

## Attachment 3

# SMALL BUSINESS ECONOMIC IMPACT STATEMENT HOUSEHOLD GOODS MOVERS

Prepared For:

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION  
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### **RULE SUMMARY**

These rules include a reduction in the regulatory burden associated with registering with the Commission as a household goods mover, together with increased consumer protection for customers of such businesses. The proposed rules provide for a different process for obtaining permanent authority by requiring new applicants to obtain temporary authority for a six month period on a provisional basis, and allow the Commission to evaluate whether the firm is providing service to consumers consistent with statutory and regulatory requirements during this period, prior to consideration of whether to grant permanent authority. The rules also eliminate the requirement for a hearing to determine fitness, permit flexibility in pricing, allow the use of binding estimates, impose limits on the amount which a carrier may charge in excess of the amount estimated in a non-binding estimate, and allow for the temporary voluntary suspension of a permit for medical reasons. Finally, the rules provide for more expedited handling of consumer complaints about the quality of service rendered.

### **REGULATORY FAIRNESS ACT REQUIREMENTS**

The Regulatory Fairness Act, Chapter 19.85 RCW, requires review and mitigation of rules which have an economic impact on more than 20 percent of the businesses of all industries or more than 10 percent of the businesses in any one industry (as defined by any three digit SIC code). Mitigation should minimize the impact on small businesses. The revisions proposed to chapter 480-12 WAC may meet these requirements, and the Commission has elected to submit a small business economic impact statement with the proposed rules.

As used herein, the word "Statement" means the Small Business Economic Impact Statement required by the Regulatory Fairness Act. "Commission" means the Washington Utilities and Transportation Commission. "Carrier" means a firm providing household goods transportation service for hire. "Consumer" means an individual or company purchasing household goods transportation service.

## **BACKGROUND**

The term "household goods mover" and "household goods carrier" refer to companies providing moving services for residential consumers. These services are regulated if they include actually moving the goods from one location to another within the state (subject to some narrow exclusions), but do not apply to firms which merely pack and load a truck for a customer, nor to self-moving operations such as U-Haul, Penske, or Ryder, where the consumer actually rents and operates the vehicle.

Prior to 1980, all interstate and intrastate transportation of goods for hire was regulated as to price and service quality. In 1980, the federal government deregulated interstate transportation of most goods, except for a few categories, including household goods. In 1995, federal legislation extended this to intrastate transportation of most goods, again, with an exclusion for household goods. The clear trend in transportation regulation has been to allow market forces and consumer protection standards, rather than regulation, to ensure quality service at fair, just, and reasonable prices.

Washington's regulations which apply to household goods carriers are essentially unchanged since the period prior to deregulation efforts. The rules are somewhat antiquated, and may actually interfere with the ability of citizens of the state to obtain high quality service at fair, just, and reasonable prices. One reason for this is that under deregulation of carriage of material other than household goods, many additional carriers having the fitness to carry household goods have entered the state's economy, providing carriage of other categories of goods. Another is that the process of obtaining regulatory approval to carry household goods may be so onerous that few potential applicants seek approval. Many of these may be providing service in violation of existing regulations, some may be providing service which conforms to safety and quality standards, but without required permits, and others may be unwilling to apply for approval or offer service despite their fitness to do so.

Because of the onerous nature of the state's regulation of this industry, the actual number of firms currently offering service in the state has declined. While 247 firms hold authority to move household goods, in 1997, only 116 actually provided such services and filed reports in compliance with the Commission's regulations.

Part of the current system of regulation is the establishment by the Commission of specified rates and charges for household moving services. One of the most frequent causes of complaints to the Commission by consumers is that household goods carriers have provided an estimate, but the actual bill for moving greatly exceeds the estimate. Because the carriers are statutorily required to charge the approved rate, even if it is greater than the estimate, the Commission is not in a position to assist these consumers, although it may impose penalties on carriers which are the subject of multiple complaints.

### **INVOLVEMENT OF SMALL BUSINESS IN THE RULEMAKING [19.85.040 (2)(b) and (3)]**

The Commission involved small businesses in the rulemaking through a series of meetings throughout the development of the rules. Attachment A to this Statement lists the meeting dates and attendees at these meetings. Two associations were involved in the development of the rules, under the process described by RCW 34.05.310(2)(a). The Washington Movers Conference represents substantially all of the currently permitted carriers, large and small. The Association of Independent Movers represents a self-selected group of non-permitted firms currently providing or interested in providing household goods carriage. In addition, some attendees were small firms which were not members of either association, and consumers of household goods moving were included. A representative was appointed by the Public Counsel Section and Consumer Protection Division, Office of the Attorney General, to represent the general public.

