WASHINGTON METROPOLITAN AREA
TRANSIT COMMISSION

WASHINGTON, D. C.

ORDER NO. 1037

IN THE MATTER OF:)	Served April 23, 1970
Application of W. V. & M. Coach Company for Authority to Increase Fares)	Application No. 607
	Docket No. 208

APPEARANCES:

MANUEL J. DAVIS, attorney for W. V. & M. Coach Company, applicant

LORAINE SHULTZ, (pro se), Protestant

GERALD D. RENFRO, (pro se), Protestant

JAMES M. HOAK, JR., (pro se), Protestant

RICHARD G. D'ANTONIO, (pro se), Intervenor

DUANE L. SEARLES, Attorney for Board of Supervisors of Fairfax County, Protestant

JERRY K. EMRICH, Attorney for Arlington County Board, Protestant

DANA W. BARKER, Appearing on behalf of the Fairfax County Federation of Citizens Associations, Protestant

JOHN F. O'NEILL, Appearing on behalf of the Arlington County Civic Federation, Protestant

DOUGLAS N. SCHNEIDER, JR., Attorney for Washington Metropolitan Area Transit Commission

I

INTRODUCTION

On February 6, 1970, Washington, Virginia and Maryland Coach Company, Inc. (W. V. & M.) filed the necessary papers to seek an increase in fares. On the same date, W. V. & M. requested that its tariff revisions be made effective on less than statutory notice, or, in the alternative, that it be granted an interim fare increase. The company further requested that it be released from the requirement of Commission Order No. 452 that it annually purchase a number of new buses equal to one-twelfth of its fleet.

The tariff as revised provided for an interstate base fare of \$.50 with additional \$.15 incremental increases in existing zones. Under the present rate structure, the interstate base fare is \$.35, with a \$.15 increment for Zone 2, and \$.10 incremental increases for each additional zone, except Zone 9 which has a \$.25 increment.

The company also attached to its application a motion to make Alexandria, Barcroft and Washington Transit Company (A. B. & W.) a party to the proceedings. This request was based on the possible effect of a W. V. & M. rate increase in Zone 1 on the competitive position of the two operators at several government installations in Northern Virginia served by both carriers.

Seven formal protests against the revised tariff were filed with the Commission. On February 13, 1970, we issued Order No. 1014 suspending the revised tariff and setting a date for public hearing on the matter. Order No. 1014 held in abeyance W. V. & M.'s request for an interim fare increase, determining that one expeditious treatment of all issues involved in the company's filings would be more direct and practical. We therefore directed that the W. V. & M. fare zone examination which was pending as Docket No. 198a, the request to be relieved of required bus purchases, and the rate increases, all be considered in the same proceeding.

Hearings commenced on March 12, 1970, with the Board of Supervisors of Fairfax County, County Board of Arlington, Fairfax County Federation of Citizens Associations, Arlington County Civic Federation appearing as protestants, and Richard D'Antonio appeared as an Intervenor. When the hearings ended on March 27, 1970, 79 exhibits had been received as evidence, and testimony had been given by S. A. DeStefano, President of W. V. & M.; Charles E. Hammond, Executive Assistant to the Arlington Public Utilities Commission; Fred K. Kramer, Executive Secretary of the Fairfax County Public Utilities Commission, and staff members Charles W. Overhouse, Chief Engineer; Richard C. Kirtley, Chief Auditor, and Sheldon A. Kinbar, Urban Transportation Planner.

In addition to the formal hearings, an evening hearing was held at the Arlington County Courthouse in order to hear comments from members of the riding public who could not attend daytime sessions. Nineteen interested citizens took that opportunity to speak on the issues involved.

We will analyze the evidence presented to us in this proceeding in accordance with the methodology we have worked out in past cases. Thus, we will determine the company's operating results for an historical period - the twelve months ended November 30, 1969. We will then adjust those results to reach a projected operating result for a future annual period, assuming no change in fares. If additional revenues thus appear to be necessary, we will consider how much revenue is needed and the appropriate changes in fares to produce the revenues required. In this connection, we will consider both the structure of the fare zones themselves and the fares to be paid for each of these zones. We will also consider a number of related issues raised in this proceeding, including (1) the bus purchase program; (2) the contract for service to Reston; (3) the need for additional personnel; (4) certain service problems. We begin with the operating results for the historical year.

II

THE HISTORICAL PERIOD

Both the company and the Commission staff used the 12-month period ended November 30, 1969, as the historical year upon which to base forecasts for the future annual period. The staff recommended audit adjustments to the applicant's statement of operating results for that period in the net amount of $8,073.87. The two main adjustments were, first, a reduction in operating revenue for commission due from the D. C. Examiner Newspaper booked during the historical year but actually belonging in a prior period. This amounted to $3,850. Second, there was an increase in operating revenue deductions in the amount of $4,244.35 representing an insurance premium booked subsequent to the end of the historical period but which belonged in the historical year ended November 30, 1969. The audit adjustments, as recommended by the staff, were not contested by the company and were also accepted by the intervenors. Accordingly, we find that the figures in Table I reflect the financial results of W. V. & M. operations during the historical period.

