WASHINGTON METROPOLITAN AREA TRANSIT COMMISSION

WASHINGTON, D. C.

ORDER NO. 1401

IN THE MATTER OF:

Application of BLUE LINES, INC., for Authority to Increase Commuter Fares	)))	Served: January 29, 1975 Application No. 845 Docket No. 273

APPEARANCES:

PAUL A. SWAN, appearing for Blue Lines, Inc., applicant.

RAYMOND J. MALLOY, Attorney appearing on behalf of persons using Blue Lines, Inc.

DONALD J. BALSLEY, JR., Counsel for Washington Metropolitan Area Transit Commission.

BY THE COMMISSION:

By Application No. 845, filed September 23, 1974, Blue Lines, Inc., seeks authority to modify its current WMATC Tariff No. 3, pursuant to Title II, Article XII, Section 5(e) of the Compact. The proposed modification would increase the charge for a weekly pass from $8.25 to $12. The weekly pass is used for unlimited bus transportation during the week issued between Montgomery Village, Gaithersburg, Maryland, and Washington, D. C. The proposed modification would not affect the $1.45 price for one-way tickets.

By Order No. 1365, served October 24, 1974, the Commission suspended the proposed modification for a period of 90 days. Order No. 1398, served January 21, 1975, further suspended the proposed modification for an additional 30 days unless otherwise ordered. The Commission also scheduled a public hearing to commence November 19, 1974, for the purpose of determining whether the proposed modification of Blue Lines' WMATC Tariff No. 3 would be just, reasonable and not unduly preferential or unduly discriminatory either between riders or sections of the Metropolitan District. See Title II, Article XII, Section 6(a)(2) of the Compact.

Blue Lines was issued Certificate of Public Convenience and Necessity No. 10 on October 25, 1965. That certificate authorizes, so far as pertinent herein, regular-route operations in the transportation of passengers between points in Washington, D. C., and Montgomery County, Maryland. Boarding and discharging of passengers is permitted along specified routes in Maryland, and includes points, among others, at Quince Orchard Shopping Center, Montgomery Village, and National Institutes of Health.

On January 2, 1975, Blue Lines filed a proposed Schedule No. 2 cancelling its current Schedule No. 1. Schedule No. 2 had an effective date of January 17, 1975. That schedule increased the number of round trips operated daily except Saturday, Sunday or holidays from three to four. The additional route would service Montgomery Village, increasing the number of round trips serving that community from two to three.

Blue Lines operates nine passenger buses. These vehicles are used to perform charter operations and special operations as well as regular-route service. The buses used to perform the regular-route service are usually either 49-passenger or 53-passenger. During the period July 1, 1973, through June 30, 1974, the record indicates that ten breakdowns of equipment occurred on the regular-route operation. In addition, during the same period, Blue Lines leased buses to perform the regular-route service on 46 separate occasions. During March and April of 1974, Blue Lines used leased equipment on 20 separate days.

Blue Lines presented the testimony of Paul Swan, manager, and Raymond Warrenner, president. The manager's testimony referred to the financial condition of Blue Lines and the operation of the regular-route service. The president's testimony addressed the question of future service improvements should the proposed modification be approved.

The fixing of an increase in an effective rate structure involves two general determinations. Initially, the operating expenses of the carrier in the future must be projected. These projections are based on the historical experience of the carrier. Rates then are prescribed which result in revenues sufficient to enable the carrier, if operated efficiently and properly managed, to earn a reasonable return on revenues.

The record reflects that the revenue deductions incurred during the historical period from July 1, 1973, to June 30, 1974, were determined by reviewing the cash outlays made by Blue Lines. The revenue deductions, including taxes but excluding drivers' salaries and rental or leasing fees, were $267,244.19.

During the historical period, Blue Lines incurred equipment rental expenses in the amount of $12,790.95 and equipment leasing expenses in the amount of $12,746.56. The rental expenses were the result of vandalism to the equipment operated by Blue Lines. The leasing expenses represent payments toward the purchase of a bus in the amount of $10,200 and the lease of a bus for a period of time in the amount of $2,546.56.

