

Briefing on Airporter Regulation

Mission Statement:

The UTC protects consumers by ensuring that utility and transportation services are fairly priced, available, reliable, and safe.

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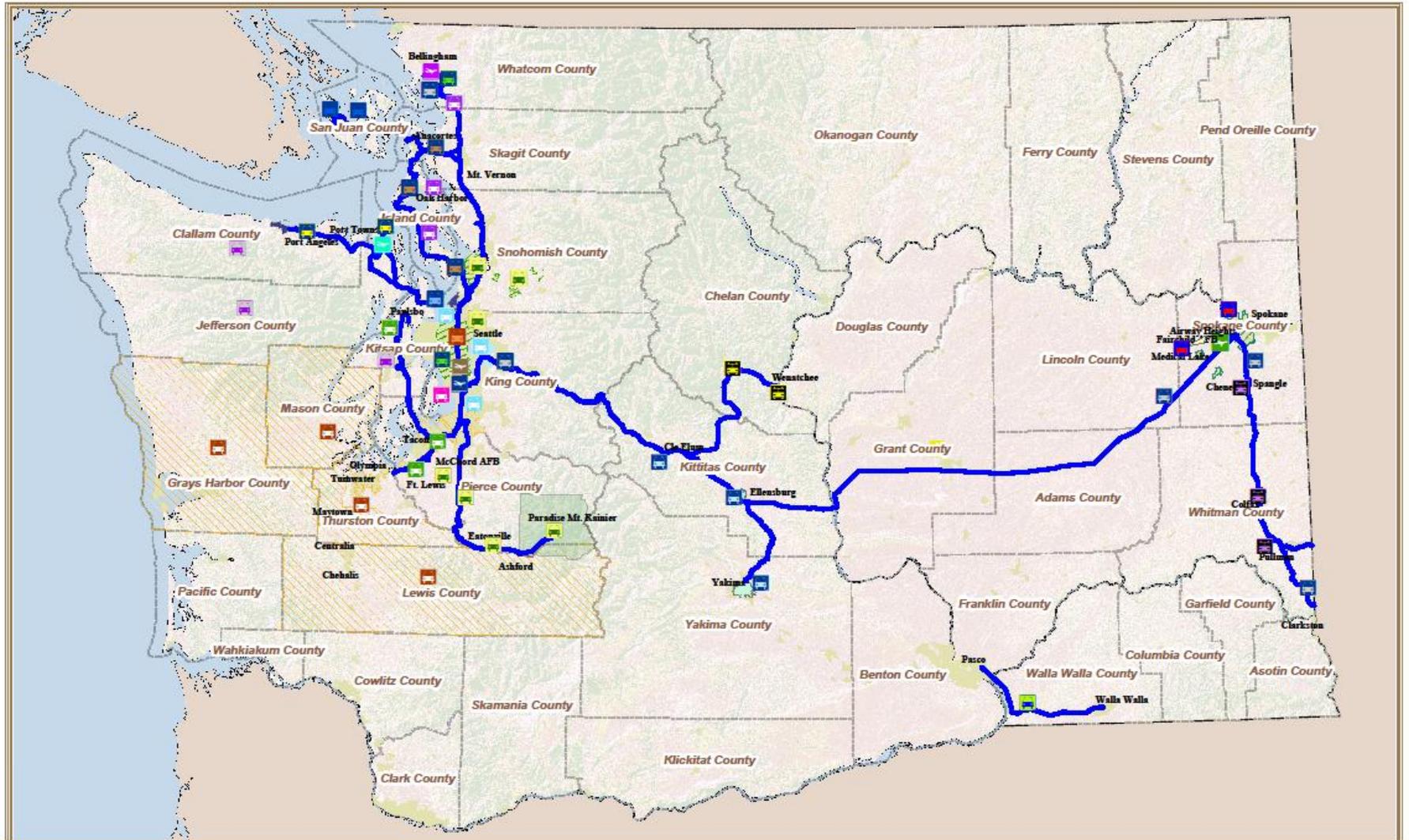
History of the UTC

- Established by the Legislature in 1905 as the Railroad Commission.
- Regulation expanded to private water, electric, gas, ferries and telecommunications companies in 1911, then privately –owned freight and bus companies in 1921 and 1935.
- Current model for UTC economic regulation of transportation was last updated in 1961.



Reasons for Regulation

- Limited private ownership of automobiles, limited public transit options, and heavy dependence on private intercity transportation
- Regulation would ensure safe, reliable and appropriately priced transportation to the public by:
 - Controlling entry to prevent “destructive competition” by fly-by-night companies and predatory pricing.
 - Safeguarding the public from price gouging, ensuring an opportunity for a return on company investment.
 - Ensuring investment in vehicles and drivers to promote safe operations.
 - Allowing provision of high cost services (off peak, outlying areas) through subsidizing rates.