TABLE I

W. V. & M. COACH COMPANY, INC.

Operating Statement for Twelve Months Ended
November 30, 1969 as Adjusted By
WMATC Staff

Operating Revenue	
Passenger Revenue	$4,333,372.72
Contract Charter Revenue	260,260.85
Other Charter Revenue	343,987.13
Other Operating Revenue	25,219.80
Total Operating Revenue	$4,962,840.50
Operating Revenue Deductions	
Operating Expenses	$4,518,456.60
Depreciation Expense	360,945.26
Operating Taxes and License	325,085.24
Operating Rents	117,687.82
Income Taxes	-0-
Total Operating Revenue Deductions	$5,322,174.92
Net Operating Income (Loss)	(359,334.42)
Operating Ratio	107.24%
Rate of Return on Operating Revenue (Deficit)	(7.24%)

III

PROJECTED OPERATING RESULTS

In order to reach conclusions on the company's projected operating results for the future under present fares, we must resolve certain issues which were raised by the staff and by intervenors. Questions were raised concerning both the revenue and the expense side of these projections. We will take up the question of revenue projections first.

A. Projections of Revenue

The intervenors questioned the validity of the company's projection of its passenger revenues in the future annual period at present fares. The company based its projection on the revenues it received during October and November of 1969. It determined what percentage of annual revenues the October and November revenues comprised in each of the years 1967, 1968, and 1969. Using this three-year average, the company determined that October and November revenues constitute 17.26% of annual revenues. Applying this factor to the October-November 1969 revenues of $755,229, the company projected annual passenger revenues in the future annual period of $4,399,599. The company's projection was accepted by the staff. However, both Arlington County and Fairfax County took exception to it.

Fairfax County's approach was similar to that of the company in that it sought to annualize revenue from October and November, but it attempted to adjust its figures to take into account an intrastate fare increase granted W. V. & M. in September, 1969. Unfortunately, the period immediately following a fare increase can be deceptive in terms of revenues, as fare resistance occurs gradually. Also, an A. B. & W. strike increased W. V. & M.'s November revenues to some extent.

Finally, we believe that there is a logical fallacy in Mr. Kramer's methodology. The facts of record here show unequivocally that W. V. & M.'s ridership was declining throughout the historical year. Yet Mr. Kramer, having computed a percentage by which he believes revenues were increased by a given fare increase, applies that percentage factor to the actual revenues received during each month of the historical year. Use of this approach gives no effect to the possibility of further declines in ridership. We do not feel that we can adopt the revenue figures suggested by Mr. Kramer.

Witness Kramer correctly testified that the revenue totals accrued in December 1969, appeared to corroborate the Fairfax figures. However, a continuing comparison of the passenger revenue as predicted by Fairfax County with the actual experience of W. V. & M. shows that the County's projections will overstate future revenues considerably. The figures are as follows:

TABLE II

PREDICTED REVENUE IN FUTURE PERIOD AT PRESENT FARES

	Pass. Rev. (Actual) in Historical Period	Pass. Rev. (Predicted by Fairfax County) in Future	Actual Revenues
December	301,792	340,660	348,333
January	338,227	363,385	346,922
February	336,184	347,614	317,678
March	360,744	373,006	362,117

We do not feel justified in adopting the approach suggested by Fairfax County.

Arlington County pointed out that in 1967 and 1969, W. V. & M. had received rate increases during the twelve month periods in question. Since these increases were received prior to October and November in each of these years, the percentage relationship of revenues received in those months to annual revenues is distorted. Accordingly, Arlington suggested the use of the 1968 percentage alone.

We have not found this an easy issue to resolve. The distortion pointed out by Arlington in 1967 and 1969 is undoubtedly present. On the other hand, there is also a distortion in the 1968 figures. That was the year in which the civil disturbance occurred in Washington. This had a significant impact on ridership for a substantial period. It was also the year in which there was a cessation of night service for a period of weeks on W. V. & M. and D. C. Transit due to the bus driver robbery problem. It was the year in which the scrip system was introduced. All of these factors made 1968 an abnormal period for bus ridership.

On balance, we believe the wisest method of projection is to accept the three-year average as suggested by the company and allowed by the staff. By so doing, the countervailing distortions are smoothed out and the most acceptable average is achieved. It is a widely recognized principle in statistical analysis that the higher the number of observations, the more reliable is the result. Accordingly, as suggested by our staff, we will accept the company projection of future annual period revenues at present fares.

B. Projection of Expenses

There were suggestions by both staff and intervenors that the company's projected expenses for the future annual period be adjusted. Essentially, the adjustment involves a determination of the regular route miles which the company can be expected to operate in the future annual period.