The expense item for drivers' salaries was computed only for those drivers actually operating in the Montgomery Village operation. These drivers are paid for four hours service for each one-way trip. The revenue deduction was stated to be $7,341 for the historical period.

The historical revenue deductions were determined for the regular-route operation for which a tariff increase is being requested. The amount of the total revenue deductions allocable to the regular-route operation was estimated primarily on the basis of a proration of the total miles operated by Blue Lines. The record indicates that the total miles operated were 201,876. This total includes the mileage accumulated in the rental vehicles. The actual miles involved in the regular-route operation is stated to be 30,122. The regular-route mileage was 14.9 percent of the total mileage operated during the historical period. Applying this percentage to the toal revenue deductions without drivers salaries in the amount of $292,781.70 resulted in allocated revenue deductions in the amount of $43,624.47 for the regular-route service. This amount was increased by the drivers' salaries for the regular-route operation. The sum of these amounts was the stated historical revenue deductions of $50,965.47.

Based upon the foregoing experience, Blue Lines projected the revenue deductions for the future annual period ending June 30, 1975. The historical expenses were increased by an estimated 10 percent, or $5,097, expanding the total cost to $56,062.47. The increase of 10 percent was supported by an analysis of the increased cost of parts, equipment, fuel and drivers salaries between 1971 and 1974. For reasons stated hereinafter, this justification is not accepted.

During the historical period, 4,567 weekly passes were sold. In addition, 6,307 one-way tickets were sold. The weekly passes generated $37,677.75 in revenues and the one-way tickets generated $8,989.50 in revenues. The total revenues were stated to be $46,667.25 for the regular-route operation under consideration.

Based upon the historical revenues from weekly passes and one-way tickets, Blue Lines projected the revenues for the future period ending June 30, 1975. The proposed tariff modification involves an increase in the rate for a weekly pass from $8.25 to $12. No formal request has been made to modify the current one-way ticket rate of $1.45. The proposed increase is approximately 45 percent of the current rate for a weekly pass. Blue Lines submits that the projected future increase in revenues from the sale of weekly passes should be $17,105.70. Thus, the total future revenue would be $63,772.96.

In order to completely and properly consider the proposed tariff modification, it is essential that the future revenue deductions for the service be determined. The record indicates that historical revenue deductions in the amount of $292,781.70 resulted from the operation of 201,876 miles. This represents a cost per mile of $1.45 for these items. In addition, the regular route operation herein under consideration involved drivers' salaries of $7,341 for 30,122 miles of operation. This represents a cost per mile of 24 cents for this expense.

Blue Lines stated that 30 miles were involved in a one-way trip on the regular route herein under consideration. This trip would result in $50.70 in revenue deductions. 1/ The schedule in effect during the historical period consisted of four one-way trips a day or $202.80 per day in revenue deductions during the historical period.

During the historical period, Blue Lines sold 4,567 weekly passes. Assuming that the same number were sold in the future period, then the modified tariff rate of $12 per weekly pass would generate $54,804 in future revenues. Further assuming that the same number of one-way tickets were sold in the future period as in the historical period, then the sale of one-way tickets would generate $9,145.15 in revenues. The result would be total future revenue of $63,949.15. The sale of weekly passes and one-way tickets would result in 51,977 paid fares. The average fare would be $1.23. 2/

As previously stated the projected revenue deductions per one-way trip would be $50.70. With an average fare of $1.23, Blue Lines would have to receive 42 average fares for each one-way trip in order to break even. 3/

1/ This amount is determined by multiplying the applicable costs per mile times the mileage and accumulating the products, i.e., $1.45 X 30 = $43.50 and $.24 X 30 = $7.20.

2/ The total revenues of $63,949.15 divided by the total possible trips of 51,977.

