WASHINGTON METROPOLITAN AREA TRANSIT COMMISSION

WASHINGTON, D. C.

ORDER NO. 1573

IN THE MATTER OF:		Served June 23, 1976
Application of GREYHOUND AIRPORT SERVICE, INC., for Authority to Change Tariff	)))	Application No. 932 Docket No. 325

By Application No. 932, dated April 2, 1976, Greyhound Airport Service, Inc. (Greyhound) seeks approval of its proposed WMATC Tariff No. 16, 1/ which would cancel its current WMATC Tariff No. 14. By Order No. 1548, served April 30, 1976, 2/ the Commission suspended Greyhound's proposed WMATC Tariff No. 15 and scheduled Application No. 932 for public hearing. Following a requested postponement by Greyhound, the public hearing was held on May 19, 1976. See Order No. 1553, served May 7, 1976. The public hearing was held for the purpose of determining the appropraite fare structure applicable to Greyhound's operations pursuant to Certificate of Public Convenience and Necessity No. 7. The Commission previously directed that the fare structure be designed to generate a sufficient return on gross revenues with respect to both the van operations and the motor coach operations.

At the public hearing, Greyhound amended its proposed WMATC Tariff No. 15. The amendment relates to a new tariff provision instituting a family fare. That provision would be applicable only to special operations rendered between Washington National Airport (National) and points in the District of Columbia or Montgomery County and Prince George's County, Maryland. The special family fare provision would apply whenever a family consisting of husband and wife or one or both parents with one or more children are travelling together. The amendment sets forth the rates applicable to the proposed family fare provision. The special reduced fare would consist of a single full fare, an additional $1 charge for the second member of the family, and an additional $.50 charge for each other member of the family.

1/ The proposed tariff, hereinafter referred to as WMATC Tariff No. 15, should have been identified as WMATC Tariff No. 15 cancels WMATC Tariff No. 14. This was corrected in Order No. 1548.

2/ The Commission incorporates herein the description of Greyhound's authority, the discussion of Greyhound's proposed rate increase, and the summary of Greyhound's financial condition as set forth on pages 1 to 3 of Order No. 1548.

Greyhound submitted at the public hearing an explanation of the $39,364.25 difference between the reported revenues and the analysis revenues set forth in Order No. 1548. Greyhound's current WMATC Tariff No. 14 specifies fares for transportation between Dulles International Airport (Dulles) and National other than the full fare. However, the passenger statistics for such transportation do not differentiate by passenger class. A portion of the passengers transported between Dulles and National actually paid fares less than the full fare. As a result, the actual revenue as reported was less than the analysis revenue.

Greyhound supplemented the record with explanations pertaining to the balance sheet submitted as part of Application No. 932 and questioned by the Commission in Order No. 1548. The $134,018 accounts receivable from Greyhound Corporation is a net balance due Greyhound as a result of various transactions with other subsidiaries of the Greyhound Corporation. Greyhound employs a memo system rather than a cash payment system for transactions between the related companies. The $518,946 unearned surplus was the intercompany balance due Greyhound Corporation as of December 31, 1973, and capitalized by Greyhound Corporation with respect to its investment in Greyhound.

With respect to projected expense increases unexplained in the initial filing, Greyhound submitted additional data and explanations. The $3,436 increase in salaries results from two 6.7 percent increases in the salaries of office employees. One increase occurred in December 1975 but is not reflected in that year's figures and the other increase would be effective upon the grant of Application No. 932. The $21,749 increase in depreciation expense for revenue equipment is attributable to the purchase of new vans and an annualization of the 1975 depreciation expense for motor coaches. The $3,367 increase in payroll taxes results from the increase in salaries. The $5,978 increase in coach equipment rentals reflects an estimated increase in the monthly rental charged by Greyhound Lines, Inc., for seven 1973 MCI motor coaches currently being leased by Greyhound. The $1,904 increase in other rentals is the result of the increase in space rentals at Dulles and National. Greyhound states that it has projected an increase of 480 hours per month for motor coach operators as a result of a provision contained in its new union agreement and an increase of 177 hours per month for van operators as a result of the increase in the number of operators employed on the evening shift. Greyhound also states that a 51.6 percent tax rate was projected to reflect increased taxes due to the use of accelerated depreciation rates for tax purposes.

Greyhound renders the charter operations and special operations in motor coaches and vans. The motor coach operation is concentrated at Dulles and the van operation is concentrated at National. However, Greyhound does use both types of equipment at both airports. With respect to Dulles, vans are operated in special operations involving points in Montgomery County and Prince George's County, Maryland, and with respect to National, motor coaches are operated in special operations when there are increases in the demand for transportation as a result of a large number of persons departing particular hotels within the District of Columbia.