The staff pointed out that certain reductions in school service and in Sunday service had been made late in the historical period. The staff gave effect to these reductions in computing revenue route miles by taking the route miles for February 1970, after the reductions had become fully effective, and annualizing them. Witnesses for both Arlington and Fairfax Counties suggested a different approach. They postulated that there was a declining trend in regular route mileage and adjusted future annual period mileage by projecting that trend into the future. This was done by finding the percentage decline in the closing months of the historical period and adjusting the full historical year figures for the decline experienced at the end.

We have studied the approach of both intervenors and staff and we find the staff method preferable. There is no question that mileage declined at the end of the historical period. There is further no question that this decline was attributable to known causes -- the school and Sunday service reductions. By February, 1970, these factors had had their impact. We believe that by projecting February scheduled mileage, an accurate picture for the future annual period is depicted. We find no basis for concluding that a further decline will occur. Accordingly, we will accept the staff's projection that regular route mileage will amount to 177,901 fewer miles in the future annual period than was predicted by the company. We will then, in turn, adjust the company's expense projections to reflect a mileage reduction of that magnitude.

Having resolved the questions at issue concerning both revenue and expense projections, we are now in a position to set out the company's projected operating results, as revised, for the future annual period. They are as follows:

TABLE III

OPERATING STATEMENT - FUTURE ANNUAL PERIOD
ENDING FEBRUARY 28, 1971, AT PRESENT FARES

Operating Revenues	
Passenger Revenue	$4,399,559.80
Contract Charter Revenue	295,941.85
Other Charter Revenue	343,987.13
Other Operating Revenue	21,019.80
Total Operating Revenue	$5,060,508.58

TABLE III (Continued)

Operating Revenue Deductions	
Operating Expenses	$4,764,685.43
Depreciation Expense	388,680.26
Operating Taxes and Licenses	336,144.29
Operating Rents	117,687.82
Income Taxes	-0-
Total Operating Revenue Deductions	$5,607,197.80
Net Operating Income (Loss)	$ (546,689.22)
Operating Ratio	110.80%
Rate of Return	(10.80%)

It is perfectly apparent that the company will operate at a substantial loss unless fares are adjusted.1/ Hence, we will turn our attention to the question of a proper adjustment in fares. We will approach the problem by considering the various rate adjustments that have been suggested to us. This leads us not only to questions concerning the amount by which each existing fare should be increased, but also to the question of the actual zone structure of W. V. & M.

IV

THE FARE ZONE PROBLEM

One of the knottier problems in this case revolves around the determination of a zone structure which will permit the design of a fair and equitable set of fares.

In the last W. V. & M. rate case order, No. 907, served January 16, 1969, some changes were made in the fare zones of W. V. & M. The Arlington County Board sought reconsideration of that order, questioning the reasonableness of the new fare zone boundaries. The Commission denied the application for reconsideration. The Arlington County Board took an appeal to the courts. That appeal eventually was held in abeyance pending the completion of a staff study of the W. V. & M. fare zone structure. Such a study was ordered by the Commission on July 2, 1969, in our Order No. 959.

1/ No matter how we had resolved the issues involving revenue and expense projections, an increase would be necessary.

The study was undertaken by the Commission's Urban Transportation Planner who stated his conclusions in a report dated December 1, 1969.

The author of the W. V. & M. fare zone report, Sheldon A. Kinbar, presented his proposed zone structure during the course of the hearings on this case. He recommended that we increase the number of zones from nine to eleven, lessening the distance between zone boundaries. The first zone, under Mr. Kinbar's plan, would be substantially equivalent to the existing zone one. There would then be a series of additional zones about two miles in width, extending outward from downtown Washington. This zone width compares with approximately four mile increments as the zones are presently constituted.

Theoretically, the smaller the size of the zones and the smaller the size of the incremental fare charged for each such zone, the fairer will be the impact upon the system's patrons. On the other hand, there are practical limitations which must be recognized. Too great a proliferation of zone lines makes for a complicated system fraught with potential misunderstandings and difficulties. With a smaller number of zones, fare collection becomes more simplified.

This, then, was the zone structure worked out by Mr. Kinbar: a basic zone substantially the same as the existing zone one with a new zone boundary about every two miles traversed. With this zone structure, the staff provided information on three separate fare structures.

Alternate number 1 began with a 45-cent fare and scaled upward in ten-cent intervals. Alternate number 2 started with a 50-cent fare and also scaled upward in 10-cent increments. Alternate number 3, like number 2, began with a 50-cent fare and had variable increments of five cents, ten cents, or fifteen cents, depending on the zone.

We have examined the Kinbar proposals for zone structure and the alternative rate structure proposed to go with those zones. We have concluded that this is not the time to adopt this proposal. As discussed elsewhere in this opinion, the central fact in this case is the extremely serious financial condition of this carrier. Our overriding obligation at the moment is to re-establish its financial stability and put it in a position where its ability to render continuous service is assured. Under these circumstances, we do not think it a propitious time to make radical changes in zone boundaries whose effects upon revenues can only be conjectural.

