WASHINGTON METROPOLITAN AREA TRANSIT COMMISSION

WASHINGTON, D. C.

ORDER NO. 1216

IN THE MATTER OF: Served May 19, 1972

Application of D. C. Transit) Application No. 752
System, Inc., for Authority)
to Increase Fares.) Docket No. 241

APPEARANCES:

HARVEY M. SPEAR, FRANCIS E. LAKE, JR., and JAMES MOLLICA, appearing on behalf of D. C. Transit System, Inc., applicant.

ELIZABETH B. KLEEMAN, MICHAEL WILLIAMS, and JOHN J. DUFFY, appearing on behalf of the Black United Front, protestant.

DIANA K. POWELL, appearing on behalf of herself as protestant.

DOROTHY CAMER, appearing on behalf of herself as protestant.

LEONARD N. BEBCHICK and STANLEY SHER, appearing on behalf of Leonard N. Bebchick and Daniel W. Gottleib, intervenors.

MALAKU J. STEEN, appearing on behalf of himself as intervenor.

EDWARD B. WEBB, JR., appearing on behalf of the District of Columbia Council, intervenor.

EDMOND L. KANWIT, appearing on behalf of Retired Professional Action Group, intervenor.

JOHN J. BOSLEY and MADELEINE B. SCHALLER, appearing on behalf of Metropolitan Washington Council of Governments, intervenor.

ROBERT N. BROWN, appearing on behalf of Senior Citizens Clearinghouse Committee of the District of Columbia and the Greater Washington, D. C. Area Council of Senior Citizens, intervenor.

MARTIN H. FREEMAN, appearing as Peoples' Counsel of the State of Maryland, intervenor.

BERNARD DOBRANSKI, General Counsel and STEPHEN L. SHARFMAN Assistant General Counsel, Washington Metropolitan Area Transit Commission.

BEFORE JEREMIAH C. WATERMAN, CHAIRMAN, ROBERT L. SULLIVAN, VICE CHAIRMAN, PRESTON C. SHANNON, COMMISSIONER.

I

PROCEDURAL BACKGROUND

On December 28, 1971, D. C. Transit System, Inc. (Transit) filed revisions to its Washington Metropolitan Area Transit Commission Tariffs No. 41 and No. 45 to be effective January 27, 1972. Transit's revised tariff filings, which were accompanied by supporting information as required by Commission Regulation 56-01(c), were designated Application No. 752. The revised tariffs proposed alternative increases for regular route operations in the District of Columbia and suburban Maryland, and a change in the R. F. K. Stadium fare. In its first alternate, Tariff No. 41R, Transit proposed the following change in its rate structure:

1. District of Columbia Regular Service:

   Cash fare of 50¢ for regular route service within the District of Columbia (presently 40¢).

   Five tokens for $2.25 for regular route service within the District of Columbia (presently 5 for $2.00).

   Free Transfers.

2. D. C. Capitol Hill Express Service:

   90¢ cash fare or 40¢ cash fare and one token, or 40¢ cash fare and a valid D. C. Transit Transfer (presently 75¢).

   Free Transfers.

3. Maryland-District of Columbia Interstate Local Service:

   Cash fare of 70¢ (or 20¢ cash fare and one token, or 20¢ cash fare and a valid D. C. Transit Transfer) for regular route service within the District of Columbia and one zone of carriage in Maryland or any part thereof (presently 55¢). 10¢ additional cash fare for each of the second, third, and fourth zones of carriage in Maryland or any part thereof and 5¢ additional cash fare for each succeeding zone of carriage in Maryland, or any part thereof (same as present).

Free Transfers.

4. Maryland-District of Columbia Interstate Express Service:

   Cash fare of 75¢ (or 25¢ cash fare and one token, or 25¢ cash fare and a valid D. C. Transit Transfer) between the District of Columbia and the first bus stop in Maryland (presently 60¢). 10¢ additional cash fare for each of the first four zones of carriage in Maryland or any part thereof and 5¢ additional cash fare for each succeeding zone of carriage in Maryland or any part thereof (same as present).

   Free Transfers.

5. Maryland Intrastate Service:

   Cash fare of 55¢ (or 5¢ cash fare and one token) for the first two zones of carriage or any part thereof (presently 40¢). 15¢ additional cash fare for the third zone of carriage, or any part thereof and 5¢ additional cash fare for each succeeding zone of carriage or any part thereof (same as present).

