WASHINGTON METROPOLITAN AREA TRANSIT COMMISSION

WASHINGTON, D. C.

ORDER NO. 1481

IN THE MATTER OF:

Application of THE GRAY LINE, INC., for Authority to Increase Fares	)))	Served December 22, 1975 Application No. 882

By Application No. 882, filed October 6, 1975, as supplemented November 12, 1975, The Gray Line, Inc. (Gray Line) seeks approval of WMATC Tariff No. 7 cancelling WMATC Tariff No. 5 and WMATC Tariff No. 8 cancelling WMATC Tariff No. 6 and Supplements thereto. The proposed WMATC Tariff No. 7 names per capita fares for passengers, during the officially scheduled racing season, between Washington, D. C., and specified race tracks in Maryland. The proposed WMATC Tariff No. 8 sets forth rules, regulations and fares governing charter operations and special operations on round trip sightseeing or pleasure tours.

The fixing of an increase in an effective rate structure involves two general determinations. Initially, the operating revenue deductions to be experienced by the carrier in the future are projected. Rates are projected which would result in sufficient revenues to enable the carrier to earn a reasonable return based upon the projected revenue deductions. These rates then are tested to determine whether they are just, reasonable and not unduly discriminatory or unduly preferential either between riders or sections of the Metropolitan District. Cf. Compact, Title II, Article XII, Section 6(a)(2).

The Commission considers, among other things, the financial condition of the carrier, its revenue requirements, and whether the carrier is being operated economically and efficiently. Cf. Compact, Title II, Article XII, Section 6(a)(1). The Commission also considers, among other factors, the inherent advantage of transportation by the carrier, the effect of rates upon the movement of traffic by the carrier, the need in the public interest for adequate and efficient transportation service by the carrier at the lowest cost consistent with the furnishing of service, and the need for revenue sufficient to enable the carrier, under honest, economical and efficient management, to provide service. Cf. Compact, Title II, Article XII, Section 6(a)(3).

When an application is filed by a carrier seeking approval of an increase in rates, the Commission either suspends the proposed tariff or permits the tariff to become effective. The Compact sets forth the general criteria to be used in determining whether a tariff should be suspended. As the previous discussion clearly indicates, such a determination must include an analysis of the financial condition of the carrier as well as the effect of a change in the rates upon the carrier and members of the farepaying public. The following discussion will treat separately operating revenue deductions and operating revenues, including operating ratios, for the purpose of determining whether the proposed rate structure should be authorized.

I. OPERATING REVENUE DEDUCTIONS

For purposes of forecasting the operating revenue deductions to be incurred by the Gray Line during the proposed rate year, which would be the calendar year 1976, the actual operating revenue deductions were submitted for the period July 1, 1974 to June 30, 1975. The use of an historical period which precedes the future rate year by six months is acceptable in certain instances. During periods of rapidly rising prices in items which form the largest portion of the operating expenses, the Commission considers the changes which occur during the period from the end of the historical period to the future period. This consideration is necessitated by the effect of rising prices during the interim period between the historical period and the future period. To some extent the carrier continues to incur revenue deductions which are not being fully compensated by revenues. Furthermore, the projected revenue deductions are not based upon the most recent data.

With these shortcomings included in the consideration of the historical period data and the future period projections, the Commission shall accept the periods used by Gray Line.

The following table summarizes the operating revenue deductions for Gray Line during the historical period and the future period under the current rate structure and proposed rate structure.

TABLE I

OPERATING REVENUE DEDUCTIONS

Item	Historical Period	Future Period Current Rates	Future Period Proposed Rates
Maintenance	$ 345,149	$ 369,695	$ 369,695
Transportation	1,375,221	1,443,850	1,443,850
Station	306,483	370,206	404,979
Traffic, Solicitation & Advertising	235,237	245,785	247,712
Insurance & Safety	118,042	122,882	129,004
Taxes & Licenses	147,335	153,957	159,181
General & Administrative	407,652	423,576	423,078
Depreciation	76,221	76,221	76,221
Operating Rents	43,705	48,000	48,000
Totals	$3,055,045	$3,254,172	$3,301,720

The significance and magnitude of the projected changes are measured by the dollar increase and percentage increase in these items between the historical period and the future period. These increases are set forth in the following table.

TABLE II

DOLLAR INCREASE AND
PERCENTAGE INCREASE IN
OPERATING REVENUE DEDUCTIONS

Item	Current Rates Dollar	Current Rates Percentage	Proposed Rates Dollar	Proposed Rates Percentage
Maintenance	$24,546	7.1%	$24,546	7.1%
Transportation	68,629	5.0%	68,629	5.0%
Station	63,723	20.8%	98,496	32.1%
Traffic, Solicitation & Advertising	10,548	4.5%	12,475	5.3%
Insurance & Safety	4,840	4.1%	10,962	9.3%
Taxes & Licenses	6,622	4.5%	11,846	8.0%
General & Administrative	15,924	3.9%	15,426	3.8%
Operating Rents	4,295	9.8%	4,295	9.8%
Totals	$199,127	6.5%	$246,675	8.1%

The basis for these changes warrants consideration and discussion.

