WASHINGTON METROPOLITAN AREA TRANSIT COMMISSION

WASHINGTON, D. C.

ORDER NO. 2479

IN THE MATTER OF: Served September 29, 1983

Application of WHITE HOUSE SIGHT-SEEING CORPORATION, _et al._, to Determine Compliance with WMATC Safety Regulations and to Evaluate Common Control and Corporate Status) Case No. MP-79-07

By Order Nos. 2156, 2177 and 2191, served October 24 and December 10, 1980 and January 30, 1981, respectively, the Commission, _inter alia_, directed White House Sightseeing Corporation to establish a non- cash reserve account entitled "Commission Ordered Reserve" on its books in the amount of $27,035.50 to reflect unauthorized fares collected between December 1, 1979, and August 21, 1980. The carrier's rate structure, approved in WMATC Tariff No. 3, was designed to produce an operating ratio of 93.6 percent. To the extent the carrier's operating ratio exceeds 93.6 percent in any calendar year beginning with 1981, White House may petition the Commission to offset the reserve account by the difference between actual earnings and the earnings necessary to produce an operating ratio of 93.6 percent.

By petition filed August 30, 1982, applicant requested the Commission to amortize the reserve account by the difference between earnings required to project an operating ratio of 93.6 percent and the actual earnings for calendar year 1981. With its petition, White House filed a revised 1981 annual report showing an operating ratio of 103.41 percent and asserting a difference between actual earnings and earnings projecting a 93.6 percent operating ratio in excess of the $27,035.50 in the reserve account.

The Commission directed a revision of the 1981 annual report to reflect only financial data relevant to White House, rather than the consolidated data mingling both White House and a commonly-controlled carrier (Baltimore-Solomons Bus Lines, Inc.) which is regulated by the Interstate Commerce Commission and not by this Commission. The carrier awaited results of calendar year 1982 and on August 23, 1983, filed revised financial data for both 1981 and 1982 reflecting an allocation of income and expenses between the commonly-controlled carriers, thus presenting the appropriate data for White House. Allocations were based on revenue received, mileage run and actual expenses incurred and appear in line with methods used in the investigation which resulted in establishment of the reserve account.

For calendar year 1981 White House shows a net loss of $98,595.42 before deduction for interest expense based on operating revenue of $318,170.91 and expenses of $416,766.33, including operating expenses of $379,140.72. For calendar year 1982 the financial information shows a net loss of $27,092.97 before deduction for interest expense based on operating revenue of $251,223.24 and expenses of $278,316.21, including operating expenses of $249,477.43. Clearly, the combined losses of $125,688.39 far exceed the reserve account amount of $27,035.50; this does not even take into consideration the projected amount "accruing" to White House for the difference between a 100 percent operating ratio (where revenue equals expenses, yielding no income or loss) and the 93.6 percent operating ratio approved in the carrier's WMATC Tariff No. 3. The amounts paid to owners were modest and no other salaries, payments or distributions were made to directors, stockholders and officers of the corporation.

A review of the data reveals appropriate allocation of revenue and expense items between the companies and indicates that sustained losses more than adequately cover the reserve account. There is no need here for an intensive audit of the carrier's books because of the magnitude of the losses vis-a-vis the reserve account. While we may not, perhaps, agree with certain entries or amounts, no useful purpose would be accomplished in this case by a line-by-line scrutiny of the carrier's books. The Commission will direct White House to amortize fully its reserve account and restore $27,035.50 to its retained earnings. The carrier may now file a rate case in the future without otherwise having to adjust projected revenues as set forth in Order No. 2156.

THEREFORE, IT IS ORDERED:

1. That White House Sightseeing Corporation is hereby directed to close out the non-cash reserve account entitled "Commission Ordered Reserve" and restore the full amount of $27,035.50 to its retained earnings.

2. That upon making the entry described in the preceding paragraph, White House Sightseeing Corporation shall be eligible to seek rate adjustments without further consideration of the "Commission Ordered Reserve" account.

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

William H. McGilvery

WILLIAM H. McGILVERY
Executive Director