Greyhound submitted data indicating that the cost per mile to operate motor coaches and vans is nearly equal. The cost per mile to operate a motor coach was 77.6 cents for calendar year 1975. The cost per mile to operate a van was 75.7 cents for calendar year 1975. During 1975, motor coaches were operated 1,240,435 miles and generated $1,149,804 or approximately $.93 per mile in revenue. The vans for the same period were operated 1,170,743 miles and generated $756,995 or approximately $.65 per mile in revenue. Obviously, this resulted in a profitable operation of motor coaches and a deficit operation of vans. The combined operation resulted in 2,411,178 miles and generated $1,906,799 or approximately $.79 per mile in revenue. The revenue per mile exceeded the cost per mile and the combined operations generated a profit.

Greyhound has projected an increase in the miles to be operated, the revenues to be generated and the expenses to be incurred during the future rate period. Greyhound estimates that 1,250,000 coach miles would be operated at an expense of $1,112,342 or 89 cents per mile. This cost per mile represents an increase of 14.7 percent over calendar year 1975. Greyhound also estimates that 1,200,000 van miles would be operated at an expense of $969,535 or 80.8 cents per mile. This cost per mile represents an increase of 6.7 percent over calendar year 1975. The more than twice as large increase in motor coach cost per mile compared to van cost per mile is attributable to the increases in motor coach operator wages, related payroll expenses, and personal and property liability insurance expense. Greyhound further estimates that coach revenue per mile would be approximately $1.10 or an 18.7 percent increase over calendar year 1975 and that van revenue per mile would be approximately $.77 or a 19 percent increase over calendar year 1975.

The result would be a lowering of the operating ratio applicable to motor coach operations, van operations, and the entire operation. However, the decrease in the van operating ratio would exceed the decrease in the motor coach operating ratio. The projected operating ratio for motor coach operations would be 81.1 as compared to 83.7 for calendar year 1975. The projected operating ratio for van operations would be 104.5 as compared to 117 for calendar year 1975. The combined operating ratio would be 90.6 as compared to 97 for calendar year 1975.

Greyhound submits that it is not uncommon for good routes to subsidize poor routes in the transportation industry. This premise reflects the tenet that no two routes of transit operation result in equal operating ratios and equal operating incomes. According to Greyhound, the subsidization of the van operations by the coach operations is an unfortunate necessity. The necessity results from the close proximity of National to the District of Columbia. Greyhound contends that the presence of relatively inexpensive taxicab operations between National and the District of Columbia competitively restricts the amount Greyhound can charge. As a result, Greyhound submits that coach operations should be permitted to continue to subsidize the van operations.

Greyhound has requested the reconsideration of that portion of Order No. 1548 wherein it was indicated that the Commission has no authority to approve a fare applicable to service between three specified motels located within the Commonwealth of Virginia and National. Greyhound states that the service would be operated over a federal highway passing through a portion of the District of Columbia. Greyhound contends that this Commission and the Virginia State Coporation Commission previously have recognized and found that where such operations are conducted in this manner they fall within the jurisdiction of this Commission and not the Virginia State Corporation Commission. Greyhound refers to no order, decision or statute as support for this contention.

DISCUSSION AND CONCLUSIONS

The Compact, Title II, Article XII, Section 5(a)(2) mandates that the fare, regulation or practice relating thereto, must be just, reasonable, and not unduly preferential or unduly discriminatory either between riders or sections of the Metropolitan District. That mandate does not proscribe subsidization. Rather, it initially requires the Commission to determine that the fare, regulation, and practice are just and reasonable. The mandate then requires the Commission to determine that the fare, regulation, or practice would not be unduly preferential or unduly discriminatory either between riders or sections of the Metropolitan District. With respect to subsidization of one operation by another operation, the critical issue is whether the fare, regulation, or practice would be unduly preferential or discriminatory.

Greyhound has proposed a rate structure which would continue, rather than correct, the non-compensatory operation of vans. The losses generated by the van operations would be subsidized by the higher profit margin resulting from motor coach operations. This subsidization of van operations by motor coach operation is justified on two bases by Greyhound. First, the subsidization of certain services by other services is not uncommon in the transportation industry. Second, the subsidization is essential to the continuance of van operations at National.