   Free Transfers.

6. Virginia Interstate Zone (Route C-1 - Langley):

   Cash fare of 20¢ (presently 15¢).

In its second alternate, Tariff No. 41AR, Transit proposed the following changes in its rate structure:

1. District of Columbia Regular Service:

Cash fare of 45¢ for regular route service within the District of Columbia (presently 40¢).

Five Tokens for $2.25 for regular route service within the District of Columbia (presently 5 for $2.00).

5¢ Transfers (except free to school children using valid D. C. School Ticket) (presently free transfers).

2. D. C. Capitol Hill Express Service:

90¢ cash fare, or 45¢ cash fare and one token, or 45¢ cash fare and a valid D. C. Transit transfer (presently 75¢).

5¢ Transfers (presently free transfers).

3. Maryland-District of Columbia Interstate Local Service:

Cash fare of 70¢ (or 25¢ cash fare and one token, or 25¢ cash fare and a valid D. C. Transit Transfer) for regular route service within the District of Columbia and one zone of carriage in Maryland or any part thereof (presently 55¢). 10¢ additional cash fare for each of the second, third, and fourth zones of carriage in Maryland or any part thereof and 5¢ additional cash fare for each succeeding zone in Maryland or any part thereof (same as present).

5¢ Transfers (presently free transfers).

4. Maryland-District of Columbia Interstate Express Service:

Cash fare of 75¢ (or 30¢ cash fare and one token or 30¢ cash fare and a valid

D. C. Transit Transfer) between the District of Columbia and the first bus stop in Maryland (presently 60¢). 10¢ additional cash fare for each of the first four zones of carriage in Maryland or any part thereof and 5¢ additional cash fare for each succeeding zone of carriage in Maryland or any part thereof (same as present).

5¢ Transfers (presently free transfers).

5. Maryland Intrastate Service:

Cash fare of 50¢ (or 5¢ cash fare and one token) for the first two zones of carriage or any part thereof (presently 40¢). 15¢ additional cash fare for third zone of carriage or any part thereof and 5¢ additional cash fare for each succeeding zone of carriage or any part thereof (same as present).

5¢ Transfers (presently free transfers).

6. Virginia Interstate Zone (Route C-1 - Langley):

Cash fare of 20¢ (presently 15¢).

Additionally Transit, in the revised pages of WMATC Tariff No. 45, proposed a $2.00 round trip fare for service to R. F. K. Stadium (presently $1.00 for a one-way trip and $15.00 for a 20-ride ticket).

Accompanying the application for a fare increase was a Transit motion requesting an interim increase in the fares pending full determination by the Commission of its application. Transit also requested an immediate hearing on its motion for interim relief.

On January 11, 1972, in Order No. 1191, we denied Transit's motion and its request for an immediate hearing thereon on the ground that the public interest would not be served by the granting of an interim fare increase pending full determination of the application filed by Transit for general increases.

In Order No. 1193, served January 21, 1972, we set hearings on the matter to begin February 17, 1972. We also requested Transit to supply us with the necessary documentation showing compliance of the proposed increases with Price Commission regulations. In addition, we ordered Transit to engage a consultant to prepare a study of its Maryland fare zone structure. Finally, we denied the motion of the Black United Front to stay hearings or any other proceedings related to this application.

On January 26, 1972, Order No. 1194 suspended Transit's proposed tariff through April 26, 1972.

In Order No. 1200, served February 14, 1972, we denied the request of Protestant Camer for the postponement of the February 17 hearing. Order No. 1201, issued February 16, 1972, denied the Black United Front's petition for reconsideration of Order No. 1193, its motion to re-open the proceedings in Docket No. 216, and its request for additional relief contained in its December 30, 1971, motion for stay of hearings.

Notice of the proposed fares and hearings thereon was given in accordance with Commission rules and regulations. Twenty-four days of formal hearings were held, concluding on May 12, 1972. The transcript of testimony and argument in this proceeding totals 4,483 pages. Ten protestants and intervenors were admitted to the proceedings: the Black United Front; Diana K. Powell, pro se; Dorothy Camer, pro se; Leonard N. Bebchick and Daniel W. Gottleib, pro semitsos; Malaku J. Steen, pro se; District of Columbia Council; the Retired Professional Action Group; Metropolitan Washington Council of Governments; Senior Citizens Clearinghouse Committee of the District of Columbia and the Greater Washington, D. C. Area Council of Senior Citizens; and the Peoples' Counsel of the State of Maryland.

