

Section 5 of H.R. 12686 will also result in an infringement of D.C. Transit's Congressional Franchise, Act of July 24, 1956, 70 Stat. 598. Section 3 of the Franchise protects the Company against unnecessary competition from any source, public as well as private. Accordingly, if the Secretary, without first obtaining a certificate of public convenience and necessity as required by Section 3, provides transportation service on the Mall or to the visitor center at Union Station over a given route on a fixed schedule, he would be violating D.C. Transit's Franchise.

Independent of all the legal reasons that D.C. Transit has offered you for its opposition to Section 5 of H.R. 12686, there is a very practical reason for such opposition. If the Secretary is directed to provide public transportation services in the Mall area and to the National Visitor Center at Union Station, D.C. Transit will be deprived of substantial revenues—fares which it would have collected had it not been for the competitive service of the Secretary. I tell you gentlemen in all sincerity that D.C. Transit cannot afford to lose these or any other revenues. Management of the Company, notwithstanding every effort for economy and efficiency, has found it necessary to apply for three separate fare increases in the last two years to meet rising costs. The third such application was just filed this past September 1, 1967. An income statement accompanying such application indicates that for the 12 months ended May 31, 1967 the Company earned only a 2.05% rate of return on operating revenues of approximately 34 million dollars. The Company cannot survive for long without financial relief in the form of either higher fares or government subsidy. Under these circumstances it would be most damaging to the financial plight of the Company to have any of its existing traffic siphoned off by the Secretary.

Some idea of the extent of the revenues that D.C. Transit would stand to lose by enactment of H.R. 12686 can be found in the Court of Appeals case to which I referred earlier. An exhibit in this case indicated that the proposed shuttle operations on the Mall under contract with the Secretary would cost the Company over a million dollars in annual revenues.

It should also be realized in passing that to the extent the financial soundness of D.C. Transit's mass transportation operations is allowed to be impaired through the performance of competitive services by the Secretary, the ability of the Company to provide effective "feeder" lines for the forthcoming subway system is correspondingly affected.

There is one other matter that I want to comment upon. The second sentence of Section 5 directs the Secretary to provide transportation "to the National Visitor Center." There is no geographical limitation upon the scope of the Secretary's operation to the visitor center. He could conceivably operate between Union Station and any point or as many points in the District as he desired, whether or not such points were part of the national park system under the Secretary's jurisdiction.

For all of the reasons I have just discussed D.C. Transit opposes Section 5 of H.R. 12686 and recommends that it be deleted from the bill in its entirety.

I want to thank you again in the behalf of D.C. Transit System, Inc. for this opportunity to appear before you today.