WASHINGTON METROPOLITAN AREA TRANSIT COMMISSION

WASHINGTON, DC

ORDER NO. 3229

IN THE MATTER OF: Served September 13, 1988

Application of U.S. SHUTTLE, INC.,) Case No. AP-88-13
for a Certificate of Public)
Convenience and Necessity to)
Conduct Special Operations)

By application filed April 19, 1988, U.S. Shuttle, Inc. (U.S. Shuttle or applicant), seeks a certificate of public convenience and necessity to transport passengers, together with baggage in the same vehicle as passengers, in special operations between Washington Dulles International Airport (Dulles), Loudoun County, VA, and Washington National Airport (National), Arlington County, VA, on the one hand, and, on the other, points in the Metropolitan District, restricted to transportation in vehicles with a manufacturer's designed seating capacity of 15 passengers or less (including the driver) and further restricted against transportation solely within the Commonwealth of Virginia.

A public hearing was held on Tuesday, June 7, 1988, and Wednesday, June 8, 1988, pursuant to Order No. 3159, served May 2, 1988, and incorporated herein by reference. Notice of the application and hearing was timely published in a newspaper of general circulation in the Metropolitan District. Both the order and the notice invited any interested person to file a protest with the Commission or a notification of a desire to be heard on the application by Friday, May 27, 1988.

The Commission received timely responses from three parties, each of whom filed a notice of protest: Air Transit, Inc.; The Airport Connection, Inc.; and the Metropolitan Washington Airports Authority.

Two company witnesses and six public witnesses testified on the applicant's behalf. Each of the three protestants presented witnesses.

SUMMARY OF THE EVIDENCE

Applicant is a Virginia corporation consisting of two shareholders, James Thomas Wall, who also serves as President of the corporation, and Mark McGrath, who serves as Executive Vice President. The business address of the corporation is Oakton, VA. Applicant currently holds no certificate authorizing operation in the Metropolitan District.

The purpose of this application is to allow the applicant to begin a 24-hour door-to-door van service between Dulles and National airports and points in the Metropolitan District.

Applicant stated in its application that its proposed operations would be conducted in twelve vehicles. Ten vans would have a 7-passenger capacity, plus driver, and two vans would have an 11-passenger capacity, plus driver. Additional vans would be added to meet demand. Applicant would provide two classes of service: "Shared Rides" and "Premium Service." Shared Rides would include a maximum of three stops en route and a final discharge of passengers on trips between Dulles and National and points in the District of Columbia. A maximum of two stops en route and a final discharge of passengers would occur on trips between the airports and points in Montgomery County and Prince George's County, MD. Customers who do not specify either Shared Ride or Premium Service are assumed to have chosen Shared Ride service. Premium Service limits the number of stops to one stop en route and a final discharge of passengers between the airports and all points in the Metropolitan District. Six hours advance notice is required for Premium Service, but may be waived by applicant's dispatch manager.

U.S. Shuttle would provide service in eight geographical sectors as follows: Sector 1 - Washington, DC, Northwest and Southwest; Sector 2 - Washington, DC, Northeast and Southeast; Sector 3 - Washington, DC, Downtown; Sector 4 - Rockville-Bethesda, MD; Sector 5 - Gaithersburg Area, MD; Sector 6 - College Park-Greenbelt Area, MD; Sector 7 - District Heights-Bowie Area, MD; and Sector 8 - Forest Heights-Andrews Air Force Base, MD. A detailed description of the areas to be served is included in the application and in the appendix to Order No. 3159.

One-way fares to and from National range in price from \$5 to \$17 for Shared Rides and from \$7.50 to \$22.50 for Premium Service. One-way fares to and from Dulles range in price from \$10 to \$25 for Shared Rides and from \$14.50 to \$31.50 for Premium Service. A \$5 charge would be added to the fare for each type of service for each additional person in a preformed group with identical origins and destinations.