In addition, two hearings were held to afford interested persons other than formal parties an opportunity to express their views to the Commission.1/ Twenty-nine persons made statements for themselves or on behalf of organizations at these hearings

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1/ These hearings were originally scheduled on Tuesday evening, April 25, 1972, in the District of Columbia and Friday evening, April 28, 1972, in Maryland. We were forced, however, to cancel the Tuesday evening hearing. The hearing was rescheduled and held on Saturday morning, April 29, 1972.

On April 25, 1972, we issued Order No. 1213 further suspending the tariffs until May 26, 1972.

On April 27, 1972, Order No. 1214 was issued denying the petition of Julius W. Hobson to intervene in this proceeding and on May 3, 1972, Order No. 1215 denied his application for reconsideration of Order No. 1214. Chairman Waterman did not participate in either order.

II

A preliminary analysis of the financial data submitted in this record indicates the need for some additional revenue. In determining whether and in what degree the fare should be adjusted to meet that need, we are guided by pertinent provisions of the Compact and interpretations of those provisions by the U. S. Court of Appeals. We have particular reference to the provisions Title II, Article XII, Section 6 of the Compact and the opinion in D. C. Transit v. WMATC, 350 F.2d 753 (CADC, 1965).

Section 6a(3) provides:

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

In the 1965 case cited the Court said:

> "A 'just and reasonable' rate is one that assures that all the enterprise's legitimate expenses will be met, and that enables it to cover interest on its debt, pay dividends sufficient to continue to attract investors, and retain a sufficient surplus to permit it to finance downpayments on new equipment and generally to provide both the form and substance of financial strength and stability." 350 F.2d 778

The Court also said in that opinion that, "The Commission is thus required to see to it that the fare-payers pay no more than is necessary to ensure the continued adequacy of the company's service and provide a return to the shareholders that is reasonable under the circumstances." 350 F.2d 780

Our attempts to determine a fare which would satisfy these guidelines on the basis of the record before us has produced only frustration. For any fare that would cover reasonable expenses and provide a reasonable return would clearly not provide either the form or the substance of financial stability. Nor could we assure, simply by adjusting the fare, the continued adequacy of the company's service. Experience, particularly since the last fare increase of July 1970, and the facts of record submitted in this case, demonstrate that even if the fare were to be increased in the full amount requested by D. C. Transit, little if any improvement could be expected in what has been shown to be the very unstable financial condition of this company.

Since Order No. 245, issued in April 1963, there has been in force a Commission-imposed bus purchase plan whereby Transit has been required to replace a varying percentage of its bus fleet each year with new, air-conditioned buses. Since 1967, compliance has been erratic. No buses have been purchased since 1968 even though the requirement has been outstanding during that entire period except for a short period from October 1969 to July 1970.

In 1970, when the basic District of Columbia fare was increased from 32 cents to 40 cents, a 25 percent increase, the bus purchase requirement was reestablished. At that time, in order to provide assurances that those buses would in fact be purchased, we ordered Transit to establish a bus-purchase escrow account to be funded over a period of six months beginning in September 1970. The total amount to be escrowed was $620,000, which represented 20 percent of the total purchase price of 85 buses, an amount which we considered to be an adequate downpayment. (See Order No. 1052, June 26, 1970.)[2/] Transit never purchased those buses, and stands today, nearly two years later, in violation of that order. Its justification, submitted formally to us in December 1971, was that no one would extend credit for the purchase of 85 buses. Transit was able to acquire some financing for the buses from local banks but only on conditions requiring a downpayment approaching 50 percent. This meant that the number of buses Transit could finance with the $620,000 downpayment was only 35 instead of the 85 required by the bus purchase program.

As we stated in Order No. 1188, issued December 16, 1971, the fact that D. C. Transit was unable to secure financing to purchase additional rolling stock led us into a fuller inquiry as to the underlying causes and the full implications of the financial situation confronting Transit. We undertook a formal investigation of the company's inability to finance additional rolling stock, and hired a consulting firm, Touche Ross & Co., to perform a financial analysis of Transit and to make recommendations as to the steps which might be required to give Transit necessary financial stability. On March 31, 1972, the consultant submitted a report prepared by one of its partners, Pasquale A. Loconto. That report was submitted in the record of this case as Staff Exhibit No. 17. Mr. Loconto appeared and stood cross examination on the recommendations and conclusions in his report.