The Commission does not believe that subsidization of van operations by motor coach operations is in the public interest. Initially, subsidization of one line of service by another line of service is justified when the public convenience and necessity require such subsidization and it is not unduly preferential or discriminatory. The proposed subsidization by Greyhound is not required by the public convenience and necessity. The members of the general public have available reasonable alternative means of passenger transportation for hire. In addition, the record does not support a finding that persons travelling in motor coach operations should be required to pay a portion of the expenses incurred by the van operations. Furthermore, Greyhound has made no showing that justifies continuance of deficit van operations at National.

The Commission finds that the proposed rates applicable to operations rendered in vans or operations rendered in motor coaches are not just and reasonable, and would be unduly preferential or unduly discriminatory either between riders or sections of the Metropolitan District. The Commission further finds that the proposed rates applicable to operations rendered in vans and in motor coaches would be unduly preferential or unduly discriminatory between riders in the different vehicles. Accordingly, the Commission shall deny Greyhound's Application No. 932.

Pursuant to the mandate of the Compact, Title II, Article XII, Section 6(a)(2), the Commission shall prescribe a new rate structure. In attempting to prescribe a reasonable and just rate structure, the Commission has been guided by the several precepts contained in Title II, Article XII, Section 6. In particular the following mandate in Section 6(a)(3) has been observed.

> 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 traffice 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 needs of revenues sufficient to enable such carriers, under honest, economical and efficient management, to provide such service.

The Commission also shall approve a fare applicable to service over Lady Bird Johnson Park between specified motels in Virginia and National. Although the Compact excludes from this Commission's jurisdiction passenger transportation for hire solely within the Commonwealth of Virginia, the Commission has jurisdiction to prescribe a fare which would be applicable to operations involving a route both within the District of Columbia and the Commonwealth of Virginia even though both the origin point and terminus are solely within the Commonwealth of Virginia. See Compact, Title II, Article XII, Section 1(b). Greyhound has stated that each route between the specified motels and National would be operated by way of Lady Bird Johnson Park, an area beyond the Commonwealth of Virginia boundaries. Accordingly, the intent of the Compact would be fulfilled by this Commission approving or prescribing a fare applicable to such operations.

The Commission has determined that the prescribed rate structure set forth in Appendix A, attached hereto, would be just, reasonable, and not unduly preferential or unduly discriminatory between riders or sections of the Metropolitan District. Baiscally, the prescribed rate structure reflects a 50 cent increase in fares involving transportation to or from National and a 25 cent increase in fares involving transportation to or from Dulles. The projected revenue increases resulting from the prescribed fares are set forth in Appendix B, attached hereto. The following table summarizes the total projected revenue, projected expenses, and projected operating ratio for van operations.

1975 Van Revenue	$756,995.00
Plus: Projected Van Revenue Increase	206,798.50
Projected Van Revenue	963,793.50
Less: Projected Van Expenses	969,535.00
Projected Van Operating Deficit	5,741.50
Projected Van Operating Ratio	100.6

The small projected van operating deficit does not contradict the Commission's belief that the van operations should be at least compensatory. The following table summarizes the total projected revenue, projected expenses, and projected operating ratio for motor coach operations.

1975 Coach Revenue	$1,149,804.00
Plus: Projected Coach Revenue Increase	204,163.25
Projected Coach Revenue	1,353,967.25
Less: Projected Coach Expenses	1,112,342.00
Projected Coach Operating Profit	241,625.25
Projected Coach Operating Ratio	82.2

The combined operations revenue would be $2,317,760.75 and the combined operations expenses would be $2,081,877. The prescribed fares should generate operating profit $235,883.75 and an operating ratio equal to 89.8.

At the public hearing, Greyhound indicated that it performed special operations at specified times between certain points. The Commission does not have available to members of the general public any material indicating the time, type of vehicle, and points being served by Greyhound. Accordingly, pursuant to the provisions of the Compact, Title II, Article XII, Section 10(a), the Commission shall direct Greyhound to file a special report indicating its scheduled times of operation, the origin point and destination point of each trip, any intermediate stop or stops, and the type of vehicle commonly used to perform the special operation transportation.

The Commission has considered the other matters presented by this record but finds they do not warrant action contrary to that which now is directed.

THEREFORE, IT IS ORDERED:

1. That Application No. 932 of Greyhound Airport Service, Inc., for approval of WMATC Tariff No. 16, which would cancel its current WMATC Tariff No. 14, be, and it is hereby, denied.

2. That the fares and charges prescribed in Appendix A, attached hereto and made a part hereof, be, and they are hereby, authorized.

