

MR. BARTON: Well, in addition to that I'm sure you're aware that the Budd Company is in a problem now with Bombardier and the Canadians financing their interest rate and so forth.

We have already submitted final specifications along with our grant application to UMTA for new stainless steel gallery cars. The Metropolitan Transportation Commission supports this action and we expect UMTA's approval calling for bids on 48 new cars in early September. In addition, we are now developing final specifications for new locomotives and targeting the approval and bid process for March of 1983 so that the on-line arrival of cars and locomotives will be coordinated. We have estimates of 18 months for cars and 12 months for locomotives. This new equipment will allow for quick reverse directional service at both final and selected intermediate stations without requiring yard switch engine support or leaving the main track to turn the equipment on a wye.

2. Provide improved and increased parking facilities at the Peninsula stations. One of the most critical issues in terms of required station improvements is the shortage of adequate parking facilities at most of the stations. Many potential riders are discouraged when unable to find parking spaces at existing stations. Future parking needs based on the future ridership demand indicates

that a net increase of 2,549 spaces is needed over the next 5+ year period which amounts to an increase of about 57 percent over the present parking supply.

3. Consolidate present interlocking towers into a central control office. Presently, there are four interlocking towers between Redwood City and San Jose. Our proposed joint study with the SP will consolidate the operation of these towers into one central office. Thereby, reducing operation expenses by nearly \$500,000 per year.

4. Implement increased marketing activities including an "outreach" program which is presently in the process of development. Our marketing staff has been actively involved with the Santa Clara Manufacturer's Association in the packaged sale of commuter tickets. This program is beneficial to both the commuter service and the participating industry in ridership levels and a reduction of parking facilities required at the plant sites.

With these improvements that I have outlined, combined with a permanent extension of rail service to a downtown San Francisco location, I fully expect that ridership will increase between 50 and 100 percent. This will substantially reduce the amount of public subsidy required and result in an attractive, modern, high quality rail service of which the residents of the Bay Area will be proud.

This concludes my prepared testimony. I would be happy to answer any questions you may have.

CHAIRMAN WRAY: Thank you very much, Mr. Barton. It was an interesting report and we want to open up questions from

members. What about the administration of those new stations?  
Who is going to manage the stations?

MR. BARTON: You are refering to when the ownership is transferred to Caltrans and the locals?

CHAIRMAN WRAY: Are you organized to do the stations?

MR. BARTON: Well, as far as the actual clerical work and the janitorial duties and so forth, I think 13-C pretty well takes care of that. SP will have to continue operating and maintaining those stations. I think there's a question with the locals about the ownership and we're not quite sure whether that ownership or that maintenance and so forth requires them to participate in the 50 percent of the ownership and capital improvements or just as it is now under the contract, being billed for the actual clerical and janitorial expenses.

ASSEMBLYMAN FRAZEE: The present locomotives and rail cars that are on the line are owned by SP?

MR. BARTON: Yes.

ASSEMBLYMAN FRAZEE: And so that's calculated into the cost of operation, a fair rental fee, lease fee, or whatever as a result of that. When you acquire these new cars, they will be the property of ...

MR. BARTON: Of SP.

ASSEMBLYMAN FRAZEE: Even though they will be ...

MR. BARTON: Oh, the new cars. Excuse me. No, the new cars will belong to the state and the locals.

ASSEMBLYMAN FRAZEE: But they will still be operated by SP crews?



MR. BARTON: Yes.

ASSEMBLYMAN FRAZEE: So your negotiations as far as operation of those will change that whole picture significantly?

MR. BARTON: We'll own the equipment and furnish the equipment, and SP, under the service contract, will operate it with their crews as they do now.

ASSEMBLYMAN FRAZEE: SP not having the capital costs in equipment as well as reduced maintenance with new equipment should significantly reduce the ...

MR. BARTON: Yes, it will.

ASSEMBLYMAN FRAZEE: At least in relationship realizing the labor rates are going to go up.

MR. BARTON: There will be no more equipment rental payments.

ASSEMBLYMAN FRAZEE: The new equipment, is that funded by UMTA grants or is that local money?

MR. BARTON: No, it an 80/20, 80 percent by UMTA and 20 percent by state and local.

ASSEMBLYMAN PAPAN: What do you estimate the value of that right-of-way to be?

MR. BARTON: I have no estimate of the right-of-way. In terms of new trackage with signals and so forth, it would cost, I think, about \$106 a foot to build a railroad with signaling now.

ASSEMBLYMAN PAPAN: We bought in San Diego 118 miles of track for 18 million dollars. What is this worth?

MR. BARTON: This is 46 miles. How many miles did you buy down there?

ASSEMBLYMAN PAPAN: 118.

MR. BARTON: We're not right-of-way agents.

ASSEMBLYMAN FRAZEE: I might comment on that a little bit. Much of that trackage was through the mountains that was not feasible for the railroad to operate plus there was a significant cost of rebuilding if they were going to operate it again. But all of this is obviously on some very valuable land.

MR. BARTON: And it's well maintained.

ASSEMBLYMAN PAPAN: This particular line is? I know they have been interested in getting out of railroading, except maybe freight. At some point we're going to have to look at how they feel about that right-of-way. They have a lot of enterprises, to my understanding, mining, real estate development. This is a small part of their activity.

MR. BARTON: Somebody from the SP should answer that.

CHAIRMAN: Fred, would you please stay around so that we may ask you some questions or refer to you for counseling?

MR. BARTON: I'd be happy to stay.

CHAIRMAN WRAY: Thank you. Next is Mr. Claude Fernandez.

MR. CLAUDE FERNANDEZ: Yes, Chairman Wray, my name is Claude Fernandez. I'm Vice Chairman of the CTC and I'm here really representing the Commission and in particular our Chairman, Ivan Hinderaker, whom you invited. Dr. Hinderaker is in Sacramento today. We're getting additional briefing regarding STIP matters and for that reason we have to divide our chores and you find me here. We certainly appreciate the opportunity of being here. Because of your tight schedule I have prepared a statement, copies

of which I think have been distributed to you, and I think it will go quicker and more understandable I'm sure if I simply read it.

Regarding the four questions you posed to the Commission, first is the overall operation of the service. Since the state's role in the service began, both commissioners and their staff have inspected the service several times. We believe that it is an important element of this region's transportation network, one that has strong local support. Our overall impression of the service is that it does a good job of delivering passengers to their destinations on time, but that major investments are needed to improve its equipment and stations. Toward that goal, the Commission yesterday allocated \$12.9 million to the Department of Transportation for the purchase of new cars and locomotives, track improvements, and station improvements. Later in the month, the Commission will act on a staff proposal to program an additional \$26.4 million in the 1982 State Transportation Improvement Program for additional capital improvements to the service.

Yesterday's allocation was made through the transit capital improvement program, in accordance with the procedures that Assemblyman Wray's AB 1010 established last year. The provisions of AB 1010 were especially beneficial this year because they allowed the Legislature, the Commission, and the Department to protect \$9.2 million in funding for this service that otherwise would have been lost at the end of last fiscal year because of delays in other Caltrans' capital projects.

Regarding the stability of existing financial arrangements, AB 1010 also placed a farebox requirement of 40 percent of operating costs on State commuter rail services; the Department recently initiated a long-overdue fare increase to help meet that standard. We think this requirement is crucial to maintaining the financial health of the service. It reinforces the concept that those who use a transit service should pay for a significant portion of its cost, and creates a strong incentive to hold the cost of the service in check.

The Commission is concerned about two of the other sources that help pay for the annual cost of operating the service--the Federal operating subsidy of \$2 million and the State contribution of \$6 million from the Transportation Planning and Development (TP & D) Account. The Federal Administration's policy, as I'm sure all of you are aware of, is to phase out operating assistance of this type. In order to offset some of the loss of up to \$200 million a year in revenues to California's transit operators that this policy could lead to, Assemblyman Young's AB 2551 and Senator Foran's bill, SB 1335, increased the State Transit Assistance program's share of TP & D sales tax revenues from 44 percent to 60 percent. An unavoidable consequence is that the share of TP & D revenues dedicated to State programs, including operating subsidies to commuter routes, had to be cut. Over the next few years, the competition for TP & D funds will grow and it will be increasingly difficult to justify the large annual State subsidy for regional commuter services. We believe that over the long run the State's role as operator of commuter routes will have to be reconsidered,

and that the option of having local transit districts assume responsibility for services like the Peninsula Commute be explored. We suggest that a tri-county district composed of Santa Clara, San Mateo and San Francisco Counties be established to fund and operate the Peninsula Commute, just as BART is operating today.

Now regarding the purchase of stations, the Commission strongly supports the purchase and rehabilitation of stations on the Peninsula route with State funds. In 1981, we allocated \$7 million to this purpose, and staff have recommended that an additional \$15.5 million be included in the 1982 STIP. In the current Budget Act, the Legislature accepted our recommendation, and required that the cost of operating these stations be shared equally by State and local governments. In addition, the Legislature requested the Metropolitan Transportation Commission to investigate the feasibility of allowing local agencies to own and operate stations after they have been purchased and rehabilitated by State funds. This approach may allow the service's overall costs to be cut, because station maintenance and operations could be integrated into existing local services.

And finally regarding the commuter routes in Southern California. The Commission believes that commuter services could become a useful addition to the transportation network in Southern California, provided that there is a strong local commitment, including financial support, for such services. The Orange County-Los Angeles route appears to be the most promising. Orange County and Caltrans are now studying the feasibility of such a service, new stations on the San Diegan route through Orange County are

being built, and old ones rehabilitated. These efforts reflect the type of local commitment that will be needed to make commuter routes a reality in Southern California.

Now once again we want to express our appreciation for having been invited here. I know that our answers have been brief but I would be willing and ready to answer any questions you may have regarding the position of the Commission on this matter. I have with me Mr. Hugh Fitzpatrick of our staff who may answer any technical questions you may have of our Commission.

CHAIRMAN WRAY: Thank you very much, Mr. Fernandez. Let me say, on behalf of the Committee, that I think most of us are very, very pleased with the performance of the Commission

MR. FERNENDEZ: Thank you.

CHAIRMAN WRAY: And particularly in this area. I think individually some of us were surprised at the interest that the Commission has shown in this particular field. I think most of us are also very happy with what's happening in our own particular districts and I, for one, will have to very strongly maintain that attitude because we're happy with the Commission's overall encouragement. One of the facilities of which you were speaking earlier will become a reality over a period of time.

MR. FERNANDEZ: That is correct.

CHAIRMAN WRAY: When we created the Commission, we had some misgivings, since then I think all those misgivings have been dispelled by the character of the members, the type of staff, and your overall performance.



MR. FERNANDEZ: Thank you.

CHAIRMAN WRAY: It wouldn't be unfitting for us at this particular period of time to say thank you commissioners.

MR. FERNANDEZ: Well, in response I'll say you're welcome.

CHAIRMAN WRAY: Very good. That's fitting as well. Let's see, Assemblyman Frazee has a question.

ASSEMBLYMAN FRAZEE: To go on a little bit with what Assemblyman Wray was saying, I recently wrote a letter to your Commission complimenting ...

MR. FERNANDEZ: Yes, we received copies of that.

ASSEMBLYMAN FRAZEE: I received a call from one of your members who was so overwhelmed that any one legislator would compliment you that he said ...

MR. FERNANDEZ: He had tears in his eyes.

ASSEMBLYMAN FRAZEE: He said one out of 60 communications that they get is complimentary. I know the subject of this hearing today deals with the Peninsula Service but inasmuch as you've mentioned commuter routes in Southern California and I currently represent San Diego County and some of Orange County next year, I have a great deal of interest in that. The high speed rail service between San Diego and Los Angeles seems to be at this point more than a pipe dream. I think some of us might have thought it was that but it seems to be moving along with a great deal of interest and it's something that may happen. It may not just be a dream. Secretary Lewis was in San Diego just recently and spoke in glowing terms about the potential for that service. It seems if

that is going to happen, then that really opens up a great potential for commuter service on the existing trackage that's being utilized by Amtrak. Has the Commission been looking into that?