The report examined the financial history of the company, analyzed its capital structure, analyzed its debt structure, reached certain conclusions respecting the need to improve the financial condition of the company, and recommended the manner and the means for doing so.

By way of historical background, the report points out that current liabilities of the company have increased since 1957 by $10.5 million to a current level of $14.7 million. Long-term payables are up from $5.4 million to $18.6 million.

[2/] According to records on file with the Commission, D. C. Transit System, Inc. purchased 696 buses since 1961, 58 percent with no downpayment, 12 percent with 4 percent downpayment, and 30 percent with 10 percent downpayment.

Reserves and other liabilities declined from $12.1 million in 1957 to $3 million in 1970. Stockholders' equity consists of (1) $500,000 representing capital stock which amount has remained constant throughout the period, and (2) retained earnings which have decreased from a high of $3.8 million in 1964 to $1.5 million in 1971.

The report also examines operating trends. Operating revenues have increased each year for a total increase of $22.5 million since the company began operation. Operating revenue deductions have also increased, that total increase being $23.3 million. Operating income during the period has ranged from a high of $2.3 million in one year to a low of a $48,000 loss in another. Interest expense has increased from $384,000 in 1957 to $1.4 million in 1970. The increasing interest expense has been a major contributing factor in Transit's poor profit picture.

The Loconto report also offers an analysis through financial ratio trends, which ratios he believed were meaningful in an analysis of the financial condition of the company. Current ratio was used as a measure of the liquidity of the company, or its ability to meet its current obligations. Current ratio of D. C. Transit has dropped from 1.5 in 1957 to .2 in 1970. Loconto asserted that this "indicates an extreme lack of liquidity and little provision for unevenness in the flow of funds available to meet current liabilities. If that flow should decline, even temporarily, a condition of insolvency could conceivably result." (Staff Exhibit No. 17, p. 9) Another comparison he used was the comparison of total debt to stockholders' equity. This illustrates the relationship between the creditors' and the owner's investments in the assets of the company. This ratio has increased from 5.9 in 1961 to 18.1 in 1970. That degree of creditor interest in the assets of the company indicates, according to the report, a high degree of risk. Another test, interest coverage, was used to illustrate the ability of the company to meet interest payments with income from operations. In 1957, funds generated were 4.2 times the rate of interest expense; in 1970 this had decreased to .7 times. From the point of view of a potential lender, this level was considered by Loconto to be very low.

Finally, the comparison was made between funds generated by operations, after interest and taxes, to long-term debt not currently due and payable. This ratio has declined in Transit due largely to the increase in long-term debt. It has ranged from a high of 60.2 percent in 1961 to a low of 3.7 percent in 1968 and was 14.9 percent in 1970. "This means," said Loconto, "that at the current level of funds generation, it would take more than seven years to retire all the existing debt if all available funds were applied to this purpose." (Staff Exhibit No. 17, p. 10) Another meaningful test presented was stockholders' equity as a percent of total assets. This ratio has decreased from a high of 14.4 percent in 1961 to 5.2 percent in 1970. This, again, was considered quite low. Other ratios and tests made by Loconto similarly indicated a worsening financial picture for D. C. Transit. As the report stated, "The combination of trends presented above indicates that the financial condition of the company has been steadily declining during recent years." (Staff Exhibit No. 17, p. 11)

Next, the report presented a capital structure analysis. A particularly pertinent aspect of this analysis, in our opinion, was the comparison of financial indicators for D. C. Transit with those indicators for ten other privately owned transit companies. With respect first to current ratio, the average of the comparison companies was 1.4, the lowest of the comparison companies being .5. D. C. Transit is .2, showing a much lower liquidity and smaller reserve for uneven flows of funds to meet current liabilities than any of the other companies. With respect to total debt to stockholders' equity, the highest of the comparison companies was 1.6 to 1; Transit is 18.1 to 1, eleven times higher than the highest of the comparison companies. Stockholders' equity as a percent of total assets indicated a much greater reliance on financing from sources other than the owners of D. C. Transit than in the comparison companies. The comparison of property, plant, and equipment to long-term debt and stockholders' equity indicated a heavier reliance on short-term financing to fund long-term assets, an undesirable and unsound practice. Loconto's conclusion was that, "It is clear that the structure of the company is quite different from other companies in the industry. By all means, the differences are toward a structure which is more risky and less financially sound." (Staff Exhibit No. 17, p. 21)

