

BEFORE THE
WASHINGTON METROPOLITAN AREA TRANSIT COMMISSION

WASHINGTON, D. C.

ORDER NO. 312

IN THE MATTER OF:

Application of W M A Transit)
Company for Authority to)
Increase Fares.)

Served September 20, 1963

Application No. 280⁵

Docket No. 43

APPEARANCES:

STANLEY KAMEROW, Attorney for W M A Transit Company,
Applicant.

RUSSELL W. CUNNINGHAM, General Counsel, Washington
Metropolitan Area Transit Commission.

O P I N I O N

On May 29, 1963, W M A Transit Company filed an application, accompanied by appropriate tariffs, seeking authority to adjust certain fares effective in two stages, July 1, 1963, and January 6, 1964. The proposed fares were suspended by Order No. 278 until September 23, 1963, unless otherwise ordered by the Commission.

Public hearing on this matter was held on July 15, 1963. The record contains 106 pages of testimony and ten Commission Exhibits in addition to the Company's two Exhibits.

In April, 1962, Company, at its own request, was granted changes in its tariffs which reduced fares by 10¢ for token-users on the "A-Express" and "D" lines. This was an experimental venture to see if reduced fares would substantially increase passenger volume. This venture was not successful.

Company's present application would, in general terms, eliminate the token now in use on the District of Columbia portion of its lines, increase the interline fare ride by 5¢, remove the 10¢ advantage enjoyed by token-users of the "A-Express" and "D" lines, and raise the interstate fare in most instances by 5¢. At the second stage level requested by Company, the first-zone ride interstate would be 40¢ on the "D" and "S" lines, and 45¢ on all other lines.

Both the Company and Commission staff used the calendar year 1962 as the test year for purposes of projecting future results. The future test period was July 1, 1963 to June 30, 1964. Company's operating statistics and financial data were adjusted where necessary by the Accounting and Engineering staffs of the Commission, such adjustments having been accepted by Company before the public hearing on July 15, 1963, with the exception of two items:

1. Disallowance by the Commission staff of \$12,000.00 annual rent for 60,000 square feet of space adjacent to Company's

terminal building.

2. Classification by the Commission staff of the school-fare subsidy as operating income.

Except for these two points, the statistics and calculations introduced by the Commission staff were substantially in agreement with Company's exhibits; the Commission staff, however, did introduce data showing the projected results of operations under several different rate structures in addition to the ones requested by Company.

In the course of his testimony, the Commission's Engineering Department witness recommended that:

1. Effective January 1, 1963, all new buses placed in service be depreciated on a twelve-year basis, after allowing 6% of original cost for estimated salvage.

2. Used buses acquired be depreciated at rates established by the Commission in each case.

3. Mechanical and physical condition of the transportation equipment be improved.

4. Service during the evening rush hours be improved.

FINDINGS OF FACT

The Commission has carefully reviewed, considered, and weighed all the oral testimony, exhibits, and legal arguments presented at the public hearing on July 15, 1963.

The Commission concurs in the staff's action in disallowing the \$12,000.00 rent on the space adjacent to the terminal as well as the \$4,000.00 additional rent disallowed on the rental of the terminal building, which latter adjustment was not contested by Company. The principle involved is the same in both instances.

The Commission cannot recognize the introduction of a middle-man-type entity, owned by Company's officers exclusively, between Company and the basic lessor-owner of the land. The Commission faces the same difficulty in weighing the lease of the terminal, where Transit Real Estate Company (TRECO) became the owner of the terminal, and Company sold its 100% interest in TRECO to Company's officers. The Commission could substitute for the rent the imputed costs of owning this property; this would include the charge for depreciation and the cost of property taxes and maintenance. It has chosen, however, to continue the approximately \$40,000.00 per year charge for rent which has been arrived at with the previous, non-related holder, and which was gratuitously or voluntarily discarded on November 1, 1961.

A secondary consideration in disallowing the two rent items is the fact that substantial areas of the terminal formerly used or sub-leased by Company are now being sub-leased by TRECO and/or converted for other uses.

As for the schoolfare subsidy, it is the Commission's opinion that projected schoolfare subsidies may not be taken into account in setting rates to arrive at a reasonable rate of return, this being consistent with prior rulings of this Commission.

For the purpose of this rate case the Commission finds that for the calendar year 1962 the Company had a Net Operating Revenue of \$6,223.39, and an Operating Ratio of 99.45%, not including provision for schoolfare subsidy of \$17,084.50.

