

✓

BEFORE THE
WASHINGTON METROPOLITAN AREA TRANSIT COMMISSION

WASHINGTON, D. C.

ORDER NO. 462

IN THE MATTER OF:

Served March 31, 1965

Application of Alexandria,)
Barcroft and Washington)
Transit Company for Increase)
in Fares.)

Application No. 300

Docket No. 74

APPEARANCES:

S. HARRISON KAHN, Attorney for Alexandria, Barcroft
and Washington Transit Company, applicant.

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

The Alexandria, Barcroft and Washington Transit Company (A. B. & W.) filed Supplement No. 3, cancelling Supplement No. 2, to WMATC Tariff No. 5; Supplement No. 3, cancelling Supplement No. 2 to WMATC Tariff No. 2; and WMATC Tariff No. 17, cancelling WMATC Tariff No. 14, to become effective February 26, 1965, accompanied by the requisite application and supporting data. The tariff seeks a five cent (5¢) increase in fares between Washington, D. C., and the Company Zone 1 (commonly known as the Government Installation Zone) in Virginia.

The proposed tariff was suspended, and the use of the fares contained therein deferred, until May 2, 1965, unless otherwise ordered, pending investigation and hearing.

Notice of the application and hearing was in compliance with the requirements of the Commission. The hearing was held on March 5, 1965, before Commissioners Hooker and Storm.

A. B. & W. presented its case through Robert T. Mitchell, Executive Vice President and General Manager, and George R. Snyder, a Certified Public Accountant. There were no protestants or intervenors. The Staff of the Commission presented testimony through Melvin E. Lewis, Chief Accountant.

Applicant has also filed for a corresponding Virginia intrastate fare increase with the State Corporation Commission of Virginia.

A brief historical review will put this case in perspective. A. B. & W. is a Virginia-domiciled, regular route common carrier providing mass transportation within the Northern Virginia area of Alexandria and south Arlington County, and between points in that area and the District of Columbia. A. B. & W. also engages extensively in charter and special operations.

In the spring of 1964, A. B. & W. filed for a general increase in fares before this Commission and the State Corporation Commission of Virginia. In June 1964, both Commissions granted the fare increases as proposed, with the exception of all fares relating to Zone 1. The Zone 1 proposed fares would have introduced a disparity of fares with a parallel carrier, W. V. & M. Coach Company, Inc. This price differential, the Commission said in its Order No. 369, ". . . would be confusing to the riding public and harmful to Applicant, by alienating large numbers of affected riders, with a corresponding loss of vital revenue." A. B. & W. Transit Company Fare Application: Docket No. 55, Order No. 369, June 22, 1964.

Subsequently, the W. V. & M. Coach Company, Inc., filed for a general increase in its fares, including its Fare Zone No. 1, which overlaps the A. B. & W. Zone 1. This Commission, as well as the State Corporation Commission of Virginia, granted W. V. & M's fare proposals, effective April 11, 1965. The fare increase granted W. V. & M. was five cents (5¢), the same as sought by the Applicant herein. As previously noted, the A. B. & W. application was filed January 26, 1965, approximately a month following the W. V. & M. filing.

Witness Mitchell testified that the Applicant's need for the additional revenue sought is compelling. He stated that A. B. & W. will have in operation 260 buses by March 1, 1965, of which 125, or 48%, will be air-conditioned; that it is continually adding additional equipment which, in turn, is continually lowering the average age of its fleet. A. B. & W. incorporated, by reference, the testimony and exhibits produced in the 1964 fare case, as it is still relevant and material.

Witness Snyder prepared and explained various financial statements, including a balance sheet which showed an investment in revenue equipment of \$3,199,797 from December, 1959, to December, 1964, and an increase of \$91,940 from November, 1964, to December, 1964. He also presented an income and expense statement for the fiscal year December 1, 1963--November 30, 1964, which showed a net operating income, after taxes, of \$165,180.00, and an operating ratio of 96.81%. This statement reflected the effects of the fare increases effective July 6, 1964. Mr. Snyder explained projected statements of net earnings for the future or project year (April 1, 1965--March 31, 1966) under present fares and under proposed fares. Under present fares, A. B. & W. would realize, he testified, a net operating income, after taxes, of \$233,973.67 and an operating ratio of 95.82%. The proposed Zone 1 fares would produce an additional \$100,635.83, and a net operating income, after taxes, of \$281,757.07 and an operating ratio of 95.05%. He also stated that interest payments during this period would amount to \$51,834.07.

As previously noted, there were no protests to the fare proposals.

Witness Lewis presented an exhibit which projected operating results for the future or project year after disallowing the cost-of-living wage adjustments projected by Applicant. In computing the labor cost for hourly rated employees, A. B. & W. increased, at intervals, the base rate a total of five-and-a-half cents (5-1/2¢) over the future year. These increases were to reflect anticipated corresponding increases in the cost-of-living, which in turn were based on actual cost-of-living during the rate or base year. The most recent Commission expression on this subject was set forth in W. V. & M. Coach Company, Inc., Fare Application: Docket No. 72, Order No. 452, issued March 10, 1965, when we said that ". . . while a future cost of living adjustment is possible, it is conjecture to say that it is probable, and sheer guesswork to attempt to project a definite amount." The cost-of-living projections of \$31,437 are, therefore, disallowed.

This adjustment will change the projected net operating income, after taxes, to \$296,346 and an operating ratio of 94.80%. Such a ratio produces a return on gross operating revenues of 5.2%. The Commission finds that the opportunity to earn that return is not unreasonable in order to make A. B. & W. an attractive investment to private investors.

In considering the proposed fares, the Commission has considered the inherent advantages of transportation by A. B. & W., the effect of the rates upon the movement of traffic by the carrier, to the need of the public for adequate and efficient transportation service at the lowest cost consistent with the furnishing of that type of service, and to the need of revenues sufficient to enable A. B. & W., under honest, economical, and efficient management, to provide such service, upon all of which the Commission is of the opinion and finds that the present Zone 1 fares are unjust, unreasonable and discriminatory, and that the fares proposed are just and reasonable and should be approved.

THEREFORE, IT IS ORDERED THAT:

1. The present fares set forth in Tariff No. 14, Supplement No. 2 to Tariff No. 5, and Supplement No. 2 to Tariff No. 2 be, and they are hereby, set aside, effective 4:00 A.M., Sunday, April 11, 1965.

2. A. B. & W. Tariff No. 17, Supplement No. 3 to Tariff No. 5, and Supplement No. 3 to Tariff No. 2, and the fares, rules and regulations set forth therein, be, and they are hereby, approved, to become effective at 4:00 A. M., Sunday, April 11, 1965.

BY DIRECTION OF THE COMMISSION:



DELMER ISON
Executive Director