3. That Greyhound Airport Service, Inc., be, and it is hereby, authorized to file two copies of WMATC Tariff No. 15 cancels WMATC Tariff No. 14, including rules and regulations, setting forth the fares and charges prescribed in Appendix A, attached hereto, such tariff to be effective on not less than five (5) days notice.

4. That Greyhound Airport Service, Inc., be, and it is hereby, directed to file two copies of a special report and to notify the Commission of any changes therein, said special report to set forth separately the scheduled times of operation, the origin point and destination point of each trip, any intermediate stop or stops, and the type of vehicle commonly used to perform each operation.

BY DIRECTION OF THE COMMISSION:

WILLIAM R. STRATTON
Vice-Chairman

JUDGE PRESTON C. SHANNON, concurs:

The Transit Commission prescribes by this order fares and charges applicable to passenger transportation for hire between three specified hotels in Virginia and Washington National Airport, a point within Virginia, by way of Lady Bird Johnson Park, an area within the District of Columbia. The proposed transportation service is properly within the jurisdiction of the Transit Commission and beyond the regulatory province of the Virginia State Corporation Commission.

The Compact proscription referred to by the Transit Commission in this order is intended to preserve to the State Corporation Commission only jurisdiction with respect to passenger transportation for hire "solely within the Commonwealth of Virginia". Once the passenger transportation for hire involves an area within the Metropolitan District but beyond Virginia, albeit there is no service point beyond the Commonwealth, the Transit Commission should have jurisdiction over the entire transportation operation. Thus, no portion of the service would be beyond regulation or bifurcated between two Commissions.

By this order the Transit Commission fulfills and conforms to the intent of the framers of the Compact to improve transit services within the Metropolitan District on a coordinated basis, without regard to political boundaries. There would be no infringement upon the exercise of any power or the discharge of any duties conferred or imposed upon the State Corporation Commission by the Virginia Constitution.

APPENDIX A

GREYHOUND AIRPORT SERVICE, INC.
COMPARISON OF PRESENT FARES AND CHARGES WITH PROPOSED FARES AND CHARGES WITH PRESCRIBED FARES AND CHARGES

		Present	Proposed	Prescribed
ITEM I.	Fares Between Washington National Airport and Dulles International Airport:			
	Full Fare	$ 4.00	$ 4.50	$ 4.25
	Airport Employee	2.00	2.50	4.25
	Cancelled, Diverted or Scrip Passengers	2.50	3.00	4.25
ITEM II.	Fares Between Washington National Airport, on the One Hand, and, on the Other, Points in the Following Zones, the Boundaries of which Are Shown on the Zone Map Attached to the Proposed Tariff:			
	Zone 1 Statler Hotel, Wash., D. C.	2.25	2.50	2.75
	Zone 2 Sheraton Park, Wash., D. C.	-0-	3.00	3.25
	Shoreham Americana, Wash., D. C.	-0-	3.00	3.25
	Washington Hilton, Wash., D. C.	2.75	3.00	3.25
	Zone 3 Connecticut Inn, Wash., D. C.	3.25	3.50	3.75
	Zone 4 Walter Reed Army Hospital, Wash., D. C.	3.75	4.00	4.25
	Zone 5 Bethesdan Motor Hotel, Bethesda, Md.	4.25	4.50	4.75
	Georgian Motel, Silver Spring, Md.	4.25	4.50	4.75
	Holiday Inn, Bethesda, Md.	-0-	4.50	4.75
	Holiday Inn, Chevy Chase, Md.	-0-	4.50	4.75
	Holiday Inn, Silver Spring, Md.	-0-	4.50	4.75
	Howard Johnson Motor Lodge, Wheaton, Md.	4.25	4.50	4.75
	In-Town, Chevy Chase, Md.	4.25	4.50	4.75
	Quality Inn, Silver Spring, Md.	-0-	4.50	4.75
	Ramada, Bethesda, Md.	4.25	4.50	4.75
	Sheraton-Silver Spring, Md.	4.25	4.50	4.75
	United Inns of America, Bethesda, Md.	-0-	4.50	4.75

	Present	Proposed	Prescribed
Beyond Zone 5	-0-	4.50 plus 50¢ per mile	4.75 plus 50¢ per mile

The charge for service to any other points within the zones referred to above shall be the fare applicable to the zone within which that point is located.

Whenever a family consisting of a husband and wife or one or both parents with one or more children are travelling together, the fares would consist of a single full fare, an additional $1 charge for the second member of the family, and an additional $.50 charge for each other member of the family rather than the regular fares provided for above.