MR. FERNANDEZ: Yes, we have. There are no two ways about it. We think that this is the way to go. It's very promising. We have actually toured runs in Southern California, the most recent one was the one regarding the Oxnard line and parts of the San Diego run. However, as I'm sure you have experienced, when you get into these things the more you learn about them, the more problems seem to come to the fore and have to be resolved. We know there are plenty of problems there. We feel that with the close cooperation really of committees such as yourself, members of a committee like this one, with the staff of Caltrans and our staff, that those problems can be resolved and we mean and have been creating within the Commission and its staff that kind of an approach to these problems before we take any definite positions on any of these items to have consulted fully with your committee, with the staff of Caltrans so that when we go into it, we go with our eyes wide open and rather anticipating problems, rather than creating them or being surprised by them and trying to resolve them in the middle of a situation. In other words, getting the homework done prior to stepping into the matter. We think that there's a great deal of promise here and in Southern California. Some of the corridors that exist there are where this kind of service is sorely needed.

CHAIRMAN WRAY: I think the mood of the people has made this whole picture become a lot brighter too. In my county after a

dismal showing as far as Proposition 5 is concerned we came right back with an 86 percent vote for it.

MR. FERNANDEZ: You're correct. There's a great deal of support there provided we go about it the right way.

CHAIRMAN WRAY: We have come to the conclusion that in most cases in the areas where the service at least will be deliberate, there's a very strong feeling of even being willing to go to some points and financing it and be responsible as a community for it. Thank you very much.

MR. FERNANDEZ: Thank you again for the opportunity, Mr. Chairman.

CHAIRMAN WRAY: Next on our agenda, is Bob Taggart, Southern Pacific Transportation Company.

MR. ROBERT TAGGART: My name is Bob Taggart. I'm Vice President, Governmental Relations for Southern Pacific Company and I'm pleased to represent Southern Pacific here this morning before the committee. As has been testified to earlier this morning, on July 1, 1980, Southern Pacific and Caltrans entered into a ten-year contract for the commute service. There is an option for renewal beyond that ten-year period of time. Under the terms of the contract, Caltrans establishes the policies. They are responsible for modifying the fares along with the approval of governmental agencies and Southern Pacific's review and they're also responsible for the marketing of the service. Southern Pacific operates the service. Caltrans pays a rental fee to Southern Pacific for the track, the station space, and the railroad equipment. Now the State has an option to buy this equipment at its fair market value

and I believe they've indicated that that's their plan. Caltrans, along with three participating transit agencies, shares in underwriting the losses from this service. Now in '81-'82 fiscal year, Caltrans' budget projection for the commute line was for expenses of around \$22 million dollars and revenues of 8½ million dollars with a net deficit of \$36.6 million. To cover this loss, the budget called for Caltrans to contribute 5.6 million, SAMTRANS 2.7 million, Santa Clara County 2.7 million and the San Francisco Muni Railroad \$279,000.

ASSEMBLYMAN PAPAN: Mr. Chairman, I want Mr. Taggart to know that I'm not going to ask him to explain the discrepancy of \$826,000.

MR. TAGGART: I am immensely relieved. Thank you.

CHAIRMAN WRAY: You must have had some conversation in the hallways on that.

MR. TAGGART: I think Mr. Papan's accounting experience and mine are probably on a level that we would succeed in confusing ourselves and everyone else present as well if we attempted to get into that.

ASSEMBLYMAN PAPAN: Let me tell you something, Mr. Chairman. He's most grateful that I was able to reduce their losses by prodding them into an agreement with Caltrans. You've got to admit that.

MR. TAGGART: Admit what? It's been a long time since I've admitted anything to you, Mr. Papan.

ASSEMBLYMAN PAPAN: My prodding of your railroad, did cause or eventually ...

MR. TAGGART: It certainly contributed to the final negotiation of an agreement which although it cost us \$400,000 a year in contribution, we find that it's a ...

ASSEMBLYMAN PAPAN: Contribution to what?

MR. TAGGART: To the deficit in the operation.

ASSEMBLYMAN PAPAN: And what was your deficit before?

MR. TAGGART: Well, I think Mr. Papan, if you'll recall, we were about ready to get out of that business when this all came about.

ASSEMBLYMAN PAPAN: What was your deficit?

MR. TAGGART: I don't recall what it was. It was several million dollars annually.

ASSEMBLYMAN PAPAN: So the 400 is real small isn't it?

MR. TAGGART: It's \$400,000 more than we would have been paying had the ICC ordered the abandonment of the service.

ASSEMBLYMAN PAPAN: You know the 111 percent increase and the 10 million dollar deficit that you were encountering. You say 2 million now. I wish you had said that some years ago.

MR. TAGGART: No, I think that actually Caltrans projects a deficit, Mr. Papan, in 1986-87 to be about 22.5 million dollars.

ASSEMBLYMAN PAPAN: Your deficit at the time.

MR. TAGGART: At the time, right.

ASSEMBLYMAN PAPAN: So the \$400,000 is rather small compared to how much crying the company did before.

MR. TAGGART: Absolutely. Certainly.

ASSEMBLYMAN PAPAN: Okay, let's go on.

MR. TAGGART: Certainly, can we go on? On-time performance by SP, I think must be ranked as one of the finest in the nation. We, under the terms of the contract, have agreed to a 90 percent on-time performance and recently our performance record has been consistently over 95 percent on-time.

ASSEMBLYMAN PAPAN: Mussolini had the same.

MR. TAGGART: He didn't worry about the deficits either. We run 46 trains each weekday and the agreement calls for an expansion of this service up to 52 trains a day. We have agreed to negotiate for up to 60 trains per day on this particular route. However, substantial capital improvements would be needed to increase it beyond 52 trains a day. Now one of the provisions of the contract calls for freight windows which is, a time in which passenger trains will not operate so that Southern Pacific can use the line to service its freight customers on the line. Now this line between San Francisco and San Jose is a double track freight line and the freight business on the Peninsula is relatively light compared with our trackage in other urban areas in the state. Therefore, the particular commute train operation on the Peninsula does not cause a serious interference to freight traffic as would be the case generally speaking in other heavy metropolitan areas throughout the state.

ASSEMBLYMAN PAPAN: Could I just ask a question there, sir?

MR. TAGGART: Certainly.

ASSEMBLYMAN PAPAN: What is the assessed evaluation or the assessment that's been placed on that right-of-way by the

taxing powers?

MR. TAGGART: We agreed now. We're not going to ...

ASSEMBLYMAN PAPAN: Okay. Let's skip it.

MR. TAGGART: I don't know.

ASSEMBLYMAN PAPAN: Well, we'll find out.

MR. TAGGART: However, it is a matter of public record and I'm sure your staff ...

ASSEMBLYMAN PAPAN: Because I was tempted to divide it by two.

MR. TAGGART: Thank you. The service carried 17,600 passengers in 1981. The service has gone up and down in prior years. I think that the Peninsula Commute Service ranks as one of the very best rail commute services today in use in the United States. We like to think of it as the very best and we've worked with Caltrans to consistently improve the service and increase the ridership. Examples of service improvements that have been made in the past, under Caltrans' direction and with our cooperation include a new schedule which was implemented in October of '81, a bicycle experiment during off-peak hours which took place in 1982, new Caltrans colors have been painted on several of the cars and locomotives pursuant to a painting contract with Caltrans, stations are open longer hours than they have been before and we now sell a combined commute and Muni-Metro tickets at our Fourth and Townsend station. We've implemented promotional tickets with Caltrans' assistance and we've had the family plan, the monthly excursion ticket, a round trip excursion ticket and a student promotion ticket. We have had sale of half-price tickets to the

elderly and handicapped. This took place first during off-peak hours and now it takes place on all trains. We've had special stops for the racetrack down at Bay Meadows, the Bellarmine Prep School, Stanford, Castro and Mountain View and others and we've taken special trips to special events.

ASSEMBLYMAN PAPAN: Mr. Chairman, could I ask a question? And I didn't ask Caltrans this but what do we pay per month to Southern Pacific? Does anybody have any idea? What are we giving them for cash flow per month?

MR. BARTON: We pay them about every three months, we pay them one-fourth of the deficit.

ASSEMBLYMAN PAPAN: How much is that in dollars?

MR. BARTON: Roughly it would be ...

ASSEMBLYMAN PAPAN: Would it be five million? You said a 21 million dollar deficit ...

MR. BARTON: You have to subtract the two million a month and the \$400,000 from SP and divide that by two.

ASSEMBLYMAN PAPAN: Which is approximately?

MR. BARTON: With an 11 million dollar deficit, I'd say about \$2-\$3 million.

ASSEMBLYMAN PAPAN: So you figure about \$2-\$3 million. That's not bad. Mr. Taggart, you know, I always like to negotiate or think I'd like to negotiate from a very positive position. Could I just, Mr. Chairman, bear your indulgence?

CHAIRMAN WRAY: Certainly, Mr. Papan.

ASSEMBLYMAN PAPAN: I know he's got it all prepared here but just so that we can digress a bit, you and I.



MR. TAGGART: Sure.

ASSEMBLYMAN PAPAN: I'm reading from Forbes. Have you seen this article?

MR. TAGGART: I have.

ASSEMBLYMAN PAPAN: Okay. The part that I'm interested in ...

MR. TAGGART: Creative journalism.

ASSEMBLYMAN PAPAN: Oh, is that all it is?

MR. TAGGART: Go ahead.

ASSEMBLYMAN PAPAN: The cash flow is what they talk about in the opening lines and that's why I asked the question on how much we're contributing. I've always liked to assist in a cash flow kind of situation, but is this true?

MR. TAGGART: Is what true?

ASSEMBLYMAN PAPAN: That your company is at 5.5 billion dollars.

MR. TAGGART: Assets.

ASSEMBLYMAN PAPAN: Assets, right. The result is that the giant enterprise now has the worst of two worlds and some analysts are privately speaking of it as a potential Penn Central. Inconceivable for a company as rich as this one, here are the facts and it goes on. Are we in trouble?

MR. TAGGART: I think the entire rail industry is in a depressed condition which is directly responsive to the unfortunate economic climate today. I can tell you this, Mr. Papan, we've been a railroad in this state for over 100 years and we intend to be here for quite some time in the future.

ASSEMBLYMAN PAPAN: I've only been around for 55 of them so I couldn't tell on the balance. But let me tell you, maybe we ought to ask Caltrans to sit down and try to help the railroad as we have in the past and maybe talk in terms of you got two tracks going down there, what one track would be worth.

MR. TAGGART: I think that that proposal has already been made several years ago. Our Chairman McNear did offer to sell the line to Caltrans.

ASSEMBLYMAN PAPAN: How much revenue is generated in that ...

MR. TAGGART: Freight revenue?

ASSEMBLYMAN PAPAN: Total revenue.

MR. TAGGART: Total revenue, well, I don't know. Net revenue would be lower than the total because commute service which runs the vast majority of trains on the line loses a lot of money. What the freight revenue is on that line, I don't know but it's very low in comparison with the other areas on the railroad.

ASSEMBLYMAN PAPAN: Again, Mr. Taggart, because we're partners I only asked that question.

MR. TAGGART: I understand, certainly.

ASSEMBLYMAN PAPAN: And a partner should know.

MR. TAGGART: That's right.

ASSEMBLYMAN PAPAN: Please continue.

MR. TAGGART: I believe that we, Caltrans and SP certainly agree that this commute service has run very well under Caltrans' management. The contract has resulted in providing rail service

that Caltrans and the participating local transit agencies have determined is needed. I referred earlier to Caltrans' proposal to purchase the Peninsula Commute stations and I understand that they have retained a consultant to assist them in this and to study possible new stations at alternate sites. This is one of the major issues, of course, which relates to the expansion of the service and the increase in ridership on the particular line. Now Caltrans' objective, as I understand it, is to increase weekday patronage from approximately 17,600 in 1981 to 27,000 weekday passengers by fiscal 1986-87 and in order to meet this objective Caltrans believes that the commute patronage can be increased if a number of planned improvements are made which include bringing the terminus of the commute operation closer to the Market Street area. Now one, of course, would extend the commute trains to the Rincon Annex or to the Ferry Building. Now this, of course, is not a new idea. This proposal was studied in 1977 in the very extensive PENTAP study. I believe it was not given serious consideration at that period of time. I think too and I know that Mr. Papan, you're very familiar with it that the PENTAP study is a very valuable resource piece and I would call the attention of the committee and your staff to that extensive report.