### **SUMMARY OF FINDINGS AND MITIGATION EFFORTS**

This analysis finds that, on balance, the proposed rules will reduce the regulatory burden on all firms engaged in providing household goods moving service, as follows:

#### **Benefits:**

New Entrants:	Reduction in the regulatory burden associated with obtaining permission to provide service is a great reduction in the burden on new entrants.
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Limited Carriers: Provides all existing carriers the option to expand their certificated service territories up to and including statewide service with no requirement for a hearing, no fee, and no arduous application procedure. The regulatory burden associated with educating personnel regarding the boundaries of service will be eliminated for those which choose unlimited service or service with recognized political boundaries.

Unlimited Carriers: Carriers currently holding statewide authority are granted increased flexibility to refuse to provide service under specified circumstances. The smallest unit of service will be at the county level, so household goods carriers will not longer need to be familiar with the boundaries of cities and towns or commercial districts, which can shift over time as annexations occur.

#### Small Business

New Entrants: The requirement that the Commission hold a hearing on every protested application for authority is eliminated, and the conditions for demonstrating "public convenience and necessity" are expanded to reflect a consumer perspective, resulting in a higher probability that an application will be approved. Since small businesses are likely to be the primary new applicants, these changes are likely to primarily benefit small businesses.

Information received during workshops during the drafting of the proposed rule indicated that small firms desiring to enter this field have lower cost structures than those implied by the current tariff. The authority to have rates which are lower than the current tariff, within the rate bands proposed, are anticipated to be the largest benefit to small business new entrants, allowing them to offer competitive pricing in order to secure market share, while still earning a fair return.

All Carriers: The permission for use of both binding estimates and estimates with rate caps around them will allow all carriers to provide an estimate to consumers which will not be exceeded by more than a limited amount, eliminating the most common source of time-consuming complaints. The elimination of most hearings on the fitness of new entrants will greatly

reduce the time and money spent by both new and existing carriers in proceedings before the Commission.

**Small Business**

**Users:**

Small businesses which use household goods carriers (e.g., to move employees) will benefit from greater predictability in cost resulting from binding estimates and/or price caps around non-binding estimates. To the extent that the banded rates facilitate pricing at less than the current tariff rate, these provisions will allow direct economic benefits to small businesses using household goods carriers.

**Detriments:**

**Small Carriers:**

The requirements for complaint handling, a complaint register, and the requirement to retain estimates create potential additional costs. Because these costs are only partly variable with the size of the enterprise, they may represent a disproportionate impact on small businesses. Mitigation is recommended with respect to the creation of a complaint register and estimate form.

**All Carriers:**

The tariff, including a banded rate, may be more confusing for personnel to understand. A requirement for cargo insurance may increase costs for any carriers not currently procuring such insurance. A very slight increase in recordkeeping will be required with respect to complaints.

**NUMBER OF BUSINESSES AFFECTED**

Currently there are 247 certificated household goods carriers in the state, but only 116 of these reported actual revenues during 1997 from moving household goods between points within the state of Washington. While additional new entrants who are not currently providing any kind of transportation service for hire may enter the household goods carrier field as a result of these rules, the number of motor freight carriers operating in the state provides a rough indication of the number of businesses which are currently fit and able (or could easily become fit and able) to provide household goods service, but are not currently certificated to provide such service. There are more than four thousand motor freight carriers operating within the state.

Of the 247 household goods carriers permitted in the state, only two reported 1997 revenues from intrastate carriage of household goods of more than \$2 million, and only seven reported 1997

revenues from intrastate carriage of household goods of more than \$1 million. If these were the total revenues of the firms involved, essentially all household goods carriers would be considered small businesses under the Regulatory Fairness Act. However, many of the firms engaged in intrastate household goods carriage also provide interstate service, and many provide other forms of transportation service. It is the total number of employees of a firm which determine whether they are "small" or not small, not just the number of employees working exclusively in intrastate carriage of household goods.

## **CHANGES IN REGULATORY BURDEN**

Attachment B to this Statement provides a section by section comparison of the existing and proposed rules, and identifies the changes in regulatory burden associated with each.

## **COSTS OF COMPLIANCE [19.85.040(1)(c)]**

The costs of compliance with these rules occurs primarily as a result of three changes:

**Valuation and Insurance:** The proposed rule requires carriers to offer financial responsibility for loss or damage to household goods at different optional levels, and to obtain cargo insurance.