ITEM III. Fares Between Washington National Airport, on the One Hand, and, on the Other, the Following Specified Points in Virginia when Travelling by Way of Lady Bird Johnson Park:

	Present	Proposed	Prescribed
Holiday Inn, Tysons Corner, Va.	-0-	3.75	4.00
Ramada Inn, Tysons Corner, Va.	-0-	3.75	4.00
Sheraton Hotel, Reston, Va.	-0-	4.50	4.75

ITEM IV. Fares for Service Between Dulles International Airport, on the One Hand, and, on the Other, the Following Named Points in the District of Columbia:

	Present	Proposed	Prescribed
Ambassador Hotel	4.00	4.50	4.25
Dupont Plaza Hotel	4.00	4.50	4.25
Embassy Row	-0-	4.50	4.25
Executive House	4.00	4.50	4.25
Gramercy Inn	-0-	4.50	4.25
Holiday Inn-Central	4.00	4.50	4.25

	Present	Proposed	Prescribed
Holiday Inn-Downtown	4.00	4.50	4.25
Howard Johnson Motor Lodge	4.00	4.50	4.25
Madison Hotel	4.00	4.50	4.25
Mayflower Hotel	4.00	4.50	4.25
Metropolitan Hotel	-0-	4.50	4.25
Sheraton Park Hotel	4.00	4.50	4.25
Shoreham Americana Hotel	-0-	4.50	4.25
Statler Hotel	4.00	4.50	4.25
Washington Hilton Hotel	4.00	4.50	4.25

ITEM V. Fares for Service Between Dulles International Airport, on the One Hand, and, on the Other, the Following named Points in Maryland:

	Present	Proposed	Prescribed
Bethesdan Motor Hotel, Bethesda, Md.	4.25	5.00	4.50
Holiday Inn, Bethesda, Md.	-0-	5.00	4.50
Holiday Inn, Chevy Chase, Md.	-0-	5.00	4.50
Ramada Inn, Bethesda, Md.	4.25	5.00	4.50
Howard Johnson Motor Lodge, Wheaton, Md.	4.25	5.50	4.50
Sheraton-Silver Spring, Md.	4.25	6.00	4.50

ITEM VI. Charter Service Between Washington National Airport or Dulles International Airport and Any Point within the Metropolitan District

	Present	Proposed	Prescribed
Cents per live miles:			
11-passenger vehicle	0.45	0.65	0.65
40-passenger vehicle or larger	0.75	0.90	0.90
Cents per dead miles:			
11-passenger vehicle	0.30	0.65	0.65
40-passenger vehicle or larger	0.45	0.90	0.90
Costs per hour:			
11-passenger vehicle	12.50	12.50	12.50
40-passenger vehicle or larger	15.00	20.00	20.00
Minimum charge:			
11-passenger vehicle	37.50	42.50	42.50
40-passenger vehicle	75.00	75.00	75.00

APPENDIX B

GREYHOUND AIRPORT SERVICE, INC.
PROJECTED REVENUE INCREASE
VANS AND COACHES

	Projected Passengers	Amount of Fare Increase	Projected Revenue Increase
I. VANS			
A. Washington National Airport			
Zone 1	50,343	$0.50	$ 25,171.50
Zone 2	33,336	0.50	16,668.00
Zone 3	189	0.50	94.50
Zone 4	1,280	0.50	640.00
Maryland	97,773	0.50	48,886.50
Dulles International Airport	8,427	0.25	2,106.75
B. Dulles International Airport			
District of Columbia	957	0.25	239.25
Washington National Airport	3,539	0.25	884.75
Maryland	15,595	0.25	3,898.75
C. Family Fare-Washington National Airport			
Zone 1	730	3.75	2,737.50
Zone 2	3,650	4.25	15,512.50
Maryland	730	5.75	4,197.50
D. Washington National Airport-Virginia Points			
Sheraton Reston	4,680	4.75	22,230.00
Tysons Corner	1,300	4.00	5,200.00
E. Charter Operations			58,331.00
TOTAL FOR VANS			$206,798.50
II. COACHES			
A. Washington National Airport			
Zone 1	4,868	0.50	$ 2,434.00
Zone 2	4,553	0.50	2,276.50
Zone 3	277	0.50	138.50
Zone 4	2	0.50	1.00
Maryland	417	0.50	208.50
Dulles International Airport	326	0.25	81.50
B. Dulles International Airport			
District of Columbia	168,375	0.25	42,093.75
Washington National Airport	96,843	0.25	24,210.75
Maryland	11,555	0.25	2,888.75
C. Charter Operations			129,830.00
TOTAL FOR COACHES			$204,163.25