Presently, the City of San Francisco through the Port of San Francisco owns a rail freight switching line connecting Southern Pacific in the vicinity of Fourth and Townsend Streets with the Embarcadero and the Ferry Building area. As a matter of fact, it goes all the way down to the Presidio.

As an interim measure, Caltrans proposed operating three of the twelve peak-period commute trains in each direction to and from the Ferry Building. This idea originated, of course, during the period of time where the Muni bus fleet was having serious difficulties operating their buses and that was the time the idea was initially raised. There are several reasons that Southern Pacific does not believe this would be the most effective way to meet Caltrans' objective of increased ridership, and particularly when there are other alternatives that we feel would be more effective in reaching that goal. Now the present Muni bus service, the 32 Embarcadero line, parallels the proposed rail route and this Muni service takes presently about eight minutes for the trip between Fourth and Townsend and the Ferry Building, while the train, under current operating restrictions on that line, would require approximately 15 minutes for the same route. The train would take almost twice as long for a number of reasons: Number one, the railroad track itself runs right down the middle of King Street in an area of heavy truck traffic in the morning commute hours, especially because it is a warehouse and industrial area. There are 20 street grade crossings between Fourth and Townsend and the Ferry Building which present a very potentially dangerous situation and the track on which the proposed train would operate is in generally poor condition. It was never designed for passenger service. It is a rail freight switching track and it's generally designed for low speed switch operation.

CHAIRMAN WRAY: Mr. Taggart, I think I'm listening to two different chains of thought. I wonder if Caltrans can

briefly comment on it.

MR. TAGGART: That's all right. I believe if I understand your testimony, I believe you said that the service was suspected or anticipated to be seven or eight minutes and I believe that for seven or eight minutes, there would need to be substantial improvement in the line. My comment about 15 minute running time, of course, is based upon the current track restrictions in effect presently.

MR. BARTON: Of course, right now it's a freight moving type of operation and we plan to upgrade it to a track run at 15 miles an hour. We also plan to manually protect and flag the crossings until we develop a refinement of that sort of thing so that we won't be fending our way down to the Ferry Building, we'll be operating through. Our flagmen will be equipped with walkie talkies when talking to the engineer of the train and he will be assured of safe passage.

CHAIRMAN WRAY: Is that a more direct route than the present bus system?

MR. BARTON: When you consider the commuter unloading from the train and walking up the platform and getting on a bus and so forth, it's considerably longer than just the actual running time of the bus, whereas if your stand-up train that runs through, you're down there sometimes before you even get on a bus.

CHAIRMAN WRAY: Okay, I wanted that point brought out for us.

MR. TAGGART: Of course, if you wanted to spend enough money, you can run this train about any speed you want. I'm

sure you could cut it down from eight minutes but presently, as I say, it's a 15 minute trip.

ASSEMBLYMAN PAPAN: Our spending money is called an investment in a case like this.

MR. TAGGART: I see. All right. Investing money.

CHAIRMAN WRAY: Mr. Papan, do you have a comment?

ASSEMBLYMAN APAPN: Let me just throw out something I think I've mentioned to you before, Mr. Taggart. I was in the parking lot business in San Francisco and in those days we used to charge a self-park 25¢ a day. One block up from me the guy was charging 75¢ a day. I had a terrible time understanding why they weren't utilizing our facilities at 25¢ a day and there wasn't one, there were about five.

MR. TAGGART: You had a marketing problem.

ASSEMBLYMAN PAPAN: And I learned that the American public will pay for convenience. They wanted to be closer to where they were going regardless, in some instances, of the cost. Both of us were doing well but I was doing it only after they had filled the 75¢ a day lot.

MR. TAGGART: All right. So, what's the point?

ASSEMBLYMAN PAPAN: This idea of convenience has to be referred to and we're not going to reduce the time ...

MR. TAGGART: Let me say this, Mr. Papan. We are calling on our experience of many years in the railroad business and we were asked to comment and our comments are based upon the operating problems, the logistical problems that would be involved in extending that route. The proposed route roughly parallels, one street

apart, when you get down to Embarcadero, the bus route.

ASSEMBLYMAN PAPAN: But it doesn't touch any of your operation in that area. This is the city and county of San Francisco.

MR. TAGGART: That's correct. Our facilities are terminated in the Fourth and Townsend area and from Fourth and Townsend all the way down is the State-built railroad property.

ASSEMBLYMAN PAPAN: Would you send your crews into that area?

MR. TAGGART: Well, I will be happy to discuss that in a little more detail later on in my testimony. I think perhaps it would flow a little better if we went that way.

ASSEMBLYMAN PAPAN: Fine.

MR. TAGGART: I think I should mention one more thing as we are talking about convenience as you say. I am not privy to the studies that have been made as to the number of office workers that actually reside in different parts of the city but I have lived in San Francisco Bay area all my life and it seems to me that although those employees who are working in the Southern Pacific building in the Embarcadero Center would be closer to a terminus at the Ferry Building, those who are working in the Financial District, in the Civic Center area, in the Market and Power Street area on a map they'd be no closer. Here again, don't take my word for it. Look at any map of the city and you can see one is here, the other one is here and the Financial District, the old Financial District to San Francisco is there. So I would think this would merit the serious consideration of

this committee in reaching its conclusions.

ASSEMBLYMAN PAPAN: Let me ask you a question since you are a native and you work right down there, downtown. Why does a railroad locate in a downtown area where there's high rent ...

MR. TAGGART: I beg your pardon.

ASSEMBLYMAN PAPAN: Why does a railroad locate its offices at your particular location?

MR. TAGGART: Well, I can tell you this, Mr. Papan, in 1916, when our building was constructed it was a low rent area. The city has grown up around it.

ASSEMBLYMAN PAPAN: Okay, but you would never go back into a new low rent area and proceed to wait that additional 100 years to see it go up? You go right in there and stay there. Is that it?

MR. TAGGART: Well, I think it's what you're seeing. We're getting a little bit off the subject here but ...

ASSEMBLYMAN PAPAN: No, I'm just trying to point out the mentality of the management ...

MR. TAGGART: All right. Let's take a couple of examples now. Fireman's Fund, as you know, has left San Francisco and they've gone to Marin County. Chevron has taken many of its employees recently out of San Francisco into Contra Costa.

ASSEMBLYMAN PAPAN: Are you saying you're a little more progressive ...

MR. TAGGART: No, I'm saying that there is a point at which business, because of any number of factors, will not necessarily feel tied to San Francisco or any other area where it



becomes just too expensive and too inconvenient for them to do business when this business can be done elsewhere.

ASSEMBLYMAN PAPAN: You know where I'm coming from? If we're thinking of extending a line in order to facilitate people like yourself who have their offices there ...

MR. TAGGART: I come on BART.

ASSEMBLYMAN PAPAN: And BART is paid for by the public.

MR. TAGGART: Great service.

ASSEMBLYMAN PAPAN: What I'm trying to say is what causes your kind of mentality to continue to locate there that would cause us to want to move people because that's what decides the possible extension, the kind of thinking that prevails in many cases not only with SP to continue to locate here. We're going to have to accommodate that mentality ...

MR. TAGGART: Let me say this about that, as the saying goes. I think that we do have a common goal here. We at Southern Pacific are a corporate constituent in San Francisco as well as in your district on the Peninsula. We are interested in the health, the growth of San Francisco both from a business standpoint and for our employees.

ASSEMBLYMAN PAPAN: You're putting a building up on Spear Street.

MR. TAGGART: That's coreect.

ASSEMBLYMAN PAPAN: How many people in your company live in San Francisco?

MR. TAGGART: I don't know but I would say that the vast majority of employees in San Francisco live outside the city and

county.

ASSEMBLYMAN PAPAN: How many live in Santa Clara, San Mateo Counties?

MR. TAGGART: I don't know but a large number do.

ASSEMBLYMAN PAPAN: We don't want to get lost in the big picture. We have to at some point narrow it down and say here is Southern Pacific putting a new building up on Spear Street, locating in San Francisco when it was a slum area rather than a low rent area, is what you call it.

MR. TAGGART: Lower rent area.

ASSEMBLYMAN PAPAN: And now we have a concern about the movement of people to accommodate in one instance SP and many other people who locate in San Francisco.

MR. TAGGART: That's right.

ASSEMBLYMAN PAPAN: Some of those people come from Santa Clara and San Mateo Counties.

MR. TAGGART: A great number of them do.

ASSEMBLYMAN PAPAN: Right. Aren't you as concerned about your investment in that area and the ability to get people there?

MR. TAGGART: Well, as I said before, we're very concerned with serving the public, our employees and the employees of others and I'm not an advocate in this position at all. I was asked to come here and state our position regarding a proposal and I intend to state our position relating to other proposals. The final judgement is going to be made by people such as you.

ASSEMBLYMAN PAPAN: We're looking for support in our position based on the fact that, if they're going to invest that

kind of money on Spear Street, and the money they have on Market Street, I want to make sure they've got people at least from San Mateo and Santa Clara County who will enhance that investment by having a convenient way of getting there.

MR. TAGGART: So do we. We have a common goal. We have a common goal, Mr. Papan.

MR. TAGGART: There are several alternatives and these are things, of course, that this committee and others would and should take into consideration we believe. We believe that some of these alternatives may have more merit than a proposal to extend the commute service to the Ferry Building. One of these is to extend the trains to the existing Transbay Station - the AC Transit Station on Mission Street. Another would be to extend the existing Muni-Metro line. Now the Metro line terminates down at the foot of Market Street and one of these proposals would be to extend the Muni-Metro down around the Embarcadero to Fourth and Townsend area. Another, which I understand is being proposed, is an extension of a new Muni-Metro line which would go along the Embarcadero from Fisherman's Wharf or the Fort Mason area to Fourth and Townsend Street. Now one proposal that was included in the 1977 PENTAP study which we believe would be very attractive to accomplishing your goals, Mr. Papan and ours in serving the public, is the establishment of a cross-platform transfer facility between the Peninsula Commute trains and the BART system in Northern San Mateo County, and possibly a logical place for that to take place would be in the Daly City area.

ASSEMBLYMAN PAPAN: Just to enlarge on that point, sir. My concern is that at some point we're going to strangle industry in San Mateo County because of our inability to provide housing and adequate living space and we're going to have to find ways for people to go in and out of San Mateo County conveniently. That is no different than my exchange with you with regard to your investment on Spear Street or Market Street.

MR. TAGGART: That's right. What we're looking for, as I understand it Mr. Papan, is the most convenient, efficient combination that will get people to and from San Mateo and, perhaps not only to the Ferry Building, but to all of San Francisco and to all of the Peninsula and perhaps even the Eastbay and other communities. Now it seems to us that a very logical way to accomplish this would be to have a transfer facility at BART. Now, if you had such a transfer facility you could accomplish the needs of all the commuters, because they would be free to get on or off BART all along Market Street, all the way from Daly City down to the Embarcadero Station. In addition to that, such a facility would be compatible with a possible extension of BART to the San Francisco Airport and it would also be compatible with an extension of BART down the Peninsula which many of us hope will happen one day. Alternatives that would require a substantial investment in updating the existing rail route along the Embarcadero or to the AC Transit system, may involve such amount of money that it would perhaps foreclose this extension of BART, which I believe would be in the greater public interest. Now BART has already

indicated that in their five-year capital equipment improvement program, they will have the necessary capacity to conveniently and efficiently handle the commuters from the commute trains onto the BART line at Daly City or wherever it may ultimately be constructed.