Applicant would provide two guarantees regarding the promptness of its service: the Flight Guarantee and the Late Pick-up Guarantee. Under the Flight Guarantee, if a passenger misses a flight due to applicant's failure to arrive at the airport twenty or more minutes prior to departure of the passenger's flight, applicant would pay the increased costs to the passenger involved in taking a later flight (including one night's lodging in a moderately priced hotel near the airport, two meals, and transportation). The Flight Guarantee does not extend to consequential damages. Under the Late Pick-up Guarantee, a passenger picked up by the applicant more than fifteen minutes and fifty-nine seconds after the specified pick-up time would be transported free of charge. The Late Pick-up Guarantee applies only on trips to the airports.

Applicant submitted a balance sheet dated May 1, 1988, showing $144,038 in current assets and $216,748 in fixed assets. Current and long-term liabilities were shown as $37,700 and $113,086, respectively, with equity of $210,000. A projected operating statement for the first twelve months of certificated operation estimates total operating income of $1,733,000, against operating expenses of $1,740,636, resulting in a first year loss of $7,636 after allowance for depreciation and taxes. Applicant also showed a $90,000 line of credit on the financial statement, which since has been converted to cash.

Mr. James T. Wall presented evidence on behalf of the applicant. Applicant's proposed operation is modeled on that of Super Shuttle International, which currently provides door-to-door van service at the Los Angeles, San Francisco, Phoenix, and Dallas/Fort Worth airports. Mr. Wall worked for the Los Angeles division of Super Shuttle International for approximately eighteen months. Three managers from Super Shuttle International would relocate to Washington, DC, and join applicant's staff. Mr. Wall, an incorporator and an initial director, is President of U.S. Shuttle. Mr. Mark A. McGrath, also an incorporator and an initial director, is Executive Vice President and would head the Sales and Marketing Department.

Mr. Wall testified that applicant's service would be a two-way operation, providing door-to-door 24-hour service to and from the airports. Both inbound service to the airports and outbound service from the airports would be provided by reservation only, either directly through applicant's reservation agents or through travel agents and participating hotels. Applicant would provide a toll-free telephone number to receive reservations. For inbound trips to the airports, when a passenger calls for a reservation, the passenger's flight time is examined and a pick-up time is assigned by using established "lead" times which vary by traffic and weather conditions. Under normal circumstances, vans would pick-up in only one sector, although "cross sectoring" may occur if the trip is on a natural route to the airport. For outbound service originating at Dulles or National, passengers may not spontaneously "flag down" one of the applicant's vans. Reservations must be made before a van would be dispatched from a holding lot near each airport. Applicant would take only "ready reservations," i.e., calls from those passengers who have already collected their baggage. A "head sign" displaying a sector designation would be placed on the roof of the van to aid passengers in identifying their ground transportation. Information regarding passenger pick-up would be dispatched by radio to the van driver. Applicant expects to have passengers from the airports boarded within ten minutes of their call for a reservation, but it is aware that unusually heavy demand for its service and traffic conditions could extend this period to as much as 30 minutes.

The applicant intends to purchase 12 new Chrysler vans, as indicated in the application, with a down payment of 25 percent, and financing the balance. The applicant also is considering a lease-with-purchase option or a lease with Chrysler or a leasing company that deals with Chrysler. U.S. Shuttle expects to begin operations with 65 vans or have 65 vans in operation very shortly thereafter, if its anticipated level of outside investment is achieved. As a measure of confidence in achieving its goal, applicant based its passenger projections for its first year of operation on a 65-van fleet. In addition, applicant plans to add 25 vans in the third year of operation, 30 vans in the fourth year, and 30 vans in the fifth year, for a total of 150 vehicles. Each of the initial 12 vans referenced in the application would be equipped with two-way radios for the drivers. Cellular telephones would be installed for customer use. The applicant has no specific plan for the maintenance or repair of vehicles, or a cost estimate for a maintenance/repair program. Whether the repair and maintenance work would be done by the applicant or contracted out to others will depend on the number of vehicles applicant has on the road. At the 12-van level repairs would be done by contractors. Applicant also plans to replace its vehicles after three years.