Moreover, the results produced by the suggested zones and the three alternative fare structures are not entirely satisfactory. Alternate number 1 would apparently produce projected passenger revenues of $5,184,326. This would give a net operating income of $234,542, and a rate of return on gross operating revenues of 4.01%. Since the company's projected interest expense amounts to almost $170,300, this would have a return for equity of about $64,242. We do not believe that this is adequate, especially in view of the company's presently weakened financial condition. Moreover, acceptance of this zone and fare structure would produce unacceptably large increases for significant numbers of W.V.& M. patrons. While some riders would have only a five-cent increase, others would have to pay 35 cents more. We do not think that this is an acceptable result.

Alternate number 2 suffers from the same defect. Here, some riders now paying 60 cents would have to pay $1.00 under the new fares. Other riders now paying 70 cents would have to pay $1.10. An increase of 40 cents is simply too much to impose on riders. Thus, while alternate number 2 produces adequate revenues ($5,393,868 in passenger revenues, leaving net operating income of $433,160), it is unworkable in terms of its impact upon riders.

It was this impact that led the staff to evolve alternate number 3. Under this plan, the increments were varied to keep down the impact on those classes of riders hardest hit in alternates number 1 and number 2. Thus, the present 60-cent fare, which would become $1.00 under alternate number 2, would be no more than 80 cents under alternate number 3. The present 70-cent fare would be no more than 90 cents. However, in solving this problem, others were created. There is great variation in the zonal increments. Crossing some boundaries leads to a 5-cent increase; with others it is 10 cents; with still others, it is 15 cents. There would be great confusion among both passengers and drivers. More importantly, however, this structure also produces inadequate revenues. Total passenger revenues are projected at $5,219,441, leaving net operating income of $267,821, for a rate of return of 4.55%. Again, it is our conclusion that such a result would not provide the financial recovery which it is essential to produce in this rate proceeding.

We have reluctantly concluded, therefore, that we must put aside the Kinbar zone proposals for the time being. The company's financial condition does not permit us to take the risks involved in trying the structure out. Nor is there sufficient financial breathing space to make the changes in fares paid by given passengers of an acceptable order of magnitude.

We turn, therefore, to other fare structures suggested in this proceeding.

Arlington County and the company both sponsored the same new zone structure in this proceeding. [2/] This zone structure actually reduced the present 9-zone system back to six zones by combining present zones 5, 6, and 7 into one zone and present zones 8 and 9 into another. In addition to simplifying the zone structure, the 6-zone system maintained the previous identity of the first four zones, where most of the patronage occurs. The present zone system was introduced some fifteen months ago and at the time was a considerable improvement over that which had preceded it.

The average mileage in the proposed 6-zone system works out to 4.6 miles in each of the first two zones, 5.1 miles in each of the next two zones and 5.9 miles in each of the last two zones. As higher average speeds are attainable the further away from the central city the bus travels, we find this distribution of mileage an additional point in favor of the 6-zone system.

While both Arlington and the company proposed the same zone boundaries, each had its own rate structure to apply to those zones. The difference lay in the incremental charge for each zone. Both started with a base fare of 50 cents, but the company used 15-cent increments, while Arlington used only 10 cents.

The staff carried out the necessary calculations to determine how much revenue would be produced under the fare structure proposed by Arlington County. The net operating income produced by that structure was $180,398. This is barely enough to cover the company's interest expense in the future year and is in our judgment, an entirely unacceptable result.

We turn then to the proposal of the carrier. For most riders, this would mean a 15-cent increase. The maximum impact would fall upon those patrons riding four zones, whose fare would rise from 70 cents to 95 cents, and those riding five zones, whose fares would rise from 80 cents to $1.10. [3/] Despite this, we think that on the whole, this zone and fare structure will allow the necessary increase in revenues to be distributed so that no substantial group of riders is subjected to increases of the magnitude to which they would have been exposed in the alternate structures.

2/ The company's proposal was made during the presentation of its direct case and was a variation of the zones proposed in its Application.

3/ The zone 4 impact is the more important. There are few riders in zone 5. According to company figures, there are about 13,000 riders per year from present zones 5 through 9. This amounts to about 50 per weekday from all four zones.

If we accepted the company expense projections without change, the applicant's proposed fare structure would yield a net operating income of $433,840.28 in the future annual period, a 7.16% rate of return on operating revenue. This total can also be represented as a 14.53% rate of return on the average rate base for the future annual period. 4/

In order to determine whether that return is proper, we are constrained to apply the guidelines of D. C. Transit System, Inc. v. Washington Metropolitan Area Transit Commission, 350 F2d 753 (D.C. Cir. 1965). Therein the Compact standard of a just and reasonable rate was held to encompass "one that assures that all the enterprise's legitimate expenses will be met, and that enables (the company) to cover interest on its debt, pay dividends sufficient to continue to attract investors, and retain a sufficient surplus to permit it to finance down payments on new equipment and generally to provide both the form and substance of financial strength and stability." 350 F2d 778.

