

Agenda Date: August 15, 2007
Item Number: B1

Docket: TV-071649
Company Name: Washington Movers Conference

Staff: Penny Ingram, Regulatory Analyst 2
Gene Eckhardt, Assistant Director of Solid Waste, Water and
Transportation

Recommendation

Issue an order that (1) increases the Maximum Rates and Charges published in WUTC Tariff No. 15-B by 25 percent and (2) cancels Fuel Surcharge Supplements No. 2006-1 and No. 2007-8 to WUTC Tariff No. 15-B, all to become effective August 17, 2007.

Discussion

The commission relaxed economic regulation of the household goods industry in 2000. Entry was opened by implementing a permit system, focused on compliance with commission operating requirements, consumer protection, safety and insurance, instead of the far more restrictive “public convenience and necessity” standards then in effect. Rate regulation was relaxed by establishing a band of Maximum Rates and Charges (20 percent greater than rates then in effect) and Minimum Rates and Charges (40 percent less than the Maximum Rates and Charges).

The commission sets rates and charges for the transportation of household goods statewide. RCW 81.80.150 requires the commission to publish the tariff for the transportation of household goods.

WAC 480-15-490 (2)(b)(ii) required the commission to adjust the Maximum Rates and Charges each June 1, through 2005, using the first quarter Implicit Price Deflator of the Gross Domestic Product. The last rate increase became effective June 1, 2005.

Since then, staff and the industry have discussed rate setting issues, most recently in the current household goods rulemaking Docket TV-070466. Carriers stated they need rate increases for transporting shipments 35 miles or greater (distance and weight), packing and unpacking services (containers and labor), and Storage-In-Transit services.

On August 8, 2007, the Washington Movers Conference (WMC) of the Washington Trucking Associations petitioned the commission to:

1. Increase the Maximum Rates and Charges contained in the current WUTC Tariff 15-B by 25 percent.
2. Fix the Minimum Rates and Charges at no less than 40 percent below the Maximum Rates and Charges, which WMC understands is required by WAC 480-15-490.

3. Cancel all current WUTC Tariff 15-B Fuel Surcharge Supplements.

WMC's members transport household goods for hire between points in the state of Washington under permits issued by the commission. WMC states business and operational costs have increased since June 1, 2005, including, but not limited to:

- Employee wages and benefits packages.
- Vehicle and equipment purchases and maintenance.
- Cost of fuel and lubricants.
- Appropriate advertising and vehicle markings.
- Maintaining proper storage facility needs.
- Cost of packing materials and associated furniture handling equipment.
- Cost related to Federal and State road congestion.
- State, County, and City business taxes and fees.

Two surcharge supplements are in effect today: Supplement No. 2006-1 (2.00 percent) and Supplement No. 2007-8 (4.75 percent). The rate adjustment method using the Implicit Price Deflator index that expired in June 2005 has increased 5.84 percent. The compounded increase is approximately 12.7 percent. It appears that the proposed 25 percent increase and cancellation of the current fuel surcharge supplements will bring rates and charges to current cost levels, provide carriers with additional pricing flexibility in marketing premium services, and give carriers additional margin to absorb short term changes in operating costs, such as fuel.

Staff believes the commission should regulate rates to the same degree that companies face entry barriers (economic or legal). For all practical purposes, there are no economic or legal barriers to enter the household goods industry. Many companies have entered the business since 2000, companies compete in many areas, and new companies have the opportunity to enter any markets. Therefore, the commission should set rates that give carriers maximum flexibility in pricing their services.

Staff does not agree that WAC 480-15-490(b)(iii) requires the commission to set the Minimum Rates and Charges at no less than 40 percent of the Maximum Rates and Charges. That rule applies to rates and charges set pursuant to WAC 480-15-490(b)(i) as revised by WAC 480-15-490(b)(ii) (expired in 2005). The proposed rate changes do not rely on the methodology set forth in WAC 480-15-490(b).

Carriers can price transportation services at the current Minimum Rates and Charges, but can charge up to 67 percent more. If the commission increased the Minimum Rates and Charges, carriers that today voluntarily provide transportation services at rates less than the new minimum levels would need to charge customers more or stop providing those services. Staff recommends the commission not change the Minimum Rates and Charges without conducting a substantive review to determine the degree the industry uses those rates today and how raising those rates

would affect customers and carriers.

Staff concludes that WMC's proposal to increase Maximum Rates and Charges by 25 percent and to cancel all current fuel surcharge supplements is reasonable.

Conclusion

Issue an order that (1) increases the Maximum Rates and Charges published in WUTC Tariff No. 15-B by 25 percent and (2) cancels Fuel Surcharge Supplements No. 2006-1 and No. 2007-8 to WUTC Tariff No. 15-B, all to become effective August 17, 2007.