Twenty-seven drivers would be hired by the applicant for the 12-van level of operation. There would be 20 or 22 "core" drivers who would be full-time drivers with full benefits. The remainder would be part-time drivers. Each driver would receive three days of training in safety, service, billing, and local geography and would be paid a guaranteed rate of $5 per hour or 30 percent of gross revenue, whichever is higher. Applicant would supply drivers' uniforms and clean them. At the 65-van level, approximately 340 drivers would be hired. Service would be provided in staggered shifts of 10 hours each.

Applicant's ground facilities would include a headquarters building near Dulles and two holding lots located as close to Dulles and National as possible. The headquarters building would contain reservation agents, management, maintenance personnel if any, and other non-drivers. Gasoline pumps would be located at the headquarters building, as would a car wash to wash the vehicles twice a day. Under any lease agreement signed for the headquarters building, applicant expects to have the first 12 months rent free. Although sites have been examined, no building has been selected as yet. The holding lots would function as parking lots from which applicant's vans would be dispatched. The holding lots would be leased, and may be unused company parking or undeveloped land. Applicant would improve the lots with a telephone. Since no sites have been selected, drainage and paving requirements and costs remain unclear. Applicant's witness testified that an investor in applicant's company owns land outside Dulles which could be made available for a holding lot.

Applicant is familiar with the insurance requirements associated with the proposed service, and has received three proposals for $2 million combined single limit liability coverage. The quoted estimates average about $3,000 per vehicle.

As to passenger volumes in applicant's first year of operations, its expects each of the 12 vans to achieve between 5 and 7 round trips per day. Load factors were estimated to range from 4 to 5 persons per van traveling to the downtown sector during peak hours, to 1 to 3 persons per van to the less traveled areas during the same peak period. The average fare was estimated to fall between $8 and $10. All vans were expected to run 365 days a year. An additional economic analysis of passenger volume projections was computed at the 65-van level and was received in evidence as Applicant's Exhibit No. 2.

Applicant also testified that it has made an analysis of traffic congestion at Dulles and National both at peak hours and at other times of the day, and has taken traffic congestion into account in planning its operations.

Applicant has no contract with the Metropolitan Washington Airports Authority (MWAA) at the present time, and did not base any of its projections on the existence of a contract. Applicant has stated a desire to develop a working relationship with MWAA so as to obtain a contract with MWAA in order to secure designated space for picking-up passengers. However, applicant intends to operate its airport shuttle service whether or not it has a contract with MWAA.

By the time of the hearing, applicant had raised $300,000 initial capital through a single investor. The initial capital was held in an investment banking account. A fundraising program is underway to raise an additional $500,000 capital, using the services of the Financial Investment Group of Washington, DC. In addition, the $90,000 line of credit indicated on the application subsequently has been exercised and converted to cash. Although an equity interest in U.S. Shuttle may be given to outside investors, the two principals of the firm, Mr. Wall and Mr. McGrath, presently own 100 percent of the stock of the corporation. They intend to retain a 51 percent ownership interest in the firm after the capital funding program is complete.

The applicant has never been the subject of a fitness investigation by a regulatory body. Applicant is familiar with the terms of the Compact. Applicant's witness also is familiar with the Commission's rules and regulations, and is willing to comply with those rules and regulations voluntarily. At this time of the hearing herein, applicant was not familiar with the safety regulations used by the Commission, but did state a willingness to become familiar with them. Applicant has filed with the Commission, on July 15, 1988, a late-filed exhibit in the form of an affidavit of Mr. Wall, that he has reviewed the safety regulations and that U.S. Shuttle and all of its officers and employees will comply with them.

Mr. W. William Struck testified in support of the application. Mr. Struck is the owner-manager of the Ambassador Travel Service of Chevy Chase, MD. He believes the applicant's proposed service would benefit Ambassador. Ambassador handles 800 travel tickets a week, 90 percent of which are for air travel. The majority of Ambassador's clients are in the leisure market and reside in Montgomery County, MD, and the District of Columbia. These clients often are located several miles out of the downtown area and carry baggage. Ambassador uses one cab company at present, and bus service is not used. Applicant's airport vans could provide a door-to-door airport shuttle on a reserved basis at shared-ride prices. Ambassador provides complete travel service, including ground transfer, and would include applicant's airport van service in its package.