Payroll and Related Items

Gray Line has projected an increase of $103,608 in these items for the future rate year. Of that amount, $50,747 represents increases in drivers' wages. That increase is based upon the scheduled labor contract increases during the future period. The increase represents 7.8 percent of the amount incurred during the historical period. The 7.8 percent factor was determined by comparing the average wage rate for the future period ($6.738) with the average wage rate for the year ended March 31, 1975.

The Commission cannot accept the projected increase of $50,747. That amount was derived by the use of a percentage factor which represents the future period average wage increase over a prior period average wage, which was not the historical period average wage. During the historical period, Gray Line's average wage rate apparently was $6.399. Comparing that amount with the future period average wage rate indicates that the drivers' wages should increase by 5.3 percent during the future period. That amount would be $34,482 and it will be used in considering the proposed rate structures.

Gray Line has projected a $42,674 increase in all other salaries and wages. No statement has been offered indicating the basis for these increases. Accordingly, the Commission shall not include this increase in the future period revenue deductions for purpose of the considerations herein.

Gray Line has projected a $10,187 increase in payroll related items. These items primarily are social security taxes and employee welfare benefits. Gray Line indicates that 5 percent more drivers will be eligible during the future period for the pension plan. The Commission shall accept this projection for the purpose of the considerations herein.

Diesel Fuel and Fuel Items

As part of the basis for projecting operating revenue deductions, Gray Line assumed a 10 percent increase in diesel fuel costs. This projected increase is anticipated by Gray Line on the basis of the increases in diesel fuel costs during the period January 1973 through the present. In January 1973, Gray Line paid 14.26 cents per gallon, excluding state and federal taxes. By January 1974, Gray Line was paying 25.8 cents per gallon, excluding state and federal taxes. The latest amount paid by Gray Line was 31.9 cents per gallon, excluding state and federal taxes, from October 16, 1974 to the present.

According to Gray Line, its average diesel fuel cost in 1974 was 31.56 cents per gallon and for 1975 the average diesel fuel cost will be 31.9 cents per gallon. Comparison of these costs indicate that Gray Line's average diesel fuel cost increased by merely one percent. The Commission shall not include the projected 10 percent increase in diesel fuel costs in the future period revenue deductions for purpose of the considerations herein.

The amounts stated hereinbefore for the cost of diesel fuel excluded all state and federal taxes. Until recently these taxes had been 8 cents per gallon for the District of Columbia and 4 cents per gallon for the Federal. Since this application was filed, these taxes have been increased. The increase in taxes should increase Gray Line's diesel fuel costs by approximately 3 cents per gallon. During the historical period, Gray Line states that it used 156,987 gallons of diesel fuel. Assuming the same usage during the future period, Gray Line's cost for diesel fuel should increase by $4,710. For purpose of the considerations herein, the Commission shall include this amount in the future period revenue deductions.

Tires & Tubes

Gray Line has projected an increase in the cost of tires and tubes for the future period. No basis is stated by Gray Line as justification for this increase. Moreover, Gray Line's projections of the size and scope of its operations during the future period do not reflect any increase in bus mileage. The Commission shall not include the projected $1,789 increase in the future period revenue deductions for purposes of the considerations herein.

Revenue Related Items

Gray Line stated that certain operating revenue deductions would be increased during the future period as a result of increases in the revenues to be received. These items are fees and admissions, commissions, insurance, association dues, and gross receipt taxes. The increase in revenues is based on an expected 21,656 increase in passengers.

Initially, these items must be divided between those controllable by Gray Line and those beyond Gray Line's control. Those items appearing to be controllable are commissions and association dues. Those items appearing to be a function of operations and beyond Gray Line's control are fees and admissions, insurance, and gross receipt taxes.

The Commission shall not include in its considerations any increases in future period revenue deductions resulting from commissions and association dues. The amount of these expenses is dependent upon the amount of revenues. It is clearly evident that as the revenues increase these expenses increase. The approval of a higher fare structure thus generates greater revenues for the same operations and necessarily results in higher expenses without any noticeable improvement in the service being provided the public. The fare structure also is prescribed on the basis of operating revenue deductions. Thus, the greater the operating expenses the higher the fare structure and the higher the fare structure the greater these expenses. It is this form of interrelationship between revenues and controllable expenses which the Commission believes is not in the public interest.