Now we presently have a contract, as we mentioned earlier, to provide this commute service on the San Francisco Peninsula and while we're willing to work with Caltrans and we do work with Caltrans to improve the service, to make it a better service, we're not willing to assume additional responsibilities which will increase our uncompensated expenses or increase our liability. Caltrans has proposed this operation over the State Belt railroad. Now, you should understand, this is not our railroad and we have no operating rights on this railroad and it will result in an enormous expense to bring this railroad up to the standards which would be necessary for the operation of a commute service. Right now we have a makeshift switch light railroad. For all these reasons, we don't feel that the expansion of the service to the Ferry Building is the best of many proposals which could be considered. However, if Caltrans is desirous of pursuing this further, Southern Pacific is willing to work with them to facilitate the extension of that service.

CHAIRMAN WRAY: Can we interrupt at this particular point? I understood from the press release and from the comments of the District Director that this is indeed becoming a fact that we're at that point and do you have any comment to make?

MR. TAGGART: I'm about to do just that, Mr. Wray.

CHAIRMAN WRAY: We'll listen carefully to that and see if that answers our questions.

MR. TAGGART: I hope it does. I hope it does and I would also caution you to perhaps rely on the statement rather than the press release as to what the facts are in this particular situation.

ASSEMBLYMAN PAPAN: Are you saying that our press is not accurate?

MR. TAGGART: Not in all instances, Mr. Papan.

ASSEMBLYMAN PAPAN: Thank you.

MR. TAGGART: As I was saying, if Caltrans desires, and assuming that the operator of the State Belt agrees to run these trains, we will work with both Caltrans and the State Belt railroad to facilitate the extension of service. And specifically here's what we're willing to do. We're going to work, we'll be more than happy to work with Caltrans to advise them of what track work would be needed on our property to provide the appropriate access of the commute belts to the State Belt railroad.

CHAIRMAN WRAY: First you advise.

MR. TAGGART: We will grant the State Belt operator the appropriate access rights to the Fourth and Townsend Street terminal so that State Belt crews can operate the trains over State Belt trackage beyond our present commute station.

CHAIRMAN WRAY: Allow your facilities to be used in that respect?

MR. TAGGART: That would be probably the logical crew change location, Mr. Wray. Subject to appropriate funding and at Caltrans' expense, we would construct any needed track and signal changes along our railroad trackage in that area. We will agree to modify our present agreement with Caltrans as needed to permit this new operation. We would, of course, expect to be compensated and made whole for any additional expenses incurred as a result of this. Now we will not assume the responsibility of operations that take place off our lines and this would include such things as sweeping the trains, turning the trains, guarding the trains or otherwise assume responsibility for those trains while they are on State Belt property. We feel that there must be a clear cut division of responsibility between the operators and the respective custody of the commute ...

CHAIRMAN WRAY: Can we get our Caltrans District Director up just one moment? We're talking about equipment that will be going from perhaps the Peninsula all the way through to that final destination I think are we not?

MR. TAGGART: That's correct. I would anticipate there would be no change of equipment. There would be only change in crews.

CHAIRMAN WRAY: Are you saying that because of the service being run on the State Belt you are not assuming all the responsibility or any portion of it?

MR. TAGGART: I think in a nutshell, Mr. Wray, what we're saying is that we will not assume responsibility for the train while it's not on our line.

ASSEMBLYMAN PAPAN: Let me ask you a question. Do you send your crews over somebody else's lines now?

MR. TAGGART: Well, that's subject to a collective bargaining agreement, Mr. Papan.

ASSEMBLYMAN PAPAN: Well, then collective bargaining. Don't say you won't do it.

MR. TAGGART: Well, that's what we are saying, sir. We are not willing to accept the tremendous responsibility and I might say this ...

ASSEMBLYMAN PAPAN: That's not saying the same thing. We're willing to bargain as we do with other railroads where our crews go over someone else's line. You don't stop when you hit Santa Fe and Santa Fe doesn't stop when it hits SP.

MR. TAGGART: Well, I think that generally that is the case, Mr. Papan. However, there is a representative for the UTU in the audience. You might want to ask him that question. He would be more qualified than I to answer it.

ASSEMBLYMAN PAPAN: What is UTU?

MR. TAGGART: That's the United Transportation Union.

ASSEMBLYMAN PAPAN: Hey, I have no problems with unions. You know that.

MR. TAGGART: Well, you can ask him those tough questions because ...

ASSEMBLYMAN PAPAN: Let me tell you, I find in my limited experience with railroads, they have matured to the point where they can't make a decision and if they make it there are contradictions all over the place. I'm going to ask some questions of



Caltrans. I'd like to know how much revenue is generated, how much you pay for the use of what's down there now. In other words, you have your trains going into that line and the crews change. Is that it?

MR. TAGGART: Yes.

ASSEMBLYMAN PAPAN: Your freight trains now are left where the terminus is of your line. Is that correct?

MR. TAGGART: Well, I think freight train may be a misnomer there. There are a very few number of cars that go into that particular facility.

ASSEMBLYMAN PAPAN: And your crew stops at the terminus of your line?

MR. TAGGART: That's correct. We switch the cars out there. There's a small switching yard which you've seen.

ASSEMBLYMAN PAPAN: Why do you do that with that kind of a railroad and not do it with your counterparts because of an agreement you have?

MR. TAGGART: No, sir, we do do it within the railroads. Commonly when freight crews reach the end of one railroad of freight cars, freight trains go from one railroad to another railroad, there is a change of crews from the crew of one railroad to the crew of another railroad.

ASSEMBLYMAN PAPAN: There are instances where you don't do that.

MR. TAGGART: I would think that it would be very uncommon if at all that that would occur.

ASSEMBLYMAN PAPAN: Say that again.

MR. TAGGART: I believe it would be very uncommon for a crew of one railroad to operate on another railroad but as I say ask the man, ask Mr. Jones whether that's the case. I don't want to misstate the facts. My understanding is that it would be very uncommon for the crew of one railroad, employees of one railroad, to operate on the tracks of another railroad.

ASSEMBLYMAN PAPAN: Well, you're doing it on Western Pacific now, according to my understanding.

MR. TAGGART: With our crews?

ASSEMBLYMAN PAPAN: Yeah. You are running some of your crews over ...

MR. TAGGART: The railroads in the United States have reached agreements in certain instances where equipment belonging to one railroad is run on the lines of another railroad. I don't believe that that applies to crews. I may be wrong.

ASSEMBLYMAN PAPAN: Can you say at every point that where ownership of those lines is different you change those crews?

MR. TAGGART: I can't say that but I think that's the case. But there's a man in the crowd that can say so, I think you ought to ask him.

CHAIRMAN WRAY: You sound as if you were totally arbitrary in the sharing of the joint practice but in reality since things like that are occurring here and there, would you not actually be open to negotiation on some of those things?

MR. TAGGART: At the present time, I can say that we have discussed this proposal at great length and in great detail and we

feel that the tremendous exposure to liability that we would incur as a result of the operation of these trains over 20 grade crossings running down the middle of the street is an exposure that we simply cannot afford to accept. As I also pointed out, it would be extremely complex to arrange operating over another person's railroad. Now for these and other reasons, we feel that if Caltrans wants to run these trains over someone else's railroad, we're going to cooperate with them so that they can do that.

CHAIRMAN WRAY: One, two, three and four, we saw that. We also saw your reluctance to share in certain other areas. Why don't you go on to number five ...

MR. TAGGART: Well, number five I think I just covered and that is the indemnification for any liability which is incurred as a result of the operation of these lines by another operator off our railroad.

CHAIRMAN WRAY: Also you're saying in the area of negotiation, that would be part of it. It would have to be part of it. That's what you're saying in essence.

MR. TAGGART: Well, Mr. Wray, what I'm saying is that we agree to cooperate with Caltrans in turning these trains over to another operator when they're not on our property.

CHAIRMAN WRAY: I think we're happy we got that far.

MR. TAGGART: Good. Well, I think that Caltrans is pleased and that makes us all happy. Just in conclusion I'd like to say that we've been involved in the running of this commute operation for many years. We're proud of the way it operates. It operates a very efficient, on-time service and we intend to

continue to cooperate with Caltrans, to continue to maintain that level of efficiency and service to the public, and that concludes my prepared and my unprepared remarks but I'd be happy to continue.

CHAIRMAN WRAY: I'll let you go in just a second, but first thanks very much. I think you've really cleared up a number of issues that we were concerned about and very few that Assemblyman Papan I'm sure will be pursuing and working on along the way, but I hope your experience here today will not discourage you from being ready to go through our next hearing. I believe it will be in Orange County or San Diego County.

MR. TAGGART: Oh, not at all, Mr. Wray. After appearing before Mr. Papan at the old commute hearings, I would look forward to anything after that.

CHAIRMAN WRAY: We enjoyed the testimony very much and now we're going to throw you to the wolves. Assemblyman Papan, are you ready?

ASSEMBLYMAN PAPAN: Let me ask you a question.

MR. TAGGART: Surely.

ASSEMBLYMAN PAPAN: There have been considerable layoffs with SP.

MR. TAGGART: Yes.

ASSEMBLYMAN PAPAN: Have there been any that have impacted that commuter line? Have you cut back? Have there been layoffs on the commuter line?

MR. TAGGART: You mean the operating personnel on the commute lines?

ASSEMBLYMAN PAPAN: No, at any level. Have you cut back on that line?

MR. TAGGART: Not to my knowledge. No, not to my knowledge. We are obliged to provide a certain number of crews to operate a certain number of trains and we're still operating those trains with those crews. We're obliged to maintain the right-of-way up to a certain standard. Now, when you're dealing with things such as right-of-way maintenance and things of that nature, it may very well be possible that a job that was on that route or jobs that were on that route are no longer on. I don't have the specific breakdown on that, but I can say that the quality of the service and the maintenance of the equipment of the roadbed has not suffered and will not suffer.

ASSEMBLYMAN PAPAN: It couldn't get any worse.

MR. TAGGART: Oh, now Mr. Papan, that's unfair of you. You know we've got a high class, double track, 70-mile an hour freight line. You couldn't get much better than that.

ASSEMBLYMAN PAPAN: What has been the layoff in numbers of percentages for SP statewide?

MR. TAGGART: I don't know what it is on a statewide basis. I don't believe that we have released those figures on a statewide basis. You've all read in the paper, we were forced to furlough 1,200 people a couple of weeks ago and there have been other furloughs prior to that time. I quite frankly don't know what the total has been but these furloughs have been over the 14-state area in which we operate.

ASSEMBLYMAN PAPAN: Then business is off is what you're telling me?

MR. TAGGART: Well, we all know that.

ASSEMBLYMAN PAPAN: Okay, as long as I hear you say it. The reason I'm saying this is that should there be difficulty in the kind of mobility that we're all striving to get with respect to the passenger service, Caltrans should begin to assess its position with respect to doing business with people like yourself from a standpoint that since there is some question economy-wise, and in the case of what I cited to you from Forbes, to take a total look at that corridor from the standpoint of purchase. Your lay-offs, what is being alleged in that magazine, Forbes, leads me to believe that maybe it would be in the best interest of the railroad to think in terms of possibly selling that right-of-way.

MR. TAGGART: Well, as I said earlier, that offer was made some time ago and I have a reason ...

ASSEMBLYMAN PAPAN: How much was the offer?

MR. TAGGART: I don't recall.

ASSEMBLYMAN PAPAN: Was it 200 million? And we were buying a loss at the time.

MR. TAGGART: What you're buying, Mr. Papan, is a piece of property.

CHAIRMAN WRAY: So it was made while the ICC hearing was being conducted for the authority.

ASSEMBLYMAN PAPAN: But, Mr. Chairman, we weren't buying that. We were buying a line. We were buying a loser which you were carrying on your books and you wanted 200 million dollars

for it. Maybe we won't give you as much and you can write it off. Maybe you need a write off.

MR. TAGGART: Unfortunately, you have to have substantially more revenues than are presently the case in order for a write-off to be effective.

ASSEMBLYMAN PAPAN: Okay, I won't pursue it. I don't want to embarrass you. If the revenues are not there, that's okay too but we're going to work together. The one thing I always come away with is that the bigness is hurting all of us, the bigness of government and in some instances the bigness that goes with a company, but we're going to have to move in the same direction in spite of these obstacles.