Mr. Philip A. Wagner testified in support of U.S. Shuttle's proposal. Mr. Wagner is a partner and Senior Vice President with the WDC Hotel Group. WDC owns and operates two hotels in the District of Columbia: the Days Inn at 12th and K Streets, N.W., and the Quality Hotel at 1900 Connecticut Avenue, N.W. The Days Inn has 220 moderately priced rooms and the Quality Hotel has 149 moderately priced rooms. Mr. Wagner believes that the applicant's proposal would be of benefit to both of his hotels and is going to recommend applicant's service, if it is authorized. The Days Inn is one block from the Convention Center, and most of its guests are either convention attendees or exhibitors, or tourists. Forty percent of the clientele at the Days Inn are estimated to arrive via National or Dulles airports. Customers have experienced a problem getting cabs at certain times, particularly the afternoon rush hour. The Quality Inn is directly across Connecticut Avenue from the Washington Hilton, and 90 percent of its guests are convention delegates at the Washington Hilton. The bus that comes to the Hilton is across Connecticut Avenue, making it difficult for travelers wishing to go to the Quality Inn to negotiate that major artery with baggage. The door-to-door service of the applicant would solve that problem.

Mr. John K. Daniel also testified in support of the application. He is the Director of Operations, Hotel Division, for the firm of Coakley and Williams, builders and owners of hotels and other real estate ventures. Mr. Daniel was authorized to testify on the behalf of Coakley and Williams. Coakley and Williams owns the Connecticut Avenue Days Inn in Washington, DC, the Rockville Days Inn in Montgomery County, MD, the Holiday Inns in Greenbelt and Calverton, and the Ramada Inn in Lanham -- the last three in Prince George's County, MD. The customers of the Connecticut Avenue Days Inn are mostly tourists or convention delegates; the other properties cater to the business traveler. Mr. Daniel is confident that applicant's service would stimulate additional patronage of his firm's hotels by passengers from Dulles and National and would recommend it to his clientele. The Coakley and Williams' hotels need reliable and cost effective ground transportation to and from the airports, particularly those hotels in Prince George's County. Direct service with a guaranteed arrival time at the airports would be a very big plus to Coakley and Williams' customers because their guests often miss flights due to a late pick-up or lack of an available cab when needed.

Support for U.S. Shuttle's application also was expressed by Mr. Jeff Billings, General Manager of the Connecticut Avenue Days Inn, owned by Coakley and Williams. It is Mr. Billings postion that his hotel would be interested in the service proposed by the applicant because the hotel offers package plans, but none include ground transportation for the reason that nobody offers vouchers for direct door-to-door service to and from the airports. The Connecticut Avenue Days Inn also would recommend applicant's service, if authorized, because no bus serves that hotel directly, and cab service has proven to be unreliable. The shared-ride service of applicant would be well suited to Days Inn clientele, since Days Inn room rates are in the moderate price range.

Mr. Thomas B. Hall testified in support of the application. Mr. Hall is the owner and director of Capitol Reservations and Services, Inc., a one-stop service that books hotel rooms for tourists at discounted rates. Capitol Reservations operates primarily within the District of Columbia but also in Prince George's County and Montgomery County, MD. U.S. Shuttle's proposed service would benefit Mr. Hall's operations because his firm would like to offer package plans that include ground transportation. Mr. Hall estimated that he gets up to 50 inquiries a week about the availability of ground transportation. His clients coming from Dulles take a shuttle bus downtown and transfer to a cab to their hotel, a time consuming and expensive proposition. Mr. Hall would recommend the applicant's service because it would be a 24-hour operation and would be less expensive for the tourist on a budget than current alternatives for ground transportation.