The report also noted that other assets, primarily non-operating, make up a relatively large part of the assets. These assets generally provide relatively little return to the company. (Staff Exhibit No. 17, p. 22)

The Loconto analysis of debt disclosed that debt increased steadily until 1965, and since then has remained between $23 million and $26 million. The overall cost of debt is at 6.82 percent on the average. Debt servicing requirements have increased with the increase in debt. Since 1957 the debt servicing requirements have grown from under $1.3 million to $6.7 million annually. Operations have not produced sufficient funds to meet the debt servicing requirements since 1965, and the result has been that the company has been forced to meet the debt service requirements by refinancing debt rather than paying it off. This refinancing practice, in turn, creates what Loconto called a "high risk" situation because there is the chance that the creditors will be unwilling to refinance the debt, will call it instead, and there will not be funds available to pay it. The report also criticized the mix of short and long-term debt. This shows that the company is financing long-term assets with short-term and intermediate-term financing, a poor business practice.

Having performed his analysis of capital structure and debt structure, Loconto concluded that the Commission and the company are presented with four basic problems going to the question of financial stability. First, he said some correction must be made in the fact of excessive short-term debt in relation to long-term debt. Also requiring correction was the problem of the excessive debt in relation to stockholders' equity. Since debt service demands are fixed and must be met, while there is discretion in whether stockholders will receive return when earnings are insufficient, the debt-equity ratio should be reduced. The third area of concern was the fact of the excessive non-earning assets. The consultant noted that the earnings of these assets, largely subsidiary real estate corporations, were very small in relation to their value. He also noted that there are on the books of those subsidiaries $3.1 million in accounts receivable in the form of loans to affiliates and former affiliates. These loans apparently are non-interest bearing. Thus, there appear to be assets in the form of receivables of the subsidiary corporations which could be recalled and made available to the parent operating company.

The fourth problem is the inadequacy of funds provided by operations. This problem obviously can only be cured by increased farebox revenues or subsidization of farebox revenues from the taxpayer. However, the consultant points out that even a considerable increase in net income from this source would not be adequate to make principal payments due within the coming year, which are in excess of $5 million.

Finally, Loconto made a number of specific recommendations for application of funds to improve Transit's financial condition. He recommended a reduction of current liabilities in an amount of $5 million during the first future annual period and an eventual reduction of current liabilities by $11 million to achieve a current ratio of 1.0. He next recommended reduction of long-term debt. It would require $8 million to reduce long-term debt to $10 million and he recommended a debt reduction of $4 million during the future annual period to contribute toward that goal. Finally, he recommended an amount of $3 million for the purchase of new buses in compliance with our bus purchase program.

As to potential sources for the needed funds he suggested that the $3 million in loans from subsidiaries to affiliates and former affiliates could be called to make that amount available for the operating company. He also indicated possible sale of properties classified as operating properties but not used in operations, which would produce another $3.6 million. He further suggested that an increase of paid-in capital might well be justified because the initial capitalization was "exceedingly small" and dividends of $4.4 million were paid out despite the fact that Transit had a low level of stockholders' equity.

None of the facts presented in the Loconto report was disputed by the company, nor was there any attempt made to rebut his testimony. Indeed, counsel for Transit asserted that the company had taken the report seriously and had undertaken preliminary steps for the sale of some properties which would provide at least some of the needed cash.

Thus, the record before us shows clearly and in great detail Transit's seriously unstable and risky financial condition.

What will happen if we increase the fare while these conditions prevail? The company argues that we have an obligation to increase the fare on the showing that expenses exceed revenues. That, they assert, is a necessary ingredient in the fight to restore financial stability. It is true that part of the financial problem of the company is that in some years revenues forecast in our rate orders have not fully materialized. It is difficult to know whether that was due to our inability properly to forecast, or to a failure of the company to prove its need through presentation of convincing data, or to unforeseen circumstances. Perhaps all of those things contributed. In any event, we must, in determining whether a fare is just and reasonable, look to the future.