The return set out above would be more than enough to cover any operating costs and to end the deterioration of W. V. & M.'s financial position. We believe, however, that to allow increased fares so as to produce such a large net operating income without guaranteeing substantial concomitant service improvements to ridership is not in the best interest of the community. Consequently, we will require the company to make certain additional expenditures in the future annual period to improve the quality of service received by its patrons. Specifically, we will require the purchase of new buses and the hiring of additional supervisory and planning employees. See discussion at pp. 14 and 15.

These additional expenses will reduce W. V. & M.'s net operating income to $367,032.58 which yields a 6.06% rate of return on operating revenue. This is sufficient to provide all necessary funds to management without unduly burdening the ratepayer.

W. V. & M. has a negative surplus account, an unstable condition which cannot continue indefinitely without affecting the quality of service the company is able to provide to its patrons. But the rider should not be expected to provide investment funds for the carrier. Although we are to "provide both the form and substance of financial strength and stability," a $367,000 return will cover W. V. & M.'s large long term debt interest and still provide a sufficient profit which can be used to make the required purchases of new buses, and generally to strengthen the company's overall financial position.

4/ In the last W. V. & M. rate order, Order No. 907, we determined that return on operating revenue is a more meaningful figure for this company, and we find that still to be the case.

Projected operating results for the company at the fares we will allow, and assuming the additional expenditures we will require, are as follows:

TABLE IV
OPERATING STATEMENT
W. V. & M. COACH COMPANY
FUTURE ANNUAL PERIOD
Ending February 28, 1971

	With No Change in Fares	Adjustments	With Fare Increase
Operating Revenues			
Passenger Revenue	$4,399,559.80	$995,027.17	$5,394,586.97
Contract Charter Revenue	295,941.85		295,941.85
Other Charter Revenue	343,987.13		343,987.13
Other Operating Revenue	21,019.80		21,019.80
Total Operating Revenue	$5,060,508.58	$995,027.17	$6,055,535.75
Operating Revenue Deductions			
Operating Expenses	$4,764,685.43	$ 68,700.00	$4,833,385.43
Depreciation Expense	388,680.26	1,800.00	390,480.26
Operating Taxes and Licenses	336,144.29		336.144.29
Operating Rents	117,687.82		117,687.82
Income Taxes	-0-	10,805.37	10,805.37
Total Operating Revenue Deductions	$5,607,197.80	$ 81,305.37	$5,688,503.17
Net Operating Income (Loss)	$ (546,689.22)	$913,721.80	$ 367,032.58
Operating Ratio	110.80%		93.94%
Rate of Return	(10.80%)		6.06%

V

THE BUS PURCHASE PROGRAM

A major issue raised in this proceeding is the question whether, and to what extent, the company should be relieved of the bus purchase requirement that we established in Order No. 452. That order requires W. V. & M. to purchase each year a number of new air conditioned buses equal to 1/12 of its fleet. Simultaneously with the filing of its application for increased fares, the company requested that it be relieved from these bus purchase requirements on the ground that it is without money or bank credits sufficient to make down payments on new buses this year. The company stated that its application for increased fares did not include a request for an amount sufficient to make down payments and that it is currently delinquent in its payments to its creditors for all of the buses purchased under Order No. 452. W. V. & M. further asserted that it has a sufficient number of buses to meet its service requirements and that the average age of its buses is 8.09 years.

The W. V. & M. fleet currently numbers 208 buses. Thirty-four of its buses are more than eighteen years old. The company requires 187 buses in the peak hours. Hence, even if none of its buses is laid up for repairs, it must use thirteen of the old buses in regular service. If the bus purchase program were continued pursuant to Order No. 452, the company would have a completely modern fleet within two years.

The Chief Engineer of the Commission and the protestants urged that the purchase program not be allowed to lapse. We consider that it would be highly desirable from the standpoint of passenger comfort and convenience if the fleet were modernized according to the schedule we ordered in Order No. 452, and we will not formally lift the requirements of Order No. 452. However, we do not feel that we can ignore the realities of the financial condition in which the applicant finds itself. The applicant lost substantial amounts last year even though it was authorized fare increases in that period. One of the holders of notes secured by deeds of trust and conditional sale contracts given in connection with bus purchases, stated in the record that it had, prior to the filing of the rate application, contemplated foreclosing on those securities and repossessing the buses. The creditor further indicated that course of action is still a very real possibility.