3/ This result is indicated by multiplying the $1.23 average fare times 42 fares. The product of this multiplication is $51.66 which amount exceeds the revenue deductions by $.96.

To determine whether the proposed tariff modification is just and reasonable, it is necessary to project the future annual revenues and revenue deductions. Based upon the previous discussion indicating revenue deductions of $202.80 per day in the historical period and an assumption of 260 operating days in the future annual period, Blue Lines would incur total future revenue deductions of $52,728. Obviously, this projection does not include any adjustment for possible future increases in the expense items. The record contains no basis for finding that any revenue deduction would increase. As previously stated, the future annual revenues are projected to be $63,949.15. These projections result in a gross operating return of $11,221.15.

In order to determine the rate of return on gross revenues, it is necessary to adjust the gross operating return for taxes. The historical revenue deductions include expense items for federal, Maryland, and District of Columbia taxes paid during that period. The record indicates that Blue Lines incurred a loss on its entire operations during that period. Any projection of a gross operating return on a portion of the entire operation will be adjusted only for federal taxes. This adjustment should be in the amount of 22 percent of the gross operating return or $2,468.65. As a result of this adjustment, the projected return on gross revenues is $8,752.50 or 13.7 percent.

Although the rate of return on gross revenues is higher than normally allowed, the Commission believes that it is reasonable. The projected revenue deductions do not include any adjustment for future increases in the cost of performing the additional service resulting from the addition, after the conclusion of the hearing, of another schedule to the regular route service considered herein.

The Compact, Title II, Article XII, Section 6(a)(3), requires the Commission to consider the following:

> "In the exercise of its power to prescribe just and reasonable fares and regulations and practices relating thereto, the Commission shall give due consideration, among other factors, to the inherent advantages of transportation by such carriers; to the effect of rates upon the movement of traffic by the carrier or carriers for which the rates are prescribed; to the need, in the public interest, of adequate and efficient transportation service by such carriers at the lowest cost consistent with the furnishing of such service; and to the need of revenues sufficient to enable such carriers, under honest, economical, and efficient management, to provide such service."

With respect to the need of the public for adequate and efficient transportation service by Blue Lines, the commuters placed in the record certain information. The foremost desire of the commuters was an increase in the service provided by Blue Lines. As previously mentioned, Blue Lines has now unilaterally expanded the service to include one additional morning trip and one additional evening trip. This will tend to have a greater impact on expenses than on revenues. The various other interests of the commuters involved the quality of the service. This factor necessarily is a result of the efficiency of Blue Lines operation. The record clearly reflects the efforts by Blue Lines to provide a better service by the addition of mechanics and the storage of equipment at a more secure location.

The Commission has considered the other factors stated hereinbefore, among others, and concludes that the proposed increase in the price of a weekly pass from \$8.25 to \$12 is just, reasonable and not unduly preferential or unduly discriminatory either between riders or sections of the Metropolitan District. The one-way fare of \$1.45 will not be modified. The Commission realizes that some persons may decide to purchase one-way tickets rather than weekly passes. This purchasing decision would be logical if a person were anticipating using Blue Lines service on eight or fewer occasions during any given week. The record does not support an increase in one-way fares comparative to the proposed increase in the price of a weekly pass. Accordingly, the proposed modification to Blue Lines current WMATC Tariff No. 3 shall be approved.

The other matters pressed by the parties have been considered and found not to warrant action contrary to that which is now directed.

THEREFORE, IT IS ORDERED:

1. That Application No. 845 of Blue Lines, Inc., for authority to modify the weekly pass rate set forth in its current WMATC Tariff No. 3 be, and it is hereby, granted.

2. That Blue Lines, Inc., file an appropriate tariff modification providing for a weekly pass rate of \$12 not later than January 30, 1975, subject to acceptance by the Executive Director, to be effective 12:01 A. M. February 3, 1975.

BY DIRECTION OF THE COMMISSION:

William H. McGilvery

WILLIAM H. McGILVERY
Acting Executive Director