	C-618, Evergreen Trails, Inc.	C-947, Northwestern Stage Lines, Inc.	C-1082, Seattle Express	C-1077, SeaTac Shuttle	C-63182, CWA, Inc.	C-874, Shuttle Express, Inc.		Washington State Regulated AutoTransportation Regulated Airports
	C-862, Pacific Northwest Transportation	C-874, Shuttle Express, Inc.	C-1072, CWA, Inc.	C-1078, Wheatland Express	C-44905, BNL Investment, LLC	Trans. Primary Route		
	C-860, Brewerton Knap Airporter	C-992, Heckman Motors, Inc.	C-1075, Island Airporter	C-1083, 1047, Pacific NW Distributing LLC	C-618, Evergreen Trails, Inc.			Created By: GIS Staff
	C-833, Wiksler International Co., Inc.	C-1099, San Juan Shuttle	C-1076, Star & Stripes, Shuttle	C-42991, Rocket Transportation	C-862, Pacific Northwest Trans.		Date: 10/2012	<small> *** It is responsible to verify the accuracy of the content and to update the map as needed. </small>

Elements of Regulation

Auto transportation companies (bus and airporter) are regulated under RCW 81.68:

- **Entry:** Who may provide service and where?
- **Rates:** What price may the company charge?
- **Safety:** How safe are the vehicles and drivers?



Regulatory Protection

A certificate of public convenience and necessity gives a company protection against:

- Competition from other private companies
- Local regulation
- Airport awards of exclusive contracts or rate regulation
- Overlapping service by public transit agencies



Entry Regulation

- Public convenience and necessity standard:
 - Demand or need for the service
 - Financial fitness, i.e., a reasonable business plan and financial assets
 - Tariff and schedule

- New market – hearing at discretion of UTC

- Competing or overlapping service –
 - Existing company may object and require a hearing
 - Applicant must show that:
 - Existing company's service is not to the satisfaction of the UTC
 - Public need for the proposed service
 - The market will support more than one company

Exception to Entry Standard

- **ESB 5894 in 2009 allows UTC to forbear from rate and service regulation for:**
 - Service under state agency contract or WSDOT grant, if in the public interest;
 - Service that is:
 - Not essential
 - Solely for recreation
 - Not adversely affecting an existing certificate holder
 - In the public interest
- **UTC has granted forbearance to six applicants**
 - 3 for hiking, biking and skiing
 - 2 for service under WSDOT grants
 - 1 for travel to sporting events in Seattle



Rate Regulation

Requirements:

- Companies must publish rates and seek UTC approval before charging to public
- UTC must ensure rates are fair, just, reasonable and sufficient
- Company must demonstrate rate increases are based on cost of providing service
 - Exceptions – pass-through expenses, fuel surcharges

Process:

- UTC must accept, deny or set for hearing within 30 days
- Staff reviews and audits company filing
- Commission reviews proposed rates and makes final decision in open meeting or hearing



Rate Methodology



- For transportation companies, the UTC “may use any standard, formula, method, or theory of valuation reasonably calculated to arrive at the objective of prescribing and authorizing just and reasonable rates.” (RCW 81.04.250)
- UTC uses an operating ratio methodology to set rates for transportation companies (airporter, bus and ferry companies)
 - For auto transportation companies – 93 / 7 ratio:
 - 93 % of revenue covers expenses, depreciation, certain taxes
 - 7 % of revenue covers federal income taxes, interest expense and a fair return to investors.

Safety Regulation

UTC primarily relies on federal safety and inspection standards:

➤ **Insurance:**

- \$1.5 million for vehicles 15 passengers or less
- \$5 million for vehicles 16 passengers or more

➤ **Federal safety rules:**

- Driver and equipment requirements
- Drug and alcohol testing programs

➤ **Inspections:**

- Safety inspections of new company vehicles
- Compliance reviews and inspections on a risk-based cycle



Safety Violations and Consumer Complaints



- 20 companies with auto transportation certificates
- Safety inspections (compliance reviews) of passenger carriers every two years
 - Only two compliance reviews with no violations, but most are minor or paperwork violations
- Three consumer complaints since 2010 – seeking refunds for missed flights, cancelled trips

YEAR	SAFETY VIOLATIONS	COMPLIANCE REVIEWS	CONSUMER COMPLAINTS
2010	1 carrier - 6 violations; Operation of vehicles	13	1 - Refund
2011	1 carrier – 6 violations; Driver safety	6	2 - Refunds
2012	0	6	0

What has changed since 1921?



Current Challenges

- Competitive market in passenger transportation in most areas contrary to rationale for bringing private bus companies under regulation :
 - Taxis, limousines, town cars, charter service
 - Increase in use of public transit
 - Private automobile ownership
- Other modes of transportation not regulated by the same agency or under the same rules
- UTC costs of economic regulation exceed regulatory fees

Addressing the Challenges



- Implementing forbearance statute
 - Review of all current certificates and process for new applications
- Standards for requests for fuel surcharges
 - Workshops and UTC order
- Rulemaking to provide alternatives to current rate setting process
 - Initiated in August 2012, developing draft rules
- Agency request legislation to remove rate and entry regulation
 - Pending review by Governor's Office

Questions?



If you have questions, please contact:

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