MR. TAGGART: I think that we are moving in the same direction, Mr. Papan, and I think that we have a goal. I just hope that the committee and those who are making these decisions does not choose one of many proposals to establish a better commute operation in the San Francisco Bay area without giving a very fair and thorough consideration of other proposals and, as I said, if you want, if the proposal that is acceptable is an extension of that service to the Ferry Building, I believe I have indicated in a very positive way that we're cooperating with you to do that.

ASSEMBLYMAN PAPAN: We have very competent people and I'm hoping at the other end, it's a positive attitude once the decision ...

MR. TAGGART: Well, I've always been a positive person as have you.

ASSEMBLYMAN PAPAN: Oh, boy.

CHAIRMAN WRAY: I think, Mr. Papan, I think we are closer to being on the same wave length. We aren't totally in agreement in a number of areas but I think the agreement is much closer than it was, say for instance, even three and a half years ago. And you know economics change. The economic situation does change the attitude of both government and business organizations and I think that's a good reaction on the part of both entities to try to accommodate the change of the times. Mr. Frazee, yes, okay.

ASSEMBLYMAN FRAZEE: Just one question, going back to the subject of operating your equipment over someone else's tracks ...

MR. TAGGART: Yes.

ASSEMBLYMAN FRAZEE: Is it not true in a typical freight operation that there are many spurs, side tracks, that are privately owned and in the course of normal operations your trains and your crews will move on to that privately owned track ...

MR. TAGGART: Well, certainly that's generally the case in delivering freight to and from an industry or a business, yes.

ASSEMBLYMAN FRAZEE: And so you have some liability exposure beyond your own operation in that instance?

MR. TAGGART: That is correct and commonly we do in the contractual negotiations for serving that industry those particular liabilities are taken into account.

ASSEMBLYMAN FRAZEE: And even in some instances of extremely large businesses, they may have their own piece of switching equipment operating.



MR. TAGGART: That's right.

ASSEMBLYMAN FRAZEE: Why is that different then than this one?

MR. TAGGART: Well, I think that the analogy perhaps that we should continue to make here is not going in and serving an industry but having one railroad operating on the lines of another railroad. We feel that the exposure, the liability exposure for anyone who operates on that particular piece of railroad for all the reasons that I indicated earlier is a potentially very, very large one and whether you have people out there with flags and walkie talkies or not, my experience and I've tried a lot of railroad crossing cases for this company, my experience is people run into trains, and trains run into people. It doesn't make any difference if a guy's out there with a flag or gates are down or bells are ringing, it's going to happen and the exposure is potentially explosive and we are quite frankly not willing to undertake that type of tremendous liability exposure.

CHAIRMAN WRAY: Without some sort of a guarantee from the ...

MR. TAGGART: Well, that would be very difficult to accomplish because you can't insure yourself against your own negligence as may be found by a jury in a court of law.

ASSEMBLYMAN FRAZEE: In the balance of the operation ...

MR. TAGGART: That may be, excuse me Mr. Wray, that may be something that somebody would want to talk about.

ASSEMBLYMAN FRAZEE: In the existing operation, is the liability shared by Caltrans?

MR. TAGGART: No. Under the existing contract on the Peninsula, Southern Pacific assumes the responsibility up to the first 10 million dollars. That was a bargaining point and a subject of serious negotiation at the time that the contract was entered into. I might say too, that even though on the Peninsula line every one of the crossings is protected by automatic gates and bells, we still have accidents as you know, Mr. Papan, and people still run around the gates and run into the train.

CHAIRMAN WRAY: Thank you, Mr. Frazee. You got home relatively unscathed.

MR. TAGGART: Very good. Thank you very much.

CHAIRMAN WRAY: All right, after that I think we'll be ready for Doug Wright who's Assistant General Manager of the Public Utilities Commission, City and County of San Francisco.

MR. DOUG WRIGHT: Thank you, Mr. Chairman. Dick Sklar sends his apologies for not being able to be here and asked me to read remarks that he prepared. I am Assistant General Manager of the Public Utilities Commission. Thank you for your invitation to comment on several aspects of the Caltrans Peninsula Commute Service. I hope my comments will be of some help.

As you know, the City and County of San Francisco participates in the management of the Peninsula service through the Project Management Committee, and we also contribute to the service's subsidy.

In our exposure to the service during the last two years, we have found the Peninsula service to be a mass transit infrastructure of enormous potential, both in terms of patronage and financial return. But the service has been hampered by a history of capital

starvation, antiquated work rules, irrational fare policies and inadequate termini (both in San Jose and San Francisco).

As it is currently structured, the overall quality of operation provided by the Southern Pacific Company is adequate. Trains run on time, they are clean and the crews are friendly.

ASSEMBLYMAN PAPAN: Where did you get that information?

MR. WRIGHT: Trains run on time, they are clean and the crews are friendly?

ASSEMBLYMAN PAPAN: Yeah.

MR. WRIGHT: I don't know where Dick got it. That's been my experience the few times that I ...

ASSEMBLYMAN PAPAN: I thought you might have that kind of information more available to you than what's been my experience.

MR. WRIGHT: I think it's a personal observation more than not. However, the service is totally inadequate to the needs of the Peninsula.

Trains run infrequently. The Peninsula houses more than one and a half million people, yet its trunk line mass transit system operates only every two hours midday. When the service level on the Peninsula line is compared to other rail transit systems, such as BART and the San Diego Trolley, it becomes apparent that systems with similar population densities can operate trains far more often, with far greater patronage, and with a greater farebox recovery ratio than the Peninsula Service.

The equipment is old, the stations are rundown. The current passenger cars are more than twenty years old, with some cars dating back to the 1920's. The motive power is similarly

dated. While new equipment will soon be ordered, it is still very similar to the current equipment. We have all agreed to push-pull operation, but we also need to explore electrification, particularly in conjunction with any relocation of the San Francisco terminal to a site closer to downtown. New ideas, such as self-service fare collection, again as successfully applied to the San Diego Trolley, should be considered for their application to the Peninsula line.

Stations are also in need of repair, renovation and, in some cases, expansion. Stations should be owned and operated by the entity responsible for the service. Stations should become the transit centers of the communities; time transfer bus connections should be established at these stations. We strongly favor the joint development of station sites--joint development provides both income to the service and establishes activity around the area. Joint development is defined, however, as the offering of station sites selected by the Peninsula service. We should not allow developers to dictate station sites on the basis of their opportunity for speculative profits.

Single-trip Peninsula fares are currently too high, in comparison to similar Bay Area transit services. It now costs \$4.00 to ride from San Francisco to San Jose. The most expensive ride on BART costs \$1.75.

ASSEMBLYMAN PAPAN: Let me ask you a question. What would it cost to use your automobile from San Jose to San Francisco?

MR. WRIGHT: That's a good question.

ASSEMBLYMAN PAPAN: And you're coming in to park downtown.

MR. WRIGHT: You just went over the top in parking costs downtown.

CHAIRMAN WRAY: You blew the meter.

MR. WRIGHT: The comparison, of course, is daily transit fares, not the cost of automobiles.

ASSEMBLYMAN PAPAN: Well, the obsolescence is fast approaching with respect to the use of the automobile. Surely the automobile is obsolete when you're talking in terms of crossing the bridge at the height of the commute hour. You can cross it in BART in five minutes, seven minutes. Has the city proceeded to think in terms of the fast approaching time where the automobile is going to be less and less relied upon and are they equipped? I know that they are moving in that direction by disallowing formulas with respect to providing parking for some of these large buildings that are going up in order to discourage the use of the automobile. So I'm hoping as your letter continues, it's supportive of the posture the city has taken with respect to expediting and increasing the use of public transportation to come into the city and keep it a vital economic unit.

MR. WRIGHT: Yes, I think it's recognized by many in the city, certainly the PUC, that a growth forecast for San Francisco in terms of jobs and the residential location of those jobs is going to recognize what you just said very quickly; and that is that the corridors of travel into the city are at capacity now so the future reliance has to be on mass transit and it's true of the Peninsula corridor as much as the others.

ASSEMBLYMAN PAPAN: Well, the only reason I stated that was to see if we could generate some support in San Francisco is the decision is made to extend that commuter service to the Ferry Building. I mean thinking has to be consistent for all of us. I think we all are beginning to recognize that the automobile is becoming obsolete and we're encouraging people not to use it.

MR. WRIGHT: For certain trips.

ASSEMBLYMAN PAPAN: And we should begin to move in the direction of helping Caltrans and the railroads and whoever else provides service into the city.

CHAIRMAN WRAY: I've been looking into my crystal ball and I see San Francisco somewhat like Manhattan with the only vehicles you see downtown being limousines and buses.

ASSEMBLYMAN PAPAN: That's so true, Mr. Chairman, I'll tell you.

CHAIRMAN WRAY: We are sorry for all the interruptions. We're enjoying them.

MR. WRIGHT: All these factors, problems that we have interited when our partnership took over the service, point to the need for a new, long range study. This study should address the potential in, and the measures needed for, an incremental conversion of the present Peninsula service from its historical commute rail function to a more useful low level suburban rapid transit service.

The PENTAP study was useful; it told us how to save the service. We did that, but now we need to go further. The demand on the Peninsula for a highly frequent service needs to be analyzed and the capital requirements of such a system then studied.

While I realize this is a somewhat radical proposal, I firmly believe that we will either have more trains or no trains. What we envision is functionally something similar to the highly successful San Diego Trolley--low cost but highly effective, popular and efficient.

If the Peninsula service is to survive, there is an obvious need for a long term permanent downtown San Francisco terminal. The feasibility and impacts of a new downtown terminal are being evaluated as part of the I-280 Concept Program Study. However, without a downtown terminal, the service may well die. Of the various alternatives that have been studied, Rincon Annex is emerging as clearly the most desirable. Rincon Annex offers a right-of-way substantially under public ownership, it is in the heart of downtown, and it is convenient to existing and planned Muni services which would allow easy and convenient transfers to the local transit system.

We agree with the recent consultant report that estimates a new terminal at Rincon Annex will triple patronage into the San Francisco on the Peninsula line (the consultant estimated the current 13,000 trips in and out of the city would increase to 38,000 trips). We also believe the air rights above Rincon Annex, and adjacent properties, could be sold and pay for a significant portion of the new terminal.

Additionally, Muni would realize a savings of one million dollars annually. We are now, as a result of our shuttle service between the current terminal and downtown, absorbing this cost.

Rincon Annex offers a good location and promises substantial patronage increases. But it still avoids the problem of massive condemnation inherent in the Transbay Terminal proposal or the environmental effects of surface operation to the Ferry Building.

Finally, you asked several questions relating to our partnership arrangements. We have an excellent relationship with the current Caltrans District 04 administration. Both Norm Kelley, the District Director, and Fred Barton, his deputy for rail operations, are highly competent men with an understanding and a deep commitment to the Peninsula service.

However, we should realize that the current institutional arrangement embodied in the Project Management Committee is temporary. It was borne out of PENTAP as a quick way to save the service. But it is becoming increasingly awkward, cumbersome and conflicting. Awkward because all the transit districts must receive their policy board's approvals before joining Caltrans in changing any aspect of the service, and conflicting because my representative on the PMC often must vote on Peninsula capital grant applications that compete with Muni's own grant applications. Soon Santa Clara will be in the same predicament.

I am not sounding a panic. San Francisco will continue to contribute our share of the service's subsidy. But we must all start thinking of the service's long term--both its service design, as I have described, and also its administrative arrangement. Several options are available, ranging from direct Caltrans operation to a new special district. Each has pros and cons.



It will take all the partners, working with the Legislature, to devise an equitable and permanent administration for the service. But before that, I hope the partners will have adopted a long range service plan that will ensure the service's continued viability.

Thank you for allowing me this opportunity to share my thoughts. Sincerely, Richard Sklar.

CHAIRMAN WRAY: Thank you, Doug, for a very comprehensive report. And I think it just bears out what our Caltrans, California Transportation Department, has been telling us and everyone interested in a successful commute service in the San Francisco area. Any questions? No questions. Thank you. Our next testimony of the morning will be given by the San Mateo County Transit District.