Miss Eileen Fry, Chief Executive Officer of Mark Mosely Travel in Fairfax, VA, testified in support of the applicant's proposal. Mosely Travel serves corporate accounts and business travelers, including clients in the District of Columbia, and Montgomery County and Prince George's County, MD. Miss Fry believes that the proposed service would benefit Mosely Travel. At present, Mosely Travel does not arrange ground transportation because of concern over the quality of existing service. Mosely Travel finds that it can recommend the service of the applicant because it would provide, among other things, reservation coverage to all points within the Metropolitan District, economy in travel cost for corporate as well as individual clients, dependable service through its flight guarantee, and ground transportation service vouchers to add to tours and other packages. Miss Fry believes that applicant's proposal may be the missing piece to help sell a ground transportation package.

Mr. Jeffrey M. Russell presented evidence on behalf of the applicant. Mr. Russell has performed contractual accounting services for the applicant since May 1988, including payroll, general ledger, and full accounting services. Mr. Russell testified that his firm did not prepare the financial statements that were submitted with this application, but was asked to review and test them for reasonableness and conservatism. The financial statements were prepared by the Arthur Anderson Company. Mr. Russell reviewed the operating statement to see if it seemed reasonable. Mr. Russell had no experience in running a transportation business and based his opinion solely on information provided by the applicant. The witness also testified that he did not consider the May 1, 1988, statement of financial condition to be a statement of financial condition; he considered it to be a "pro forma" instead, reflective of the applicant's projected condition if, in fact, the applicant were in operation.

Mr. George P. Pakidis testified in opposition to the application. Mr. Pakidis is the General Manager of Operations for Air Transit, Inc. Air Transit provides radio dispatched taxi service originating or terminating at Dulles under an exclusive contract with MWAA. In turn, 215 taxicab drivers are under contract with Air Transit as independent contractors. The service is an on-call, door-to-door service in vehicles that accommodate 4 passengers plus the driver.

Mr. Pakidis believes that applicant's proposed premium service would dilute Air Transit's business, in which Air Transit has heavily invested. Under Air Transit's contract with MWAA, Air Transit has the exclusive right to the taxi concession at Dulles. In return, Air Transit has had to construct a $200,000 holding area and pay roughly $300,000 annually in fees to MWAA for its exclusive right. Travelers do have the right, however, to call another cab into or out of the airport. Mr. Pakidis testified that Air Transit cabs are generally available at the doors of the terminal, with a required maximum response time under the contract of 10 minutes in "peak" travel hours and 30 minutes in "off-peak" hours. Air Transit currently is not adding or replacing drivers because growth in passenger volume at Dulles has stabilized. Air Transit is sure that growth will start to accelerate again, however. Mr. Pakidis estimated that preparation of a holding area and other facilities, as proposed by applicant, could involve up to $25,000 for drainage and asphalt, $7,500 for a car wash, and up to $10,000 for a 10,000 gallon gasoline tank. When questioned about Air Transit's service, Mr. Pakidis testified that Air Transit originates no cab service at National airport. Air Transit does not offer a "Late Pick-up Guarantee" or "Flight Guarantee" like those of the applicant. The witness conceded that the applicant contemplates a considerably higher percentage of inbound traffic service to Dulles than Air Transit now provides. Air Transit estimates that 85 percent of its service originates outbound from Dulles, and only 15 percent of Air Transit's business is inbound. Air Transit receives as few as 30-50 inbound requests on a given day.

Mr. Keith Meurlin testified in opposition to the application. Mr. Meurlin is the Manager of the Operations Division at Dulles and was authorized to speak on behalf of MWAA. Mr. Meurlin's responsibilities include the movement of airline passengers in and around the terminal, processing of baggage, vehicle arrivals and departures at the terminal and parking lot, and the movement of shuttle buses and other ground transportation. The witness testified that Dulles is subject to considerable traffic congestion. The airport handles 10.5 million passengers annually and is served by one 600 foot terminal with a two lane access road and one parking lane. There are only 15 cab spaces for the taxi concessionaire. Private vehicles, parking lot shuttle buses, and hotel shuttle vans share the same arrival and departure areas. Drivers of arriving and departing vehicles must remain with their vehicles. Waiting on access ramps to the terminal is forbidden. If a driver fails to pick up a passenger, the vehicle must circle around again on the access road, causing congestion. When questioned about MWAA's procedures, Mr. Meurlin testified that MWAA would not prohibit applicant from loading and unloading passengers without dedicated curb space as long as the applicant abides by the laws, rules, and regulations of MWAA. The witness agreed that the applicant's vans are the same size as a full-size sedan and, if the passengers of 7 single-passenger vehicles could be persuaded to use a multi-passenger vehicle as proposed by applicant, fewer cars on the road would mean less congestion, not more.

