

WASHINGTON METROPOLITAN AREA TRANSIT COMMISSION

WASHINGTON, DC

ORDER NO. 4040

IN THE MATTER OF:

Served January 14, 1993

Application of MODEL TRANSIT, INC., )  
for a Certificate of Authority -- )  
Irregular Route Operations )

Case No. AP-92-27

By application filed July 21, 1992, Model Transit, Inc. (MTI or applicant), a Virginia corporation, seeks a certificate of authority to transport passengers in irregular route operations between points in the Metropolitan District.

In general, an application for a certificate will be granted if the Commission finds the applicant fit -- operationally, financially, and with respect to regulatory compliance -- and the proposed transportation consistent with the public interest. We issued affirmative findings of operational fitness, regulatory compliance fitness and consistency with the public interest in Order No. 4003, on September 21, 1992. Consideration of MTI's financial fitness, however, was deferred.

Order No. 4003 directed MTI to file additional evidence of financial fitness by December 31, 1992, including a new balance sheet showing added initial capital and, for the first twelve months of operations, a projected cash flow statement and revised projected operating statement. We granted MTI this extra time on the strength of its showing on the nonfinancial issues and in recognition of the proposed service's potential for reducing commuter traffic congestion. MTI filed the required documents on December 18, 1992, plus some additional information as permitted by Order No. 4003. MTI also filed a request for authority to do business as Commuter Concierge.

SUMMARY OF ADDITIONAL EVIDENCE

MTI's revised balance sheet, dated as of December 15, 1992, shows cash of \$300,000 and equity of \$300,000. MTI's revised projected operating statement for the first twelve months of WMATC operations shows WMATC operating income of \$565,000; operating expenses of \$594,000; and a net loss of \$29,000. MTI's projected cash flow statement for the first twelve months of WMATC operations shows \$175,000 cash on hand after start-up costs of \$125,000; negative net cash flow for the year of \$33,500; and a positive cash position of \$141,500 at year end.

MTI now proposes leasing three buses to operate 24 daily peak-flow trips, with a fourth bus to be purchased for backup, instead of leasing two buses for 16 daily peak-flow trips, with a third leased for backup. The starting date for service has been pushed back from April to August 1993, because of the lead time required for customizing these vehicles according to MTI's specifications.

MTI is now owned by a single corporate shareholder which contributed \$300,000 cash in exchange for 8,000 shares. Options for another 2,000 shares have been issued to three others, including MTI's vehicle lessor. All four would contribute services to MTI in an effort to hold down administrative costs and enable MTI to afford a more qualified operations supervisor.

MTI has submitted a revised proposed tariff, which unlike the first does not contain any monthly or weekly fares, just a daily round-trip fare of \$11.00, with a special introductory daily fare of \$8.25 during August 1993. In addition, the proposed tariff specifies that MTI will promote its service with a cellular phone offer during August and September 1993.

#### DISCUSSION

MTI's financial statements initially showed \$20,000 in start-up cash and a projected loss of \$95,500 during the first twelve months of operations, which after adjusting for depreciation implicated a negative cash flow of \$52,500 and a negative ending cash balance of \$32,500. This led to our observation in Order No. 4003 that "[w]hile a new operation, even if fully successful, may not result in a profit the first year, a certain amount of financial substance is necessary to absorb projected losses during the period." Thus, we were unable to find MTI financially fit, notwithstanding MTI's plans for a \$230,000 private securities placement. All that has changed with MTI's December 18th filing.

MTI's financial statements now demonstrate its ability to absorb first-year losses. The \$300,000 of cash listed in MTI's current balance sheet is sufficient to cover the first year loss originally projected. In addition, MTI now projects a smaller first year loss of \$29,000 and an ending cash balance of \$141,500.

MTI's revised projections of revenue and expense seem reasonable. Adding six more trips to the schedule and eliminating monthly and weekly fares has enabled MTI to increase its first year revenue projections by approximately 41 percent, from \$400,000 to \$565,000. This increased level of revenue appears achievable when compared to an implied first-year average load factor, as estimated by staff, of just over 54 percent, or approximately 200 peak-flow, round-trip passengers per day. MTI's revised expense estimate, on the other hand, is only 20 percent larger than the original -- \$594,000 as compared to \$495,500. Elimination of \$90,000 in administrative salaries appears to account for the comparatively smaller increase. Even if MTI's first-year expenses are revised upward by the same 41 percent as revenue, MTI would still be able to cover the projected loss.

#### CONCLUSION

In accordance with the Compact, Title II, Article XI, Section 7(a), and based on the evidence in the record, the Commission finds MTI to be fit, willing and able to perform the proposed transportation properly and to conform with applicable regulatory requirements.

Further, we reaffirm our finding in Order No. 4003 that the proposed transportation is consistent with the public interest.

MTI's request for authority to do business as Commuter Concierge is hereby approved.

THEREFORE, IT IS ORDERED:

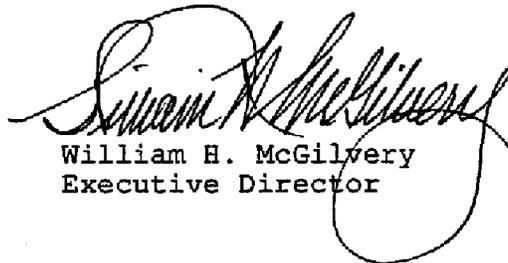
1. That Model Transit, Inc., doing business as Commuter Concierge, 1001-22nd Street N.W., Suite 320, Washington, DC 20037, is hereby conditionally granted, contingent upon timely compliance with the requirements of this order, authority to transport passengers in irregular route operations between points in the Metropolitan District.

2. That Model Transit, Inc., doing business as Commuter Concierge, is hereby directed to file the following documents with the Commission: (a) evidence of insurance pursuant to Commission Regulation No. 58 and Order No. 3623; (b) four copies of a tariff or tariffs in accordance with Regulation No. 55; (c) an equipment list stating the year, make, model, serial number, vehicle number, license plate number (with jurisdiction) and seating capacity of each vehicle to be used in revenue operations; (d) evidence of ownership or a lease as required by Commission Regulation No. 62 for each vehicle to be used in revenue operations; (e) evidence of inspection for each revenue vehicle; and (f) a notarized affidavit of identification of vehicles pursuant to Commission Regulation No. 61, for which purpose WMATC No. 215 is hereby assigned.

3. That upon timely compliance with the requirements of the preceding paragraph and acceptance of the documents required by the Commission, Certificate of Authority No. 215 shall be issued to Model Transit, Inc., doing business as Commuter Concierge.

4. That unless Model Transit, Inc., doing business as Commuter Concierge, complies with the requirements of this order within 30 days from the date of issuance, or such additional time as the Commission may direct or allow, the grant of authority herein shall be void and the application shall stand denied in its entirety effective upon the expiration of said compliance time.

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



William H. McGilvery  
Executive Director