Current rules effectively provide for self-insurance of goods at very low valuations. The proposed rule provides for higher levels of valuation, but permits carriers to charge consumers directly for any coverage they opt for above the current requirement. This feature is not expected to impose any cost on carriers; in fact, experience in the rental car industry is that "optional" coverage is often a profit center, not a cost. Therefore there is no additional net cost to the carrier of the valuation options required by the rule.

There is an additional regulatory requirement for a maximum of \$20,000 of cargo insurance. Insurance representatives who currently provide insurance to household goods carriers have indicated that all or nearly all already carry this level (or more) of cargo insurance. This is not expected to be a material cost addition to any significant number of household goods carriers. For the few which may currently not carry cargo insurance (and therefore are self-insuring on even the minimum level of valuation which must be provided), there will be a small additional insurance cost. Self-move companies currently offer per-trip coverage at nominal rates (\$10 - \$20 per day); these firms report that the vast majority of claims are for damage to the vehicles, not to the contents. Insurance carriers indicated that a major cost of cargo insurance is driven by state regulatory filing requirements -- if the carrier (rather than the insured) must notify the Commission of the provision or expiration of the insurance. In order to mitigate this cost, the rule does not require that the insurance company make filings with the Commission.

The maximum cost this Statement anticipates any small carrier would incur for cargo insurance is the equivalent of 10% of the self-move rate, or \$2 per move; for larger carriers, one half of this amount is assumed, consistent with the information Staff received from insurers.

**Estimates:** The proposed rule allows carriers to provide consumers with binding estimates as well as non-binding estimates. A small cost associated with changing forms is anticipated. Estimates must be retained for a period of two years, so a storage / recordkeeping cost is imposed.

**Complaints:** The proposed rule requires that complaints be acknowledged (not resolved) within ten days, compared with a 30 day requirement in current rules. This may impose a labor cost on some carriers.

### **DECREASED COSTS CAUSED BY THE RULE**

There are decreased costs of compliance resulting from these rules. These fall primarily into the following categories:

**Hearings to modify service territory:** Currently, existing and potential carriers may expend significant time in hearings which the Commission convenes to consider grants of authority, based on an historic application of the requirement to determine if additional firms are required to serve the "public convenience and necessity." The proposed rule allows the Commission to grant or deny such authority without hearings, which will greatly reduce the labor and professional services costs for both existing and potential carriers.

**Binding Estimates and/or Bill Caps Reducing Complaint Resolution Requirements:** The proposed rule allows carriers to provide binding estimates to consumers, and places limits on the amount a carrier may charge over a non-binding estimate. Once an estimate is accepted by a consumer, that consumer is protected against higher charges for the services identified in the estimate. This rule change is designed to prevent any increase in the number of complaints the Commission receives and processes. Some complaints in the past have been the result of carriers charging up to three times the amount estimated. Such complaints are time consuming for the carrier, the consumer, and the Commission staff.

**Complaint Procedure:** The current rule requires carriers to produce records "on demand" of the Commission. The proposed rule allows carriers 5 days to respond. This may eliminate the need for carriers to pay overtime to respond to Commission requests for information.

**Voluntary Suspension of Permit:** The current rule allows a voluntary suspension of a permit only if the permit holder is called into active military service. The proposed rule also allows a voluntary suspension of the permit for medical reasons. The economic benefit of suspension to

the carrier is that insurance coverage can be suspended during the period that the permit is suspended, a considerable economic savings.

**Reduced Cost of Buying a Permit:** There are two reasons for a new entrant to currently purchase an existing permit, rather than apply for a new permit. The first is that the existing permit comes with an ongoing business, including the reputation, goodwill, and market recognition of an existing business. The proposed rule will not change this incentive. The second is that securing a new permit generally requires a contested hearing process, with high legal, professional, and managerial time commitments. The proposed rule will generally reduce these costs, meaning that the cost of buying an existing permit will be reduced to a level consistent with the value of the enterprise which is being purchased.

### **COMPARISON OF COSTS -- LARGE VERSUS SMALL BUSINESSES**

A key element to the SBEIS is a comparison of how the costs of regulation affect small versus large businesses, and identifying ways to mitigate any disproportionate impacts on small businesses. The majority of the language in the proposed rule simply restates in simpler terminology the current regulations in place. The SBEIS does not examine the existing costs of compliance, but only the changes in the cost of compliance as a result of proposed changes in the existing rules.

This Statement identified the costs imposed by these rules in two ways. First, an annual cost is computed for these costs, for both a large and small carrier. Second, a per-unit cost, tied to the revenues of the firm, is computed for those costs which do vary with the amount of service provided. These costs are then evaluated based on the fee structure which the proposed rule and applicable statute impose for fairness among larger and smaller firms.