Mr. John Ogden testified in opposition to the application. He is the Manager of the Operations Division at National and was authorized to speak on behalf of MWAA. Mr. Ogden's responsibilities are the same as Mr. Meurlin's. The witness testified that every aspect of the operation at National is congested and limited. National has 37 airplanes arrive and depart per hour. Peak hours at National run from 9 a.m. to 10 p.m. Like Dulles, drivers of arriving and departing vehicles at National must stay with their vehicles and may not wait for passengers. In addition, congestion will be exacerbated by a five-year airport rebuilding program which will heavily impact the crowded access road system. If a driver misses a passenger at National at either the Main Terminal or the North Terminal, the vehicle must make a five-minute circuit on the access road. Unlike the contract cab system at Dulles, National has an "open" cab system under which cabs licensed by the various jurisdictions in the Metropolitan District are permitted to pick-up passengers at the airport. The Metro stop is a 3 to 5 minute walk from the Main Terminal and accessed by a climb up a hill and a flight of steps from the North Terminal, making access difficult for the elderly or those with much baggage.

Mr. John Tanavage testified in opposition to the application. Mr. Tanavage is the President of The Airport Connection, Inc., a firm that provides door-to-door unscheduled limousine service at National and scheduled bus service at Dulles. The Airport Connection has a contract for its services with MWAA, and has designated space for its operations at each airport. The Airport Connection has been in bankruptcy under Chapter 11 since December 30, 1987, with a $950,000 indebtedness. However, the firm claims to have shown a continuous profit since then, after making some line changes and schedule changes. The Airport Connection attributes its prior lack of profitability to three factors, among others. First, the traffic pattern at National severely impacted its best patronized limousine run to the downtown Washington business district, causing round trips of up to 45 minutes. This severely reduced the number of round trips per day out of National. Second, trips to outlying areas usually wind up as one-way trips; few people ride the limousine on return trips, thus creating the need for higher fares. Third, the current percentage of airline passengers using The Airport Connection buses is only 3.3 percent at Dulles and only .5 percent at National. The Airport Connection believes that facts such as these would make it impossible for applicant's 12 vans to generate the $1.7 million in revenue at Dulles and National shown on the application. When questioned about its current service, the witness for The Airport Connection testified that only two bus routes are being run out of National, and one of those is not being advertised on The Airport Connection's schedule. As for Dulles, The Airport Connection's buses only depart for Montgomery County every two hours, or longer. The Airport Connection provides no scheduled bus service to Prince George's County.

DISCUSSIONS AND CONCLUSIONS

In determining whether to grant a certificate of public convenience and necessity we look to Title II, Article XII, Section 4(b) of the Compact which requires that an applicant prove it is fit, willing, and able to perform the proposed transportation properly and conform to the provisions of the Compact and the Commission's rules, regulations, and requirements thereunder. Section 4(b) further requires that the applicant prove that the proposed service is required by the public convenience and necessity.

Based on a review of the record, we find that applicant has satisfied its burden of proving that the public convenience and necessity require the proposed service. The Commission has relied on the test enunciated in Pan-American Bus Lines Operations (1 MCC 190, 203 [1936]) when interpreting this provision of the Compact. The Pan-American test consists of three parts as follows:

> . . . whether the new operation or service will serve a useful public purpose, responsive to a public demand or need; whether this purpose can and will be served as well by existing lines or carriers; and whether it can be served by applicant with the new operations or service proposed without endangering or impairing the operations of existing carriers contrary to the public interest.