What we see in the future if we increase the fare and do nothing more, is continued instability and a deterioration in the level and quality of service offered. In these circumstances, raising the fare would be asking the ratepayer to meet his obligation to the company without requiring the company to meet its obligation to the ratepayer. We do not perceive the Compact or the Constitution as imposing a unilateral obligation on the ratepayer. Rather, we believe that the ratepayer and the company have a reciprocal obligation. We believe that obligation requires that the company give evidence that it can perform the services expected of it so that the ratepayer, in return for his contribution, will receive full value in the form of full services.

The language of Section 6a(3) is explicit. It requires that in setting a just and reasonable fare we must give due consideration "to the need of revenues sufficient to enable such carriers, under honest, economical and efficient management, to provide [adequate and efficient transportation] service." The record here shows that the present capital structure and debt structure of Transit do not reflect economic and efficient management. Non-operating assets have not been employed as advantageously to the parent operating company as prudent management practice would dictate. Under its current capital and debt structures, Transit is unable to provide and replenish the basic tools of its trade, its rolling stock. Its chronic cash-short condition results in too few drivers, too few mechanics, too few bus cleaners, and too high an incidence of failure to provide basic service. We consider that less than efficient management. The unnecessarily high debt service requirment is uneconomic. Operating on the brink of insolvency is surely not efficient and economic.

Therefore, we believe that the overriding and threshold question that we face in this case is, can financial stability be restored to this company so that we may establish a rate which is "just and reasonable" to all concerned? We believe that the answer lies in the willingness of the company to alter the capital and debt structures of the company in the manner suggested by the Loconto report, i.e. through the application of funds needed to correct the financial imbalance Loconto identified.

The Loconto report recommended the infusion of $12 million into Transit during the future annual period. His recommendation took into account the company's request for $3.5 million through the farebox as a result of the proposed fare, for a total of $8.5 million that he recommended be produced from sources other than the farebox.

We fully agree that debt must be reduced, not increased, and therefore new buses should be purchased for cash. We will require that the company produce $3 million for that purpose. Inasmuch as the company already holds $620,000 earmarked for bus purchase, this requirement amounts to a net increase of $2.4 million. In addition to the amount required for bus purchases, we will require $4 million to be applied to the reduction of debt. We are requiring something less than the full amount recommended by Loconto because we are allowing a limited period for the deposit of $2.4 million into escrow for buses and the reduction of debt by $4 million.

The application of the $6.4 million will be a precondition to any increase in the fare. In the past, when we have directed the company to take certain actions, performance has not always been forthcoming. This is most notably true in the bus purchase program. We have no confidence that if we were to require the company to produce new revenue as a concurrent condition with granting a fare increase the new capital would be produced. Transit's attempt to assure us that they are taking some steps to correct the capital and debt situation are not sufficient. We will require assurances in the form of actual performance.

Lest Transit complain that our insistance on the application of the required funds as a precondition to a fare increase is unreasonable, we would remind Transit of our repeated warnings that steps must be taken to improve its financial position. (See for example Order No. 1052, June 1970, p. 15; Order No. 984, October 1969, p. 20.) Mere exhortation has not produced results.

We have before us in this record all the data and material we need to determine whether Transit is entitled to a fare adjustment, and if Transit will comply with the directive of this order within a reasonable time, we believe we can use the existing record, appropriately supplemented, to determine what the fare should be. We will leave the record open in this case for 90 days to allow the company to comply with the requirements of this order without being required to institute an entirely new case for an increased fare. Beyond the 90-day period, we feel that the record would be too stale to be supplemented adequately, and if the company chooses not to comply during that period, the record will be closed and any increase will have to be based on the presentation of a fresh record.

One word of clarification before we conclude, if it is not already clear, concerning our next probable action with respect to the fares charged by D. C. Transit. We are, at this time, not establishing a new rate for two reasons only. First, we are imposing a precondition, which the company must meet before we will adjust the fare. Second, until a new capital structure and debt structure are established, we cannot determine certain elements in the ratemaking formula, and if those new structures are not established within the next 90 days much of the data before us will not be useful. However, if Transit does comply with the conditions we are establishing in this order, there is then the very strong likelihood that the fare will have to be raised.