MR. JACK BLAND: Mr. Chairman, Members of the committee, my name is Jack Bland. I'm Vice Chairman of the Board of Directors of San Mateo County Transit District and I'd like to thank you for inviting SAMTRANS to participate this morning. SAMTRANS has played a special role in the successful campaign over the past seven years to retain passenger rail service on the Peninsula. Through the efforts of our late General Manager, John Mauro, SAMTRANS initiated the Fare Stabilization Plan in conjunction with Santa Clara and San Francisco counties in 1978 that reversed decades of ridership decline on the Southern Pacific. I'd also like to point out that Assemblyman Papan who's here this morning has also been instrumental in this grassroots effort from the beginning to preserve this needed service.

Our commitment to the rail service has not diminished. At current ridership levels, it would require 85 additional buses for SAMTRANS to transport San Mateo County rail passengers on an average weekday. During peak hours, today our existing bus fleet carries capacity loads along our Mainline corridor between Palo Alto and San Francisco. Indeed, we are seriously concerned that several of our mainline routes will be impacted beyond current capacity this fall.

Clearly, then, a viable, well-run passenger rail service is more essential than ever in the spectrum of public transportation in San Mateo County.

Development of the service, however, has not kept pace with our projections when the agreement was signed between public agencies and the Southern Pacific in 1980. This issue already has been discussed, and I will not belabor it.

It is clear, however, that valuable initiative was lost when the original concept of refurbishing existing equipment for near-term utilization proved impractical. The promotion effort necessary to offset increased costs to the rail commuter never materialized. With the exception of one decorated consist, the familiar battleship grey equipment still makes its way up and down the Peninsula. A fare increase was implemented last April. Marketing and promotion efforts continue to be sporadic. Yet the ridership decline from the days of the discount fare program has been relatively small.

Now that the decision has been made by Caltrans to acquire new cars and locomotives, we believe it is essential that

these acquisitions be accomplished as quickly as possible. We are further convinced that further delays pose a serious threat to the continuation of the rail service.

On the positive side, we feel that the new schedules emphasizing reverse commutes for workers to the South Peninsula and San Jose areas have been well received. With additional promotion, we think they will be even more successful and our consumers report that Caltrans has done a commendable job in monitoring the performance of the SP. Cleanliness on the trains has improved recently and SP's fine reputation for on-time service continues to prevail.

In short, we're disappointed that ridership is not higher, we are gratified that rail service has been retained, and we believe that the potential for growth, under proper conditions, and proper marketing of this service remains extremely bright.

We have been asked to comment on the stability of our existing support of the service. During the current fiscal year, SAMTRANS has budgeted \$2.87 million in Transportation Development Act revenues to underwrite our share of the projected operating deficit. This is close to 25 percent. This commitment increases to \$3.3 million in 1983-84, \$3.8 million in 1984-85, \$4.2 million in 1985-86 and \$4.7 million in 1986-87. These estimates are based on current fare revenue projections and estimated ridership increases of five percent annually increases that we feel can be attained under proper conditions.

One of these conditions is extension of service from the existing terminal at Fourth and Townsend in San Francisco closer to the downtown work sites. Our board has unanimously adopted a

resolution calling for this vital improvement at the earliest possible time. It is difficult to calculate the stultifying effect that the current San Francisco station location inflicts on potential ridership and, in this regard, we are delighted to learn today of SP's willingness to initiate the service to the downtown area.

When the original contract was formulated with Southern Pacific two years ago, several institutional formats were suggested. At SAMTRANS, we felt that yet another layer of government in the form of a separate rail agency was not appropriate. Further, we believe that the agencies who now operate services today within their respective districts are in touch with the needs of our transport customers. To date, the public participants have administered the contract jointly with Caltrans as the lead agency. And, while we are not satisfied with some aspects of this arrangement, we are not prepared to recommend that this be abandoned at this time. Actions of the Project Management Committee, the cooperative joint entity which administers the contract, often have crossed into the policy area without sufficient opportunity for input by the sponsoring policy boards. Recently we had conferred with Caltrans representatives on this issue, and we have been assured that this procedure can and will be adjusted to fully comply with the provisions of our cooperative agreement. On this basis, we recommend that the current structure be retained for the time being.

We are concerned about the need for policy input, and about consistent communication between Caltrans and the communities along the rail corridor. But equally important, we see an

opportunity for a vast improvement in coordination among the entities that provide funding for the operation of the service and for the capital projects that are integral to its survival. We understand that funding for acquisition of 48 gallery cars and 19 locomotives is relatively secure, from a combination of UMTA Section 3 rail funds and state sources. However, it seems apparent that financing for the Station Acquisition and Improvement Program has not been solidified. Equally apparent, there has been disagreement among Caltrans, the State Transportation Commission, and the State Legislature about the structure and level of funding for this program and it is distressing to us as partners in the project that this debate has been carried on in a relative vacuum. We have been asked on occasion to direct telegrams to the Commission and to the Legislature affirming the importance of the program. We have read statements from legislative and CTC staffs opposing this viewpoint and we would suggest that the public interest could be much better served by including San Francisco, San Mateo and Santa Clara transit representatives in these budget discussions to be sure that local concerns are adequately reflected.

ASSEMBLYMAN PAPAN: How do we do that now?

MR. BLAND: Well, I don't know but I think you'll find that in San Mateo County we're there and we're certainly willing to answer a call to participate.

ASSEMBLYMAN PAPAN: Let's resolve that right here and now. Can't we do that?

MR. BARTON: We certainly can and we have started.

ASSEMBLYMAN PAPAN: He says they haven't done it.

MR. BARTON: Well, I've appeared twice in the last couple of months before the Board to bring them up to date on certain items ...

ASSEMBLYMAN PAPAN: No, just invite him every time you meet. What the hell does that take?

MR. BARTON: Are you talking about the PMC meetings or what?

ASSEMBLYMAN PAPAN: He's just registering a complaint, articulates an excellent complaint. They want to be present. In the case of SAMTRANS, invite them.

MR. BARTON: It's a meeting open to everybody.

ASSEMBLYMAN PAPAN: No, no, no. Hey, would you invite them?

MR. BARTON: Yes, I will.

ASSEMBLYMAN PAPAN: Okay.

MR. BLAND: I've got to say, Mr. Papan, that we've had conversations with our local Caltrans people and our relationship there ...

ASSEMBLYMAN PAPAN: No, no. Let's not go through that. He's going to send you an invitation, you be there.

MR. BLAND: Terrific.

ASSEMBLYMAN PAPAN: Okay.

MR. BLAND: We accept.

CHAIRMAN WRAY: Let me ask you to pause just a moment. There's one statement that we passed. We're concerned about the Station Acquisition Improvement Program. Let's see, is Mr. Fernandez or what about Mr. Fitzpatrick? Don't we have as

identified by the Foran bill of two years ago, some ongoing funds that the Commission can utilize?

MR. FITZPATRICK: Yes, we do Assemblyman. As a matter of fact, we've allocated \$7 million already for the acquisition of the stations and we have recommended that the Commission adopt at the end of this month an additional \$5 million to buy the rest of the stations plus \$10 million to rehabilitate ...

MR. BLAND: It looks like there's more solidification than I'm aware of. I'm delighted to hear that.

MR. BARTON: I have to say I'm not aware of that either. Maybe I'll be invited to a few meetings.

MR. BLAND: I congratulate you, gentlemen, on this meeting this morning. We would further suggest that, as operators, we could play a productive role in the funding application process for the rail service on regional, state and federal levels and we offered to do this. As for daily operation of stations, virtually all of the municipalities in San Mateo County are vitally interested in upgrading these facilities as community resources. Redwood City, as one example, is planning a comprehensive transportation center around the site of the current temporary rail facility. Fourteen percent of Redwood City's rail riders arrive at that station by public transit, by SAMTRANS.

ASSEMBLYMAN PAPAN: Without opening old wounds, do you know what the vote was when we established SAMTRANS, to establish a transit district? You know Redwood City was one of the cities

that didn't support it. The only city in the south, was Menlo Park. I've got to commend you for educating the public to the need for that kind of service.

MR. BLAND: I think in our county we feel there's a lot of support and you probably have some feelings for that yourself.

ASSEMBLYMAN PAPAN: I think the seat of government is at the north end of the county even though physically it's Redwood City, okay?

MR. BLAND: We are participating as fully as possible in projects of this kind, that is the cooperation with the local cities on their stations, within San Mateo County. However, the projected operating budget which I cited earlier represents the maximum feasible SAMTRANS fiscal commitment to the rail program over the next five years, and we're projecting on our own budget a deficit, I know, over the next three years. The cooperative agreement, of course, specifically excludes the transit districts from any role in the capital acquisition and improvement of the individual stations. But we see no reason why day-to-day operating costs of the stations should appreciably exceed the amount currently underwritten by our operating subsidies. And just from a personal point of view, I suspect the importance of these stations to the communities are such that we can seek and get more cooperation from the local communities.

Obviously, each of the rail stations along the Peninsula corridor represents a prime location for a principal transit interface. In San Mateo County, more than 300 peak-hour SAMTRANS schedules connect with popular commute trains. All told, over



1,000 schedules serve San Mateo County rail depots during the day-- approximately half of our daily schedules throughout the entire system--and rail ticketholders are transported on SAMTRANS buses free of charge to and from these trains.

Mr. Chairman, my testimony has been an effort to underscore the conviction of San Mateo County Transit District Board of Directors that passenger rail service on the Peninsula must be preserved and nourished to meet the present and future mobility needs of our residents. Thank you for the opportunity to appear, and I hope this session presages a new era of communication between our districts and the entities in Sacramento who are so important to us. I'd be delighted to answer any questions.

CHAIRMAN WRAY: We're glad to have your testimony today. We also hope that we alleviated some concern that you might have there in the way of certain funding situations. We are pleased to hear the attitude relating to transit overall is so good in that particular area.

MR. BLAND: We need these kind of supporters.

CHAIRMAN WRAY: I think it all points out that we're going to, you know, bide our time. We're going to have to have a totally integrated transportation system in both Southern and Northern California along with improved heavy rail. Well, I think the calamitous situation has been pointed out many many times and now what we're looking at is ways and means and suggestions coming from different districts.

MR. BLAND: Thank you very much.

CHAIRMAN WRAY: Next is the Metropolitan Transportation Commission. Bill.

MR. BILL HEIN: Thank you. Mr. Chairman, my name is Bill Hein. I'm Deputy Executive Director of the Metropolitan Transportation Commission and I'm here today in place of Mr. Bill Lucius who sends his regrets.

CHAIRMAN WRAY: We miss Bill. He makes the meeting more colorful at all times.

MR. HEIN: He avoids the use of microphones.

CHAIRMAN WRAY: Yeah, he doesn't need one.

MR. HEIN: In addition, Supervisor Diridon called me yesterday. He was scheduled to go next, as you know. He also sends his regrets and asked me to pass out to the committee his sentiments about the commuter rail service which I thought was very succinctly put by Jack Bland. I think Mr. Diridon could go on record as supporting and endorsing the importance of the commute rail service to the interest of Santa Clara County. In the interest of time, I don't plan on reading my testimony. I hope that will be satisfactory to you, Mr. Chairman. I just thought I'd hit some of the high points and the points which you've asked me.

Let me just address briefly our role in providing operating assistance for the Peninsula Commute Service. Thanks to Assemblyman Papan we have been responsible for developing a finance plan for the commute service which we have submitted to the Legislature and essentially what has happened since that time follows that finance plan. You've heard a lot of numbers today and I won't repeat them but the finance plan depends on a number of

things. The most critical right now, in my judgment, is the ability of Caltrans to meet its ridership projections.