The witnesses who testified in support of the application clearly established the need for applicant's 24-hour, door-to-door airport van service to and from points in the District of Columbia, and Montgomery County and Prince George's County, MD. The representative from the Connecticut Avenue Days Inn cited the unmet need for a ground transportation service that offers vouchers for direct door-to-door service between the airports and the District of Columbia. Ambassador Travel Service cited the same need for a vouchered door-to-door service on a reserved basis at moderate prices that could be included in tour packages for the leisure client in Montgomery County. Capitol Reservations has clients traveling between downtown Washington and Dulles who need transportation service that is less expensive than current alternatives for the tourist on a budget. The Holiday Inns in Greenbelt and Calverton, and the Ramada Inn in Lanham, need reliable transportation between Prince George's County and the airports.

The record also is replete with evidence that the demonstrated need for the proposed service is not being met. The guests at Coakley and Williams' hotels who now miss flights due to late pick-ups or lack of available cabs could benefit from ground transport with a guaranteed arrival time at the airports. At the Days Inn at 12th and K Streets, N.W., customers who have experienced a problem getting cabs during the rush hour also could benefit from reserved, door-to-door service with a guaranteed airport arrival time, according to the representative of the WDC Hotel Group. WDC Hotel Group has tourists at the Connecticut Avenue Quality Inn who must cross a major artery with baggage because there is no moderately priced, door-to-door service available to them from Dulles. The cost of applicant's shared ride service to the Quality Inn would be about one-third that of a taxi from Dulles. Mosely Travel needs a vouchered and reserved ground transportation service with a guaranteed arrival time that it can recommend to its corporate clients.

Based upon the testimony of the witnesses and the evidence of record, we find that U.S. Shuttle has met its burden of proving that the proposed service would serve a useful purpose for which there is a demonstrated need. The evidence supports the conclusion that the public purpose found to exist has not been and will not be served as well by existing carriers.

We find also that applicant's proposed service will not materially affect the operations of existing carriers. The operations of the carriers now serving Dulles and National differ from the applicant's proposed operation in the type of service, geographic coverage, airport coverage, fare structure, or service features and guarantees provided. As to the issue of congestion at the airports and applicant's indirect impact on existing carriers, only 12 vans are contemplated initally by the application. To the extent applicant were unsuccessful in attracting passengers, its vehicles would not be present to add to congestion. If, on the other hand, it were successful in attracting passengers, this could actually reduce congestion. We find that the public interest in having such service outweighs that service's impact on congestion. This issue of applicant's impact on traffic congestion is different from the issue of the impact of traffic congestion on applicant, discussed later.

Based on the testimony of applicant's witness and review of the record, we find that applicant willing to conform to the Compact and the Commission's rules and regulations.

As to the ability of the applicant to perform the proposed transportation properly, some question exists. It is unclear what kind of vehicle maintenance and repair program the applicant would initiate. Applicant's witness testified that it has no plans for maintenance and repair of the 12 vans, other than the intent to have the work done by an outside contractor. The applicant has no location for a headquarters building, no designated space for holding lots on the property of either Dulles or National, and no location for holding lots outside the airports. Applicant has no details on headquarters or holding lot lease terms, site conditions, or site preparation. The exact scope of applicant's equipment and personnel remains equally unclear. The application, and the statement of financial condition and operating statement submitted with it, are predicated on financing to acquire and operate 12 vehicles through the first year. Yet, applicant's exhibits (including ridership projections) and much of its testimony are based on a fleet of 65 vehicles operating through the first year. It is evident that U.S. Shuttle envisions an operation in the first year more than 5 times the size of the operation its finances will permit. Within 5 years applicant foresees a 150-vehicle operation. While there is certainly nothing wrong with starting modestly and building a business, if the financial prospects for the initial operation are not sound, then the applicant will not be able to finance expansion out of revenues. Nor would adverse financial results provide a basis for attracting additional capital in the form of either debt or equity.