In those circumstances, we are fully aware that W. V. & M. will not have readily available to it the credit needed to make the bus purchases we will require. Hence, while retaining the bus purchase requirement, we will gauge the company's compliance in light of its present financial condition. We will expect the company to make every effort to obtain the necessary financing at the first possible moment. We will expect our staff to monitor closely the company's efforts in this regard and to make independent checks of the availability of credit to the company. In any event, we will expect the requisite orders to be placed so any delays in purchase of this year's buses will be made up in the immediately following years.

We believe that this course of action is the wisest course of action to accommodate both our firm conviction that the company should continue its bus purchase program and our realistic understanding of the company's current financial condition.

VI

SERVICE IMPROVEMENT

During the course of this proceeding, several questions relating to quality of service were raised.

The staff was critical of the fact that W. V. & M. now employs only seven road supervisors, street checkers and other personnel to make traffic checks. Between 1961 and 1965, fourteen persons had been employed in these categories. Mr. DeStefano indicated that the reduction had been made for economy reasons.

Adequate supervision and traffic checking are essential elements in providing satisfactory service. Without such activities, equipment will not be well utilized, resulting in overcrowding on some vehicles and under use of others. Schedule adherence becomes less reliable and the company's ability to respond to changing needs deteriorates. Therefore, it is extremely important that street supervision and traffic checking functions be adequately staffed. Mr. DeStefano agreed that this is one of the least desirable personnel areas to cut.

We will require the company to increase its street supervisor and traffic checker/schedule maker personnel to the 1961-1965 level. This means that the company will be required to employ, as soon as possible, three more supervisors and four more traffic checker/schedule makers. The record shows that this will involve an additional expense of $39,300 for supervisors and necessary vehicles and approximately $31,200 for the traffic checker/schedule makers. We will include those amounts as allowable expenses in the rate year.

We heard criticisms during this proceeding on a subject which has been of continuing concern to us, not only with regard to W. V. & M., but to all carriers we regulate. The company's efforts to market its services, i.e., to provide information to its users on schedules, routes, and services, are woefully inadequate. In certain respects, we will require immediate improvement. First, there were repeated complaints about inability to obtain information by telephone concerning the company's service. We will require the company to add additional telephone service forthwith. We will also direct the staff to develop a means of monitoring the adequacy of the phone service being provided by the company.

We will further require the company to improve the availability of timetables. All schedules will be required to be in print at all times. Each driver should have available for distribution the timetable for the route to which he is assigned at any given time. It is our understanding from the testimony that, while this is presently the company's objective, it is not uniformly achieved. We will expect the company to work out supervisory and management techniques which ensure that this objective is carried out. The staff will report to us on compliance in not more than ninety days.

On a broader scale, we want this company's management to address itself seriously to the question of marketing. This fare increase should restore it to financial stability. When that is achieved, we will expect a report on how the company proposes to improve its marketing performance. Such a report will be required not later than the end of the sixth consecutive month in which the company has operated in the black.

Finally, the suggestion was also made that some kind of commuter tickets be sold by the company. Other companies in the area have such tickets available for sale by mail and at various company outlets. We agree that this company should offer the convenience of ticket books, particularly as the additional inconvenience of the exact fare system can be partially alleviated through sale of ticket books. We will require the company to submit to us within 30 days of the date of this order a plan for issuing commuter tickets and we anticipate that those tickets can be available within a few weeks thereafter.

VII

THE RESTON SERVICE

In the course of this proceeding, the question was raised by Arlington County concerning the contractual arrangement under which W. V. & M. provides service to the Reston community. Briefly, the Reston Community Association, seeking improved transit service, entered into a contract with W. V. & M. The bus company provides nine buses per day under that contract for use by Reston residents. Those buses provide commuter service to Washington in the morning and evening rush hours. The community is charged $60.00 per bus per day. The community takes all responsibility for marketing the service, collecting the fares, planning new service, and a myriad of other functions which the bus company has had to perform. The service has been a considerable success. Buses have been added, ridership levels have increased. The Reston community, located at a considerable distance from the center city, in an area which would be difficult to serve by normal transit operation, has provided itself with viable mass transit by a novel and successful means.

Arlington County raised two issues concerning this service. First, they questioned whether the contract provides full compensation to the company for the service performed. Second, they objected to the fact that the company's oldest equipment has not been used in the Reston service and urged that all the company's equipment be rotated throughout all of its operations so that the regular route riders would encounter the older vehicles less frequently.

Various versions of what the Reston operation actually costs were submitted for the record. The evidence on this subject was voluminous and we could spend many pages analyzing the competing contentions and explaining our own conclusions on cost. We do not think such an exercise is necessary, however. The Arlington witness himself conceded that if his cost theories were accepted, and the charges to Reston amended accordingly, the impact on all other riders on the system would be minimal, if not non-existent. In any event, we think the Arlington cost analysis has certain questionable elements. The mileage computation is based on a garage to garage distance while the record shows that at least some buses completing Reston runs go off on other service. The cost of insurance which they suggest is not based on the actual means used to compute insurance cost. We find no basis on which to conclude that the Arlington analysis demonstrates that the service is operating at a loss.