With respect to those items beyond Gray Line's control and a function of the revenue generated, Gray Line submits that a portion of the projected increases are the result of scheduled increases and a portion are the result of projected revenue increases. Gray Line has not submitted any schedule of increases in these different items. The Commission thus is unable to determine the amount attributable to such increases for each item and the basis for the projected increase. The Commission shall not include in its considerations any increases in future period revenue deductions resulting from scheduled increases in these items. However, with respect to the increases resulting from the projected revenue, the Commission shall use the amount of $64,667, which is the accumulation of the projected increases under the present fares for fees and admissions, insurance and gross receipt taxes.

Rents

Gray Line has projected a $4,295 increase in rents for the future annual period. No basis is stated by Gray Line as justification for this increase. The Commission shall not include the projected increase in the future period revenue deductions for purpose of the considerations herein.

All Other Expenses

Gray Line has projected a 16.25 percent cost increase for parts during the future period. No basis is stated by Gray Line as justification for this increase. The Commission shall not include the $8,643 increase in the future period revenue deductions for purpose of the considerations herein.

Gray Line also has projected an $85,000 decrease in purchased transportation. No basis is stated by Gray Line for this projected decrease. Accordingly, the Commission shall not adjust the historical period revenue deductions to reflect this projected cost saving in the future period.

The operating revenue deductions for the historical period, the operating revenue deductions used by the Commission herein for the future period, and the percentage increase in each are summarized in the following table.

TABLE III

COMPARISON OF OPERATING
REVENUE DEDUCTIONS

Item	Historical Period	Future Period	Percentage Increases
Payroll & Related Items	$1,365,295	$1,409,964	3.3%
Diesel Fuel & Fuel Items	82,325	87,035	5.7%
Tires & Tubes	18,832	18,832	-0-
Revenue Related Items	786,448	851,115	8.2%
Rents	43,705	43,705	-0-
All Other Expenses	682,219	682,209	-0-
Sub-TOTAL	$2,978,824	$3,092,870	3.8%
Depreciation	76,221	76,221	-0-
Total	$3,055,045	$3,169,091	3.7%

For the purpose of the considerations herein, the Commission shall use revenue deductions without income taxes in the amount $3,169,091 for the future period.

II. OPERATING REVENUES

Gray Line has proposed an increase in every rate currently applicable to services provided the farepaying public. With respect to the round trip racetrack fares, the present fares would be increased by 50 cents. The proposed fare would be $3.50 for Bowie, Laurel and Laurel Raceway and $3.00 for Rosecroft. With respect to individually ticketed sightseeing, Gray Line proposes the following fares.

TABLE IV

SCHEDULE OF PRESENT AND
PROPOSED SIGHTSEEING FARES

Tour	Description	Present Fare	Proposed Fare
A	All Day Deluxe	$24.25	$25.25
A-1	All Day Deluxe Boat Combination	27.00	28.00
C	D.C. & Arlington National Cemetery	11.25	11.75

D	Mt. Vernon & Alexandria, Va.	11.00	11.75
D-1	Mt. Vernon & Alexandria, Va., Boat Combination	13.75	14.50
L	Nite Tour; D.C.	10.00	10.50

With respect to charter service, Gray Line proposes the following rates.

TABLE V

SCHEDULE OF PRESENT AND PROPOSED CHARTER RATES

Vehicle Passenger Capacity	Present Fare	Proposed Fare
A. Regular Charter Operations (Hourly Rate)		
38-43 passenger	$17.00	$19.00
44 passenger	18.00	20.00
46-49 passenger	18.00	21.00
53 passenger	19.00	21.00
B. Group Sightseeing Charter (Hourly Rate)		
38-43 passenger	$21.50	$22.50
44 passenger	21.50	23.50
46-49 passenger	21.50	24.50
53 passenger	21.50	24.50
C. Transfer Charter (Trip Rate)		
One-way Washington National Airport	$46.00	$60.00
One-way two points in downtown Washington	41.50	60.00

Gray Line has projected that future period revenues from race track operations would increase under the proposed fares by $27,611 from $253,971 for the historical period to $281,582 during the future period. Gray Line states that 33,240 passengers used the racetrack service during the historical period. Accordingly, a proposed 50 cent increase in each fare, assuming the same ridership in the future period, would increase revenues by $16,620. The Commission shall use $270,591 as the projected revenues from racetrack passengers during the future period for the purpose of the considerations herein.

Gray Line has projected that future period revenues from individually ticketed sightseeing would increase under the proposed rates by $409,163 from $1,529,138 for the historical period to $1,938,301 during the future period. The projected increase is attributable to adjustment in the passengers during the historical period, an increase in passengers during the future period, and an increase in the rate structure.