A broader problem involves the applicant's ability to provide the service when faced with the reality of operating conditions at Dulles and National. Applicant's witness testified that an analysis of traffic congestion had been done, although nothing had been written down and the source could not be remembered. We remain unconvinced that the applicant has fully explored the relationship of congestion at the airports to the provision of its service. The Airport Connection, which is now in bankruptcy proceedings, considers that one cause of severe revenue losses during the start-up of its limousine service was the traffic congestion at National, which reduced the number of trips per day there. The construction program extending over the next five years at National will make matters worse. The applicant has no designated space at either airport, and its drivers may not wait or leave their vehicles when boarding passengers. Under these circumstances, we are concerned about the ability of the applicant to locate and board its passengers outbound from either airport and still maintain an inbound, metropolitan areawide, ground transportation service subject to guaranteed airport arrival times. This becomes a matter of special concern when a fleet of just 12 vehicles must respond to requests throughout the extensive area of the District of Columbia, and Montgomery County and Prince George's County, MD, serving inbound and outbound passengers at two airports in Virginia, one of which is a significant distance even from the downtown central business district.

However, our concern about applicant's ability to perform as proposed is overridden by our finding that applicant's financial projections are not sound. It is our conclusion, based upon the analysis below, that applicant's revenue will not be adequate to sustain operations or attact investment.

U.S. Shuttle has presented no analysis to support its projected revenue of $1,740,636 for its first year of operations at the 12-vehicle level. However, the staff points out in its brief that the elements necessary for calculating revenues are contained in the testimony of applicant's witness. U.S. Shuttle will begin operations with 12 vehicles. 1/ Each vehicle will make between 5 and 7 round trips a day. 2/ Applicant expects a load factor of 1 to 3 for less

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1/ Transcript of hearing before the Washington Metropolitan Area Transit Commission, Case No. AP-88-13 on June 7, 1988, and June 8, 1988, at p. 22.

2/ Transcript at p. 216.

traveled areas, and 4 or 5 for downtown peak trips. 3/ An average fare of $8 to $10 is expected. 4/ Each of the vehicles is expected to operate 365 days a year. 5/

Staff further asserts that a reasonable estimate for vehicle operation must include an out-of-service factor when the service is expected to operate 24 hours every day. In consideration of the fact that applicant's vehicles would be new, staff suggests what it believes to be a conservative down-time factor of 8.3 percent for the first year. This amounts to having one vehicle out of service, on the average, for any reason. For the remaining factors in its calculation, staff employs the midpoint of applicant's own estimates. See text at notes 2-5, supra.

Multiplying these factors together, staff calculates gross operating revenues at $1,409,265. 6/ Staff points out that expenses for this same level of operations are projected by applicant at $1,740,636, leaving a loss of $331,371, including depreciation of $41,518. Staff further asserts that the record indicates that certain likely items of expense may have been underestimated or not provided for, thus making the estimate of expenses conservative.

Staff's calculation of revenues for operations at the 12-vehicle level is the only one placed on the record by any party and is based upon data presented by applicant. We find the calculation to be reasonable and based upon the only evidence available on this record to make such a calculation.

Accordingly, we must conclude that applicant's operations would not be financially successful as proposed, that it would generate neither revenues nor cash flow sufficient to sustain itself or to finance expansion, and that its financial operations would not permit it to attract additional debt or equity capital.

We are particularly mindful of the fact that we have found in this case that service such as that proposed by U.S. Shuttle is needed, is not being provided, and would be used. However, we also have the duty to find that the proposal has at least a reasonable prospect of surviving to provide dependable service to the public, and this we cannot do on this record.

3/ Transcript at p. 236.

4/ Transcript at p. 53.

5/ Transcript at p. 26.

6/ 11 (vehicles) x 6 (trips per day) x 2 (for round trips) x 3.25 (load factor) x 365 (days) x $9 (average fare) = $1,409,265.

THEREFORE, IT IS ORDERED that the application of U.S. Shuttle, Inc., in Case No. AP-88-13 is hereby denied.

BY DIRECTION OF THE COMMISSION; COMMISSIONERS WORTHY, SCHIFTER, AND SHANNON:

William H. McGilvery
Executive Director