We are not unmindful, moreover, that the service is provided pursuant to a contract which does not expire until November 2, 1970. We find no basis in this record on which to interfere with that contractual relationship. However, we do feel that, if all other riders on the system will find it necessary to provide additional revenues in order to improve the company's financial health, the Reston riders should do the same at the appropriate time. Accordingly, we put both the company and the Reston Community Association on notice that any renewal of the contract will be subjected to close scrutiny by the Commission. We will expect the rate charged to reflect the company's then existing financial needs. It will have to be based on a realistic and knowledgeable analysis of the costs incurred by the company in providing the service.

As to the question of rotation of equipment, we are sympathetic to the position of the regular route rider in desiring modern equipment. That was the basis for our establishment of a bus purchase program in Order No. 452 which we are today reaffirming. Under that program, we anticipate that within two or three years the W. V. & M. fleet will be modernized and all old equipment retired. In the meantime, we will not interfere with the decisions of management as to the equipment to be used in the Reston operation. That operation is an experiment which represents the diligent efforts of imaginative community-minded residents of Reston. They have made a step, if only a small one, in the direction of greater utilization of mass transit and alleviation of traffic congestion. We will not interfere with the existing contractual arrangements under which that operation has become a heartening success in an essentially declining transit picture. To take any other course would be to elevate form over substance.

VIII

SPECIAL PROVISIONS REGARDING FARES

1. Fares to the Pentagon and Navy Annex

The motion to make A. B. & W. Transit Company, which operates between two Northern Virginia government installations and the District of Columbia in competition with W. V. & M., a party to these proceedings was held in abeyance during the course of the hearings. On the final day of hearings, counsel for W. V. & M. stated:

> ". . . I reiterate our position, Sir, namely, that that portion of our request for increase in fares be delayed effectively until such time as this Commission rules upon an application which I believe will in due course and within the very near future that A. B. & W. will file with this Commission for an overall increase in fares in its operations." (Tr. 647-648)

Although the issuance of this order effectively denies W. V. & M.'s motion to make A. B. & W. a party, we are cognizant of the disrupting effects on competition which might occur if only one of the two carriers serving the same government installations had its fares increased. In 1964, mostly because of this consideration, we denied A. B. & W. a fare hike in Zone 1 until W. V. & M. could request a similar increase. We have been unofficially informed by A. B. & W. that they will indeed be seeking rate increases in the near future, thus providing an opportunity to adjust fares on competitive runs without dislocation.

We have determined that a just and reasonable fare structure for W. V. & M. involves raising the fares in Zone 1. Yet, we believe that if the company does not wish to increase its Zone 1 fare, it should not have to do so, as long as that decision does not burden its other riders. Therefore, we will allow the company, for the time being, to continue to charge its present Zone 1 fare for trips between the District of Columbia and the Pentagon or Navy Annex if it so desires. Notwithstanding this option, however, we will require it to consider for accounting purposes that all Zone 1 passengers have paid the maximum authorized fare. The result of that treatment will be that the company, not the other riders, will absorb the impact of this temporary discount.

2. Senior Citizen Fares

At the evening session, we received testimony from a local chapter of the American Association of Retired Persons advocating reduced fares for elderly citizens. Although there is not sufficient information in the record on which to base a decision on the feasibility of such a reduction for W. V. & M., we are well aware of the fact that an increasing number of metropolitan transit systems presently offer such a discount.

It would certainly be beneficial to the community if ridership among the elderly, a class which has traditionally been dependent on public transportation, and which largely must live on fixed incomes, could be encouraged without burdening the company and its present patrons. Many of the reduced fare plans operate only in off-peak hours so that ridership becomes more concentrated in periods of under-utilization of equipment. This is a possibility which has been attractive to us for some time. We are not unmindful that three of the four regular route carriers presently have rate applications pending before us and that the fourth will be in shortly. This presents an ideal opportunity to try senior citizen fares on an areawide basis.

This is not something which can simply be imposed without careful thought, however. The first prerequisite is to ensure that the carrier is in sound financial health and can afford to undertake an experiment of this kind. A second objective is to make a soundly conceived and realistic study of whether the special fare produces ridership patterns which make it compensatory. A first step in this regard is to build a data base as to senior citizen ridership in off-peak hours under conditions where no discount is available.

Having considered all these factors, we have determined that within 90 days of the issuance of this order, W. V. & M. should submit a proposal for trying, on an experimental basis, a senior citizens fare in off-peak hours. This requirement is conditional on the company operating in the black during that 90 day period. In the interim, in any event, the company will be required to undertake a survey of riding patterns during off-peak hours to determine the extent to which senior citizens presently ride at such times. The Commission staff will work with the company to ensure that the survey is an adequate one. The company proposal, when and if submitted, shall propose further means of study to determine the impact of the fare.

We intend to require similar programs with the other carriers as we consider their pending applications.