Thanks to the Assembly Transportation Committee; in particular you made sure that the State Transportation Assistance Funds and the TP & D funds which provide over 75 percent of the funds for this service are continued. Without that this service would have been in jeopardy. You've heard a lot about the Caltrans capital plan today. The capital plan is consistent with the regional transit capital priorities which MTC annually develops. We wish there were more money for all the projects in the region. Obviously there isn't. We annually go through a process with all the operators to develop a capital plan which we hope can be funded. Caltrans has been cooperative in that process and their plan which calls for about \$150 million over the next five years is consistent with that plan. MTC just yesterday took action on funding for cars. CTC is now in the process of taking action which would assure Caltrans some approximately \$40 million dollars over the next five years.

You've asked us to comment on an extension of service to downtown San Francisco and possibly to Gilroy. Doug Wright talked to you before. We are in the middle of an I-280 transfer study. One of the candidate projects there would be the extension of Southern Pacific closer to downtown San Francisco. There are other alternative projects in that scheme, one of which would be to extend the Muni Metro itself to the Fourth and Townsend site of SP. Unfortunately, there's only \$88 million potentially available from that interstate transfer and there are considerably

more projects competing for that fund than there are money. We anticipate that within the next 12 to 15 months we will be able to determine priorities again for the use of that \$88 million. MTC has not adopted a position on the possible extension of SP to Gilroy. We tangentially addressed that question as part of the Santa Clara-Guadalupe Corridor's evaluation which looked at SP extension part way in that direction and then the possibility of kicking it on down to Gilroy. As you know, the Guadalupe Corridor study has been completed with the recommendation that a light rail be developed in that corridor and considerable action is now going on to develop that light rail system.

Finally, you asked us to comment on the role of local governments. Again, you've heard a lot today about the role of local governments both from CTC and the last testimony from San Mateo County. The contract provides for a staff level management committee that provides for some friction occasionally between policy member boards and the staff. However, at the present time, we believe that it is working satisfactorily and have no recommendations for change. MTC has continued into existence its PENTAP Committee which has policy board representation for the purpose of reviewing the five year plan as developed by Caltrans. PENTAP has been supportive of the program so far as developed.

Finally, the budget bill which you have just adopted includes some control language which requires us to conduct an analysis of Caltrans' Southern Pacific station operations. Again, I think you heard in the last testimony there's some concern about station operations and the program for acquiring it. We

will be meeting with Caltrans, the management committee members and other interested parties as soon as possible in order to determine the scope of that review and of course we would be interested in any further legislative direction which you might want to give to that process. That completes our response to your specific questions. Again, thank you.

CHAIRMAN WRAY: Thank you, Bill, and while you're still up may I raise one question? What's the schedule for the new delivery and putting into operation the new cars that you were talking about earlier?

MR. HEIN: We have a projection of 18 months for the cars. That will be spring of '84 for cars and engines which start on-line in 12 months; so if we order them properly, they'll start March of '84.

CHAIRMAN WRAY: That's interesting to know. Thanks very much, Bob.

MR. HEIN: Again thank you particularly for passage of the STA.

CHAIRMAN WRAY: All right. I guess Paul isn't going to be here so what about Byron Nordberg? Does he have a few comments? You'll be speaking also for Paul, Right?

MR. BYRON NORDBERG: That's correct, Mr. Chairman.

CHAIRMAN WRAY: Okay, good, and some of your own inimitable wisdom in the area of light rail transportation.

MR. NORDBERG: Well, thank you for your compliment, Mr. Chairman. I'm not sure I have any great deal of wisdom in these matters, just a great deal of interest and hopefully energy. I'm

Byron Nordberg for those of you that may not know me. I'm President of Citizens for Rail California and today, as Mr. Wray indicated, I represent both Citizens for Rail California, and a subsidiary organization, Peninsula Commuter Action Committee. I provided you with two documents--we won't go through both of them but I would like to read into the record essentially the letter to Mr. Wray from the chairman of our committee here and then make a couple of related remarks at the end of it.

Peninsula Commuters Action Committee extends its many thanks for your invitation to comment on the Caltrans-SP Peninsula rail service. As you may know, PCAC is an organization of users of this Peninsula rail service. Many of our members regularly ride the Caltrans-SP trains. We will comment here on the three issues you requested along with a fourth we feel is of importance.

The transition of management of the Caltrans-SP commute rail service on July 1, 1980 was smooth. There was an existing structure within Southern Pacific that had been doing an excellent job of operating the service. This excellent day-to-day operation continues. The on-time performance is above par. The rolling stock, although aged and in need of replacement or overhaul, functions reasonably well. Stations in route are sometimes rudimentary but acceptable for the short-term. Train personnel and station agents are usually pleasant to deal with and efficient in performing their duties. Altogether, the system functions reasonably well. From PCAC's perception, the most important function Caltrans can do and is doing is upgrade the service to be more auto-competitive. The various studies that have been

performed on the service have noted this. The PENTAP study of 1978 by the Metropolitan Transportation Commission notes this. A marketing study Caltrans is now undertaking will point to this important need we feel. What do we mean by auto-competitive then and why, and before I go on peripherally I might comment at the pleasure that we in CRC have of hearing the remarks that Mr. Papan made about the obsolescence of the automobile and the need to restructure the whole view on that. Why we say the service should be auto-competitive is that the private single occupant automobile is the biggest market that rail service attracts. A study done by Caltrans on the Amtrak and Caltrans sponsored San Diego-Los Angeles-San Diego rail passenger service points this out. This lone driver has a large cost to bear driving. He or she frequently is commuting to work, going on a business trip or doing personal errands and visiting friends or relatives. On the crowded freeways and streets of the Peninsula and the closeness of many popular residential, work and pleasure locations to rail stations, the Caltrans SP rail service looks attractive. With the upgrading of the Peninsula rail service, new or refurbished rolling stock, refurbished stations, higher speeds, connecting transit service, improved marketing, it will be a more attractive alternative to many people who are now driving. We fully support the efforts of Mr. Fred Barton, Caltrans District 04, Deputy Director of Rail Operations and his staff and the Sacramento Caltrans staff in carrying out the five year plan of upgrading the service. The equipment acquisition of new passenger cars to be made this Fall and in coming years along with new locomotives

will improve passenger comfort and operating efficiency tremendously. I will talk about the stations later.

A current problem is marketing. I say current because PCAC urges Caltrans to take full advantage of the market survey they are currently taking. With results in hand, a strong marketing campaign needs to be mounted to let the residents of the Peninsula, and nearby Bay Area points, know that this service exists. Current riders have heard about the service mainly by word of mouth. We would like to comment that proposed new technologies for this service must be employed to keep operating costs down. The federal government has expressed its desire to discontinue operating grants for transit services. As you know quite well, the state budget is not overflowing with excess funds. This underscores the need for strict cost control on operations. The necessary capital investments must be made to insure this.

You asked about the desirability of extending this service to downtown San Francisco. We don't think of the extension as simply desirable. We think of it as a requirement and we wish to underscore and emphasize that There are thousands of potential patrons that will use this rail service once it is extended into downtown. Currently, we call the existing service a 9/10ths service. Our attached position paper on this issue points out many of the reasons why the Peninsula rail service needs to terminate downtown. Also the Bart-Nashman study on this question that Caltrans sponsored emphatically underscores the Rincon Annex Post Office site as the preferred alternative. We ask that the State Legislature urge Caltrans, the City and County of San Francisco and Southern Pacific



to pursue this extension to Rincon Annex with all deliberate speed.

Caltrans has just completed and adopted a study of what should be done with the Peninsula train stations excluding termini. The intent is for full state funding of this project. The project itself proposes to correct several station deficiencies. One is the acute need for greatly expanded park and ride spaces. The other is for the upgrading of all and relocating some stations. There would be no question of these findings. Funding is now an issue. We recognize the fact that this is a regional service without tremendous statewide impact. We also recognize that if the service is not upgraded, additional subsidies will have to be made that would not with higher ridership.

We also recognize that parallel streets and highways would have to be upgraded. This would all cost the state considerable money. A cost sharing basis for funding of the stations is attractive. The big detriment to this is the time delay that will occur. Many improvements in the Caltrans-SP service have been slow in coming. To further delay the stations' project until this funding arrangement is complete will be to the detriment of the service. We suggest that Caltrans acquire and improve the stations and turn over their operations and maintenance to the local or county governments. This will also reduce the initial burden on the local and county governments and allow them time to plan for their takeover. There is an issue which has PCAC perplexed. The responsibility for administering this service on the surface rests with a very capable man, Mr. Fred Barton of Caltrans District

o4. On many issues, this is the case. However, the marketing and administration of major purchases is done in Sacramento and in what we perceive a fashion that is not coordinated. When Mr. Barton was appointed, we were told to direct all inquiries and suggestions about the service to him. We continue to do this but have found that not all the decisions are made in San Francisco. We recognize the need for very major oversight functions to be done in Sacramento. We do, however, urge that all other functions such as carrying out the market program be done on a local basis with the service right there under everyone's nose so we can see the results and strengthen or change things immediately. With timely upgrading of equipment and stations and the relocation of the San Francisco terminal to downtown, this service will compete much better in the Peninsula transportation market place. That letter is signed "Very truly yours," by Paul A. Gordenev who is the Chairman of PCAC and a member of Citizens for Rail California.

I would like to add a couple of quick comments about the effectiveness of going to downtown San Francisco in the larger state scheme of things. I would like to point out to the committee for the record that we also urge this downtown station site to be made available for Amtrak operations in the future. As the committee is aware, there is a proposal that has been moving to have an extension of the Spirit of California into San Francisco. Perhaps it's premature to pursue that with vigor at the moment, but when we get downtown then we would like to urge that Amtrak not only be invited but be persuasively requested to get its train down there also.

We believe that that will serve the state's interest, the state ridership interest very well. My associate is with me today, Dr. Adrian Herzog, and I came up here on Amtrak from San Diego yesterday and earlier this morning. Fortunately the train was very nearly full. We think that that could be the characteristic of that train if part of it got in here but it must as with the commuter service get downtown so there's more logic to this station than just simply the commuter service getting down there.

We would like to also point out with hopefully a sense of humor that we are aware of many trackage rights agreements by the major railroads throughout the country and that there are at least 10 that we're aware of within the State of California. These are both Amtrak and railroad-run through agreements of various kinds, so SP testimony to the contrary notwithstanding, the public at any rate is aware of such agreements even if selected senior management and SP has not been made privy to them by other managers. We would like to therefore urge that the closest coordination be effected and negotiated with the SP and that we waste no time at all in laying to rest the notion that we're going to change crews to get downtown. Let's by all means get that to be a unitary operation one way or the other. We'd like to thank you for this opportunity to get on the record again. We've had the pleasure of working with you for now I think the better part of two years and we look forward to the continued opportunity to do so.

CHAIRMAN WRAY: Thank you very much, Byron, and we always look forward to your testimony. I will say this, you've been into this area for as long a period of time as almost any of our

bureaucratic experts and been really in the forefront of trying to preserve passenger rail operations in the State of California. We think that is most meritorious and at this particular time it looks like the last two or three years a lot of people have been trying to absorb your attitude and I really welcome that as well.

MR. NORDBERG: Thank you, Mr. Wray. If I may take the opportunity to comment that some of the bureaucratic folks that you refer to have been more than a good bit generous to me in helping me with my education and other members of CRC's staff the same way. We owe a great debt to many people especially in Amtrak and Caltrans as well as with some of the other transit districts throughout the state and I think expertise is a series of shared perceptions frequently ...

CHAIRMAN WRAY: It sounds like a mutual admiration society.

MR. NORDBERG: Well, we hope it's that. We like to think that that's the way it goes.

CHAIRMAN WRAY: Bob, do you have any questions?

ASSEMBLYMAN FRAZEE: Just one while Mr. Nordberg is up here. I was in this whole discussion of extending lines both downtown and on the other end in the Santa Clara County area. I had the experience this past year of being in Central Europe and riding both long haul trains from Copenhagen to Paris and Paris to Zurich as well as shorter lines in Germany. I came home thoroughly convinced if I was not already a supporter of rail transportation, that we should do what can be done in the way of proper management and in the interface between long haul and city operations.