During April and May, 1975, Gray Line submits that it experienced a loss in ridership as a result of a strike by certain of its employees. Gray Line states that it lost 5,649 passengers during this period and that the historical period passenger figures should be adjusted. The Commission accepts this adjustment as reasonable and will use an historical period passenger figure of 113,933 passengers.

Gray Line has projected a 16,007 passenger increase during the future period. The Commission does not believe that this projection is properly supported by the record. Accordingly, for purpose of the considerations herein, that projection of passenger increases will not be included in the future period passenger figure.

Gray Line's proposed rate structure for individually ticketed sightseeing is approximately 4.9 percent greater than the current rate structure. During the historical period, the average per capita sightseeing fare was $14.12. Gray Line thus projects an average per capita sightseeing fare of $14.92 for the future period, which represents approximately a 4.9 percent increase in the current average per capita sightseeing fare. The Commission shall accept this projection for the purpose of the considerations herein. Thus, the projected future period revenues from per capita sightseeing would be $1,699,880 (113,933 passengers times $14.92).

With respect to charter rates, the Commission believes that for the purpose of the considerations herein the historical period revenues should be increased by the average percent increase in the rate structure. Such an increase obviously assumes no change in charter service during the future period as a result of change in the rate structure. The proposed group sightseeing charter rates average approximately 9.3 percent more than the current group sightseeing charter rates. Accordingly, the historical period revenues of $396,231 should be increased by 9.3 percent or $36,850 to $433,081 for the future period. The proposed transfer rates average 37.5 percent more than the current transfer rates. Accordingly, the historical period revenues of $453,020 should be increased by 37.5 percent or $169,883 to $622,903 for the future period. The proposed charter rates average 11.1 percent more than the current charter rates. Accordingly, the historical period revenues of $158,093 should be increased by 11.1 percent or $17,548 to $175,641 for the future period.

The following table summarizes and compares the historical period revenues and the future revenues used by the Commission for purpose of the considerations herein.

TABLE VI

COMPARISON OF REVENUES

Item	Historical Period	Future Period	Percentage Increase
Racetracks	$ 253,971	$ 270,591	6.5%
Sightseeing-Per Capita	1,529,138	1,699,880	11.2%
Sightseeing-Group	396,231	433,081	9.3%
Transfers	453,020	622,903	37.5%
Charter	158,093	175,641	11.1%
Other	47,993	47,993	-0-
TOTAL	$2,838,446	$3,250,089	14.5%

For purpose of the considerations herein, the Commission shall use revenues in the amount $3,250,089 for the future period.

The Commission finds that the amount of revenue projected herein as the result of the proposed rate structure is necessary to cover the operating revenue deductions projected herein. Moreover, the projected difference between revenues ($3,250,089) and operating revenue deductions ($3,169,091) is $80,998 or 2.6 percent of the projected operating revenues. Accordingly, an increase in passengers during the future period will not result in an excess return but merely enable Gray Line to realize a reasonable return on its revenues. Furthermore, it should be noted that the primary consideration herein has been whether the proposed rate structures as set forth in the proposed tariffs should be suspended. The Commission has found that the proposed rate structures are just, reasonable, and not unduly discriminatory or unduly preferential either between riders or sections of the Metropolitan District.

The Commission notes that Gray Line's projected difference between revenues ($3,515,988) and operating revenue deductions ($3,301,720) was $214,268 or 6.5 percent of its projected operating revenue deductions. The difference between Gray Line's projected revenues and the projected operating revenue deductions herein would be $346,897 or 10.9 percent of the projected operating revenue deductions. These margins of revenue over operating revenue deductions would be reasonable. Gray Line projects interest expense net of interest income in the amount of $50,682 and debt retirement costs of $70,000 for the future period. After these capital costs are considered, the Gray Line would have a net return on revenues of either 2.7 percent under Gray Line's projections or 6.4 percent as adjusted herein.

THEREFORE, IT IS ORDERED:

I. That Application No. 882 of The Gray Line, Inc., for approval of WMATC Tariff No. 7 cancelling WMATC Tariff No. 5 naming per capita fares between Washington, D. C., and Race Tracks in Maryland, and WMATC Tariff No. 8 cancelling WMATC Tariff No. 6 and Supplements thereto governing charter rates and special operations fares be, and it is hereby, granted.

2. That The Gray Line, Inc., be, and it is hereby, directed to file within five (5) days of the service of this order two copies of WMATC Tariff No. 7 cancelling WMATC Tariff No. 5 and WMATC Tariff No. 8 cancelling WMATC Tariff No. 6 to be effective January 1, 1976.

BY DIRECTION OF THE COMMISSION:

William H. McGilvery

WILLIAM H. McGILVERY
Executive Director