IX

SOME GENERAL OBSERVATIONS ON THIS PROCEEDING

This has not been a pleasant or easy case to deal with. Of course, no proceeding in which a rate increase is sought is a pleasant or easy one. This case, however, has been particularly difficult. The carrier has sought, and we have granted, substantial increases in fares. When first presented with the prospect of a 50 cent base fare and 15 cent increments, our reaction was wary and negative. A rate increase of this magnitude was an exceedingly unattractive prospect. We have examined every alternative as thoroughly and carefully as we can and we have found no way to avoid the conclusion that the rate increases sought are justified.

The overriding fact in this case is the extremely perilous financial condition of this carrier. It has suffered extremely heavy losses. Many of its most important financial obligations are currently unmet. We heard a representative of one of its most important creditors describe as a very real prospect that a substantial portion of the company's fleet will be seized and sold at public auction. There are other obligations which constitute an equal threat to the continuity of service.

We have had occasion in other proceedings to remark on the importance we attach to preserving service for those dependent upon it. When presented with conditions like those now facing W. V. & M., we have an extremely heavy obligation to take quick and effective action to ensure continued operations. Transit service is too important to too many people to pursue policies which walk the brink of disaster.

Accordingly, in judging the issues, we have made every effort to ensure that, while the riders are protected from paying one cent too much, they are paying enough to achieve renewed financial stability for this carrier. By this standard, we found it necessary to resolve the issues in the manner outlined above. By this standard, the fare increases sought by the company are clearly justified.

We have, at the same time, taken action to ensure service improvements which these increased fares make imperative. It is our earnest hope that this company can now turn from a preoccupation with survival to a renewed concern with providing the highest quality of transit service.

THEREFORE, IT IS ORDERED:

1. That the Washington, Virginia and Maryland Coach Company be, and it is hereby, authorized to establish the zone structure and rates of fare as shown in Appendix I, attached hereto, effective 4:00 A. M., April 26, 1970.

2. That W. V. & M. file appropriate revisions to Tariff No. 35, pursuant to the authority granted herein, by April 25, 1970.

3. That applicant post in all its buses, forthwith, appropriate notices indicating all such zone and fare changes pursuant to the authority granted herein.

4. That W. V. & M. make a written estimate each day of the number of passengers riding in the "government installations zone" at the special fare of 35 cents. The amount of 15 cents for each such passenger carried, representing discount from the 50-cent tariff rate, as voluntarily granted by W. V. & M., is to be considered imputed revenue and reported as a credit to operating revenues account number 3200 , with contra-debit to below-the-line account number 7500 , with a subaccount set up entitled "Voluntary Fare Discounts For Government Installations Zone Riders."

5. That the motion of W. V. & M. that it be relieved of the bus purchase requirement imposed by Order No. 452, be, and it is hereby, denied.

6. That the Commission staff oversee company efforts to obtain financing for bus purchases, and independently assess the availability of credit to W. V. & M.

7. That W. V. & M. employ three additional street supervisors and four additional traffic checker/schedule makers immediately.

8. That W. V. & M. have all of its schedules in printed form, available at all times, and that each vehicle carry schedules for the route over which it is operating. In addition, the company shall expand its telephone information services to a level deemed adequate by the Commission staff.

9. That the Commission staff monitor W. V. & M.'s telephone information service on a continuing basis to insure its adequacy; and report within ninety (90) days of this order as to the company's success in maintaining and distributing its route schedules in accordance with ordering paragraph 8 , supra.

10. That W. V. & M. submit, within thirty (30) days of the date of this order, a complete plan for the expeditious implementation of a plan for the sale of commuter ticket books.

11. That within ninety (90) days of the date of this order, W. V. & M. shall file with the Commission a proposal for instituting a reduced off-peak fare for senior citizens on an experimental basis, provided, however, that such plan need not be filed if the company has not operated at a profit during that time.

12. That W. V. & M. undertake a survey of senior citizen ridership patterns during off-peak hours to determine to what extent such persons presently ride during those times.

13. That W. V. & M. submit a report on how it intends to improve its marketing performance no later than the end of the sixth consecutive month after the date of this order in which it operates at a profit.

BY DIRECTION OF THE COMMISSION:

GEORGE A. AVERY
Chairman

PRESENT AND AUTHORIZED FARES AND FARE ZONES

ZONES		FARES		
Present	Proposed	Present	Authorized	Intrastate Zones and Fares as Authorized by Va. State Corp'n. Comm.
1	1	$ .35	$ .50 *	$ .40
2	2	.50	.65	.55
3	3	.60	.80	.70
4	4	.70	.95	.85
5	5	.80		
6	5	.90	1.10	1.00
7	5	1.00		
8	6	1.10	1.25	1.15
9	6	1.35		

* 35¢ Fare authorized in the "government installations' zone," between the District of Columbia and Orme Street in Virginia, for service operated over the 14th Street and Memorial Bridges.