The Commission also finds, after giving effect to wage increases contracted for in December, 1962, passenger volume trends, and similar projections for the future test period, that Company is expected to experience a net operating loss of \$14,000.00. The Operating Ratio would be 101.24%, unless fares are increased.

Due to the low net operating revenues estimated to accrue to Company under proposed fares, the Commission finds that basically the Company's request for new rates must be granted, leaving the Company, to quote its Vice President's words in the Record (T. 34), "willing to operate at less than a reasonable

rate of return, rather than increase fares to such a level that permanent damage may result in its relations with its passengers."

The Commission, however, takes three exceptions, as follows:

1. The Commission can only set one schedule of rates at a time. If that schedule produces insufficient revenues, Company is able to institute another request for a rate change when that eventuality comes about. The Commission therefore will not authorize a two-stage fare increase. It finds that the increase in revenue generated by Company's first-stage request is only \$4,361.00 less than the increase projected for the second-stage request. The small difference must be analyzed in the frame of reference of passenger resistance and resulting passenger volume. The public interest requires the retention of as many passengers as possible. Analysis, therefore, of the passenger figures on Staff Exhibit No. 9 reveals that 1,721,200 passengers would be affected by changes in the D. C. token fare and the Maryland interstate fares (excluding interline fare users). Resistance to Company's stage-one increase would decrease passenger volume by about 6½%, but resistance to Company's stage-two increase would cause a diminution of more than 7½%. For the small difference in revenues generated, the Commission's finding is that the first-stage increase, causing less passenger resistance, would be in the public interest.

2. Company's first-stage tariff specified a token for interstate use, selling 6 for \$1.05. This is the equivalent of 17½¢ each. The Commission finds that public convenience would be better served if the tokens were sold 4 for 70¢, also the equivalent of 17½¢ each.

3. The Commission finds, due to various Tariff Concurrences filed by and between W M A Transit Company, W. V. & M. Coach Company, A. B. & W. Transit Company and D. C. Transit System, Inc., on November 1, 1961, setting up the 35¢ interline fare, that the Company cannot unilaterally change this fare. The proposed increase would have added approximately \$1,000.00 annually to the Company's gross revenue.

The Commission finds that granting Company's first-stage request, with the exception of the interline fare increase, will generate \$40,378.00 in additional revenue in the future test period, for a return on gross operating revenues of 2.23%, clearly an insufficient return.

The Commission further finds that:

(a) Effective January 1, 1963, all new buses placed in service should be depreciated on a twelve-year basis, after allowing 6% of original cost for estimated salvage.

(b) Used buses acquired should be depreciated at rates established by the Commission in each case.

(c) Mechanical and physical condition of the transportation equipment require improvement.

(d) Service during the evening rush hours requires improvement.

CONCLUSIONS OF LAW

The Commission concludes as a matter of law:

1. That the present fares of Applicant are unjust and unreasonable and will not produce sufficient net revenues to maintain Applicant in a sound financial condition.

2. That the fares proposed by Applicant, except the proposed interline fare and the proposed second-stage fares are just and reasonable in the circumstances confronting Applicant, and are not unduly preferential or unduly discriminatory either between riders or sections of the Metropolitan District.

3. That the proposed interline fare should be rejected, as it is not lawfully before the Commission.

4. That the proposed second-stage fares, being in futuro, must also be rejected as a matter of law. Anticipation of results under those fares could, at this time, be only highly speculative, vague and indefinite.

All other conclusions of law reached in other parts of this Order are hereby adopted by the Commission as additional conclusions of law.

O R D E R

THEREFORE, IT IS ORDERED THAT:

1. Effective 4:00 A.M., September 22, 1963, the W M A Transit Company be, and it is hereby, authorized to establish the rates of fare as shown in the Appendix to this Order.

2. WMATC Tariff No. 11, and Supplement No. 1 to WMATC Tariff No. 1, suspended by Order No. 278, served June 28, 1963, be, and they are hereby, rejected.

3. W M A Transit Company shall file with the Commission forthwith, appropriate Tariffs pursuant to the authority granted herein.

4. Effective January 1, 1963, all new buses placed in service shall be depreciated on a twelve-year basis, after allowing 6% of original cost for estimated salvage.