Even now in the case of Frankfurt where Lufthansa is operating trains in order, of all things, to get people off of airplanes. So I think it can be done. The vast improvements that are being made there, the grand old rail stations throughout Central Europe that were pre-World War I, I guess. I was amazed to see that none of them were bombed out in World War II and in asking why, I found out that we purposely left them alone because they were such a great asset. The commitment to rail transportation in Europe is something that we all need to take a look at and it's a model for what can be done in this country as we need to get away from total reliance upon the automobile.

MR. NORDBERG: Well, I guess you and I have the good fortune of riding together from time to time on that other commuter service that runs from Los Angeles to San Diego and if I may, Mr. Chairman, I would like to comment briefly on what Mr. Frazee has told us about Europe and state that I recently had the good fortune of completing a 6,400 mile, essentially a business and inspection trip, of the Amtrak system. I'm happy to tell you that things are getting might better in the United States on rail passenger service also. It's quite a tribute to Amtrak, I would say, to get on trains in Chicago that run at better than 100 miles an hour in Indiana and Michigan and over 110 in the Empire State Corridor of New York and at 115 and soon more in the Northeast Corridor and I think you know CRC's position that there really is no basis in physics or operations that that can't be achieved out

here, at least some model of that. We look forward to working with you and working with Amtrak, you know, seeing them continue this tremendous change. I last visited their headquarters in 1979 and I was frankly overwhelmed with the difference in attitude, and the difference in the ability and work and productiveness of the place when I was there this June. They've come an awful long way. I think we've had some hand in helping that, here in the State of California as have other states. We can do it and we want it done and I think citizens out there want it done.

CHAIRMAN WRAY: Thank you, again, Byron. We appreciate the testimony as well as the encouragement. One hundred and forty year old lines in Europe are making at least 90 to 100 miles an hour and our relatively new installations have not as yet reached that and as a matter of fact, the California system is, I guess, the worst in the world still. We'd like to hear from the Public Utilities. Two distinguished gentlemen from the PUC are making their approach to the podium.

MR. WILLIAM WELL: Thank you, Mr. Chairman, for inviting the California PUC to participate in this hearing. Victor Weiser, the Director of Transportation, asked me to express his regrets that he wasn't able to be here today but he has asked Mr. Oliver and I to appear before you to answer any questions you may have. I am Chief of the Passenger Operations Branch which deals with the rates, routes and services of all common carriers, the passengers that the Commission regulates, which includes the SP-Peninsula commute.

CHAIRMAN WRAY: You want to identify yourself as well now. You want to give your name also. You didn't ...

MR. WELL: I'm Mr. Well.

CHAIRMAN WRAY: We know, but those people out there don't.

MR. WELL: And Mr. Oliver is Chief of the Railroad Operations and Safety Branch and his branch deals with the safety of operations of the Peninsula commute so between the two of us we hope we answer any questions you may have.

CHAIRMAN WRAY: Very good. And you also have some very good written material that you're submitting to the committee which we're very grateful to have including some of the latest figures and an update on some litigation, I guss.

MR. WELL: Yes.

CHAIRMAN WRAY: We'll make use of that. Bob?

ASSEMBLYMAN FRAZEE: So you're not going to read your testimony here then?

MR. WELL: I don't need to.

ASSEMBLYMAN FRAZEE: Okay. Let me ask a question and perhaps I didn't understand the Commission's role in rate regulation for this particular operation on the Peninsula service and I see something here that indicates Southern Pacific's passenger fare increase proceeding. Is that the way rate setting is handled as though Southern Pacific were still the operator of the system so they must go through all the procedures as far as fares are concerned?

MR. WELL: Yes. My comments deal with that and so does the Commission's decision and there's also a dissent attached to the decision by the President of the Commission objecting to our need to play that role.

ASSEMBLYMAN FRAZEE: So it's that rather unique relationship of Southern Pacific operating it.

MR. WELL: Yes, the party responsible to us is Southern Pacific and any time there's a rate change or a timetable change, SP must file with us.

CHAIRMAN WRAY: But as a matter of fact the recent perusal of existing statutes gives you even more of a control factor.

MR. WELL: Under AB 1010, yes. Correct.

ASSEMBLYMAN FRAZEE: And obviously participation in making this decision to seek a fare adjustment or a schedule change by the other entities involved, like Caltrans ...

MR. WELL: Yes, Caltrans acts as an agent for SP in coming before us.

ASSEMBLYMAN FRAZEE: But there is still a significant effort on the part of SP in one of these rate proceedings and I assume then that they are able to recover their cost of those proceedings from the operation and that goes into the loss of this operation and that's what the public ultimately picks up in the way of a subsidy.

MR. WELL: That would be covered in the contract between SP and Caltrans.



CHAIRMAN WRAY: How has that added responsibility worked out as far as the Commission is concerned? Has it worked out to your satisfaction?

MR. WELL: Well, it's been satisfactory but on the same hand it's been more work for the Commission.

CHAIRMAN WRAY: It's more work, sure. Absolutely. We were aware of that.

ASSEMBLYMAN FRAZEE: And it's a constitutional requirement that gets you into that ...

MR. WELL: Yes, the Constitution requires the Commission to regulate transportation companies and SP is a transportation company, of course.

ASSEMBLYMAN FRAZEE: So there would have to be some entirely different structure of the agreement that would allow fare setting to be done and schedules to be done by a local transportation agency ...

MR. WELL: If there were a public corporation called Caltrak like Amtrak then the Commission would not have to economically regulate. We would still be responsible for the safety.

CHAIRMAN WRAY: Mr. Oliver would still keep very busy and your duties would be lighter.

MR. WELL: That's right.

CHAIRMAN WRAY: Thank you. I think the documentation you give us is going to come in rather handy. So thanks very much for your appearance here today.

ASSEMBLYMAN FRAZEE: Could I ask a question of Mr. Oliver? I don't know if this is appropriate for you to respond

to this but the question of the very substantial increase in liability on the part of SP if they were to operate off of their line within what admittedly is the sensitive area of as they mentioned 20 grade crossings and that sort of thing. You see that as a huge problem one that cannot be ...

MR. WILLIAM OLIVER: Well, they could probably do it similar to Amtrak. I think Amtrak has the same agreement where they indemnify the operating railroads against the liability.

ASSEMBLYMAN FRAZEE: And so Caltrans could do that ...

MR. OLIVER: With SP.

ASSEMBLYMAN FRAZEE: I think the testimony we had indicated that, up to \$10 million SP assumed that liability.

MR. OLIVER: That's in their contract on their commute run.

ASSEMBLYMAN FRAZEE: But it's something that could be worked out?

MR. OLIVER: I believe so. I think it could be negotiated, sure. Certainly.

CHAIRMAN WRAY: Thank you, Mr. Oliver. Fred, you commented earlier on AB 1010. You know the Department opposed it throughout the hearings. Has it caused you any problems or is it maybe easier for you to operate in some areas? Any comment on that? I'm not searching for a compliment. If there's any problem, why we'd like to hear that, too.

MR. BARTON: I've been so involved in the day-to-day things in getting acquainted with the operation itself and I'm not really too versed on all the ramifications of providing the

funding and all I hear is AB 1010 or SB 620 and it's all numbers and initials to me right now ... Just give me money and we'll make it work.

ASSEMBLYMAN FRAZEE: I think there's a member of the public that wishes to testify.

CHAIRMAN WRAY: I have witnesses from either the Brotherhood or UTU. We had one question that came up about negotiating and being able to cross the boundaries of different transportation companies.

ASSEMBLYMAN FRAZEE: I think it might be well to hear some of that.

CHAIRMAN WRAY: I think it might be useful to clarify that. I see J. P. Jones coming forward. Can you enlighten us?

MR. JAMES P. JONES: Yes, Mr. Chairman and Members, J. P. Jones, Assistant State Director for the United Transportation Union. In so far as Mr. Taggart's comment in that regard is concerned, there are joint track operations all around the country and the state where the Southern Pacific goes onto tracks of all other types of carriers whether it be Western Pacific, Santa Fe, Union Pacific but one example that I would use in how we have negotiated an agreement for the Southern Pacific crews to operate on four line railroads and vice versa, was the San Joaquin Amtrak trains, classic example. Before there were two sets of crews that operated only on their own respective tracks of their home roads. We negotiated an agreement whereby one single crew now operates between Bakersfield and Oakland and then they just trade what they call the miles off, so Santa Fe crews are running

on SP property, on SP tracks, Southern Pacific crews are running Santa Fe tracks. Mr. Taggart's red flag, if you will, is a little bit of a spectacularism I would call in the classic blockage that Southern Pacific likes to put up to these things.

CHAIRMAN WRAY: I think he finally projected that agreements could be negotiated and what we really wanted to do was maybe see some of them that were in place and were working and go on from there. I think this committee is going to be watching very very closely in trying to expedite and help in this particular case of the operation that was announced today. The attempt to extend the present operation.

MR. JONES: It's done regularly, Mr. Chairman, on their freight operations. There's interchange agreements made and joint trackage rights where ...

CHAIRMAN WRAY: UTU would help in every way possible to make that ...

MR. JONES: The door is open, Mr. Chairman. It always has been. We'll negotiate on any item and we are not foreclosing on this item at all. It's open and we're available. We will not ...

CHAIRMAN WRAY: Could we even quote you as being enthusiastic in trying to work out something in that ...

MR. JONES: Well, Mr. Chairman, let me just point out one fact. Our organization has intervened in the application by Caltrans for the extension of the existing commute service in support of Caltrans' position to extend it. So yes, we are more than enthusiastic.

CHAIRMAN WRAY: Very good and I'm sure that goes for the Brotherhood. If you don't wish to give testimony, you can nod your head. That also goes for the Brotherhood.

MR. PAUL MORRISON: Mr. Chairman, I just have to agree with Mr. Jones and the United Transportation Union. I represent the Brotherhood of Locomotive Engineers, by the way, my name is Paul Morrison, I'm Chairman of the legislative board for that organization, in the State of California. We're more than enthusiastic on this type of negotiations and we're always open for those type of negotiations. In further response to your questions, like J. P. says, this happens all over the country and all over the State of California. A good example is the railroad I came off of, the Western Pacific. We had parallel tracks with the Southern Pacific throughout most of Nevada from Winnemucca to Salt Lake City. Tracks are right next to each other and the WP and the Southern Pacific run on the same set of tracks going east and then run on the opposite set of tracks coming west and WP owns one track and Southern Pacific owns the other track and we've been doing that for more years than I've been around here. I've been here 12 years now and we've been doing it as long as I know of. Leaving Sacramento on the Sacramento Northern coming down into the Oakland area and Pittsburg area down here, we'll run over not only Southern Pacific tracks but also the Santa Fe tracks. The crews are trained in the operating practices and carry rule books with them for each different railroad so this practice has been very common for a number of years.

CHAIRMAN WRAY: Further question, Paul. Wouldn't it indeed if such negotiations were essentially approached by all parties, wouldn't it not only keep your people working closer to full time but also be an economic advantage to both the transportation line and the public who originally or eventually ends up paying the bill anyway. Through such associations, and through such commitments, would that save everybody a lot of money as well as keeping those people working?

MR. MORRISON: Oh, I believe it would certainly, in the long run, particularly ...

CHAIRMAN WRAY: And the UTU as well?

MR. MORRISON: Certainly. Anything that affects the Brotherhood of Locomotive Engineers generally affects the United Transportation Union in those type of matters. We are of course very much interested ...

CHAIRMAN WRAY: We have a vested interest in the public who ride and who ship merchandise. Both of those are, they'er our clients. They're our constituents. That's our principal interest. Of course, we certainly would like to see the railroad prosper and we'd certainly like to see the union members have the best of ...

MR. MORRISON: Well, without the passengers and the revenue freight that we haul over the railroads, of course, we wouldn't have a pay check and that in the long run is what we're all out after, so you're quite correct, Mr. Chairman.

CHAIRMAN WRAY: All right. Thank you very much.

MR. MORRISON: Thank you.

CHAIRMAN WRAY: Is there anyone else that would like to contribute any information that we might have overlooked in the course of the hearing? If not, I want to thank all of the witnesses and you certainly have been most enlightening and very very helpful and cooperative and you've helped the committee understand some of the issues involved.