5. Effective on the date of this Order, used buses acquired by Applicant shall be depreciated at rates to be established by the Commission in each case, Applicant to apply to the Commission for such rate immediately upon acquiring said used

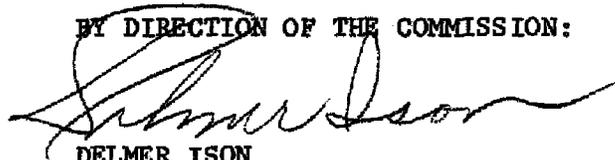
vehicles.

6. Effective on the date of this Order, Applicant shall institute a detailed study to arrive at a specific plan to improve the mechanical and physical condition of its transportation equipment, reporting such plan to the Commission, within thirty (30) days hereof, for its approval.

7. Effective on the date of this Order, Applicant shall begin a thorough study of its operating schedules, covering in particular the evening rush hours, with a view to improving service, reporting the results of such study to the Commission, with Applicant's recommendations, within thirty (30) days hereof, for approval by the Commission.

8. Any ambiguity in this Order shall be resolved so as to effectuate the carrying out of the overall intent of this Order.

BY DIRECTION OF THE COMMISSION:



DELMER ISON
Executive Director

APPENDIX TO ORDER NO. 312

ONE WAY PASSENGER FARES

DESCRIPTION OF ZONES

- (a) Zone 1 - All stops within the District of Columbia.
- (b) Zone 2 - From Fairfax Village to all stops within an area bounded on the North by Sheriff Road and on the East and South by Capital Beltway.
- (c) Zone 3 - All stops beyond Sheriff Road on the North and the Capital Beltway on the East and South.

ADULT FARES

- (a) Zone 1 - 25 cents.
- (b) Zone 2 - 25 cents.
- (c) Zone 3 - 25 cents.
- (d) Between Zone 1 and Zones 2 and 3 - See following pages.
- (e) Crossing boundary between Zone 2 and 3 - 10 cents additional, for each time crossed.
- (f) Interline fare ticket sold for 35¢.
- (g) Interstate tokens sold at the rate of 4 for 70¢.

CHILDRENS' FARES

- (a) Children under five (5) years of age will be carried free when accompanied by parent or guardian and not occupying a seat to the exclusion of other passengers.
- (b) Children five (5) years of age and less than twelve (12) years of age will be charged 10 cents less than the adult fare.
- (c) Children twelve (12) years of age and over will be charged the adult fare.

INTRADISTRICT SCHOOL FARES

Ten (10) ride school tickets sold for one dollar.

MARYLAND INTRASTATE SCHOOL FARES

Children five (5) years of age and less than eighteen (18) years of age traveling to or from public or parochial schools within the State of Maryland will be charged:

15¢ in Zone 2
15¢ in Zone 3
10¢ each time the boundary is crossed
between Zones 2 and 3

ROUTE A

BETWEEN ZONE 1 AND:

	<u>CASH</u>	<u>TOKEN PLUS</u>	<u>INTERLINE TICKET PLUS</u>
Southern Ave. exclusive to Greig St. inclusive	45¢	25¢	25¢
Greig St. exclusive to Sheriff Rd. inclusive	50¢	30¢	30¢
Sheriff Rd. exclusive to Greenleaf Rd. inclusive	55¢	35¢	35¢
Palmer Hwy. exclusive to Prince Geo. Hosp. incl.	60¢	40¢	40¢

ROUTE B

BETWEEN ZONE 1 AND:

Southern Ave. exclusive to Silver Hill Rd. incl.	45¢	25¢	25¢
Suitland Rd. exclusive to Senator Ave. inclusive	50¢	30¢	30¢
Senator Ave. exclusive to Penn-Mar Shopping Center inclusive	55¢	35¢	35¢

ROUTE C

BETWEEN ZONE 1 AND:

Southern Ave. exclusive to Fairlawn St. incl.	45¢	25¢	25¢
Fairlawn St. exclusive to St. Barnabas Rd. incl.	50¢	30¢	30¢
St. Barnabas Rd. exclusive to Auth Rd. inclusive	55¢	35¢	35¢
Auth Rd. exclusive to Allentown Rd. inclusive	60¢	40¢	40¢
Old Branch Ave. exclusive to Temple Rd. inclusive	65¢	45¢	45¢
Temple Rd. exclusive to Taylor Store inclusive	70¢	50¢	50¢

ROUTE D

BETWEEN ZONE 1 AND:

Southern Ave. exclusive to Capital Beltway incl.	40¢	20¢	20¢
The Capital Beltway excl. to St. Barnabas Rd. incl.	45¢	25¢	25¢
Brinkley Rd. exclusive to Wheeler Rd. inclusive	50¢	30¢	30¢
Wheeler Rd. exclusive to 28th Ave. inclusive	55¢	35¢	35¢

ROUTE E

BETWEEN ZONE 1 AND:

The Census Bureau	45¢	25¢	25¢
Silver Hill Rd. exclusive to Andrews AFB incl.	60¢	40¢	40¢

ROUTE F

BETWEEN ZONE 1 AND:

Southern Ave. exclusive to Sheriff Rd. incl.	45¢	25¢	25¢
Addison-Chapel Rd. exclusive to Palmer Hwy. incl.	50¢	30¢	30¢
Sheriff Rd. exclusive to Greenleaf Rd. inclusive	55¢	35¢	35¢
Greenleaf Rd. exclusive to Varnum St. inclusive	60¢	40¢	40¢

ROUTE H

BETWEEN ZONE 1 AND:

	<u>CASH</u>	<u>TOKEN PLUS</u>	<u>INTERLINE TICKET PLUS</u>
Southern Ave, exclusive to Silver Hill Rd. incl.	45¢	25¢	25¢
Suitland Rd. exclusive to St. Barnabas Rd. incl.	50¢	30¢	30¢
28th Ave. exclusive to Temple Hills inclusive	55¢	35¢	35¢

ROUTE J

BETWEEN ZONE 1 AND:

Southern Ave. exclusive to Oakwood Lane inclusive	45¢	25¢	25¢
Oakwood Lane exclusive to Walters Lane incl.	50¢	30¢	30¢
Walters Lane exclusive to Capital Beltway incl.	55¢	35¢	35¢
Capital Beltway exclusive to Andrews AFB incl.	60¢	40¢	40¢

ROUTE K

BETWEEN ZONE 1 AND:

Southern Ave. exclusive to Silver Hill Rd. incl.	45¢	25¢	25¢
Suitland Rd. exclusive to Walters Lane incl.	50¢	30¢	30¢
Walters Lane exclusive to Capital Beltway incl.	55¢	35¢	35¢
Capital Beltway exclusive to Andrews AFB incl.	60¢	40¢	40¢

ROUTE L

All within Zone I	25¢	no token	-0-
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ROUTE M

BETWEEN ZONE 1 AND:

Southern Ave. exclusive to Silver Hill Rd. incl.	45¢	25¢	25¢
Silver Hill Rd. exclusive to Suitland Pkwy. incl.	50¢	30¢	30¢
Suitland Pkwy exclusive to Capital Beltway incl.	55¢	35¢	35¢
Capital Beltway exclusive to Andrews AFB incl.	60¢	40¢	40¢

ROUTE S

BETWEEN ZONE 1 AND:

Southern Ave. exclusive to Capital Beltway incl.	40¢	20¢	-0-
Capital Beltway exclusive to Oxon Hill Loop incl.	50¢	30¢	5¢

ROUTE A EXPRESS

BETWEEN ZONE 1 AND:

Eastern Ave. exclusive to Greig St. inclusive	45¢	25¢	25¢
Greig St. exclusive to Sheriff Rd. inclusive	50¢	30¢	30¢
Sheriff Rd. exclusive to Greenleaf Rd. incl.	55¢	35¢	35¢
Palmer Highway exclusive to Prince Georges Hospital inclusive	60¢	40¢	40¢

ROUTE B EXPRESS

BETWEEN ZONE 1 AND:

	<u>CASH</u>	<u>TOKEN PLUS</u>	<u>INTERLINE TICKET PLUS</u>
Southern Ave. exclusive to Spaulding Ave.incl.	45¢	25¢	25¢
Spaulding Ave. exclusive to Senator Ave.incl.	50¢	30¢	30¢
Senator Ave. exclusive to Penn-Mar Shopping Center inclusive	55¢	35¢	35¢

ROUTE H EXPRESS

BETWEEN ZONE 1 AND:

Southern Ave. exclusive to Curtis Dr.inclusive	45¢	25¢	25¢
Curtis Dr. exclusive to Kings Pk. Inn inclusive	50¢	30¢	30¢