The key cost increases resulting from the proposed rules involve providing estimates, record keeping and filing of reports with the Commission. There is no specific expense category in the current annual reports filed by household goods carriers to precisely track how these types of costs vary between small and larger carriers. There is a cost category for "Accounting Services" which is used in this Statement as a proxy for the costs of recordkeeping and report filing. This Statement finds that there is NOT a disproportionate burden on small business from existing accounting requirements, based on the following analysis, based on an examination of a random sample of one-half of the carriers providing intrastate household goods carriage in each size category and reporting costs for accounting services in their 1997 Annual Report to the WUTC.

#### **Percentage of Revenue to Accounting Services**

Intrastate Household Goods Revenue	Total Revenue Range	% of Revenue for Accounting Services
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Over \$1 million	\$1.6 - \$9.5 Million	.55%
\$100,000 - \$250,000	\$134,000 - \$7 Million	.52%
Under \$50,000	\$40,000 - \$1.3 million	.52%

In discussions with small businesses, the following factors were identified as leading to this proportionate burden of accounting costs:

- 1) The average cost per move does not differ significantly between large and small firms;
- 2) Outside accounting and bookkeeping firms typically charge on either a number of transactions basis or a percentage of revenues basis; both are proportionate for small and large firms;
- 3) In small firms where bookkeeping is handled internally, the individuals providing this service are either employed part-time or have multiple duties, which keeps the costs assigned to this function proportionate.

The estimated costs and benefits of the proposed rules are set forth below by category. "Record Keeping" includes creating and retaining estimates, assumed to be at \$2 per estimate, with one-half of estimates producing revenues averaging \$1000. Cargo insurance is estimated at \$2 per move for small firms, based on charges from self-move companies for "safe-move" type insurance, and one-half that amount for large firms, but only 10% of carriers are assumed to be not currently carrying such insurance. Equipment costs are zero, because there is no change in required equipment for permitted carriers; costs incurred by currently non-permitted carriers to comply with regulatory requirements are a cost created by the opportunity to become a permitted carrier (a reduction of regulation), not by any changes in safety rules.

Commission filing requirements are assumed to be reduced for small firms based on the proposed mitigation measure reducing the frequency of the detailed filing requirement for small firms to once every four years. Complaints are assumed to use less carrier (and Commission) time, because the caps on how much can be charged over the estimate is expected to hold down the number of complaints. The cost of participating in fewer WUTC hearings for existing permitted carriers is assumed to reduce costs by \$100 per year for small firms and \$1000 per year for large firms, based on a legal/technical cost of \$10,000 per hearing shared proportionately among permitted carriers, and an assumption of three avoided hearings per year. The same level of cost -- \$10,000 -- is assumed to be avoided by all new applicants for permits.

Costs	Estimated Burden of Proposed Rules [19.85..040(1)(c)]			
	Per Firm		Per \$100 of Revenue	
	Small	Large	Small Firms	Large Firms
Record Keeping	\$200	\$2000	\$.20	\$.20
Insurance	\$20	\$100	\$.02	\$.01
Equipment	None	None	None	None
<b>Benefits -- All Carriers</b>				
Filings	-\$100	None	(\$.10)	None
Complaints	-\$100	-\$1000	(\$.10)	(\$.10)
<b>Benefits - Existing Permitted Carriers</b>				
Protests / Hearings	-\$100	-\$1000	(\$.10)	(\$.10)
<b>One-Time Benefits - New Permitted Carriers</b>				
Protests / Hearings	-\$10,000	-\$10,000	(\$10.00)	(\$1.00)

Assumptions:

Small Firms: 100 moves per year, \$100,000 Annual Revenue

Large Firms: 1000 moves per year, \$1,000,000 Annual Revenue

Complaints: # of consumer complaints reduced by 50%

Hearings: 2 hearings per year avoided; Assume 10 large, 100 small firms. Large firms contribute \$500 per hearing; Small firms contribute \$50 per hearing.

Record Keeping: The mitigation recommendations which allow small firms more time to respond to demands for production of records and the ability to suspend their permits for medical reasons are assumed to partially offset the additional record keeping caused by these rules. The elimination of the Schedule 2 filing requirement as part of the annual report (requiring this only quadrennially) reduces the filing costs for small businesses.

## OTHER ISSUES

**Small Business Suppliers:** The Statement recognizes a class of small business which may be affected by the rule for which no clear impact of the rule is evident. This consists of small businesses which are suppliers to the household goods moving industry. Examples include truck repair, equipment suppliers, accounting services and legal services. If, as expected, the rules result in more firms becoming permitted carriers, greater compliance with safety regulations is expected, and there will be a small net benefit to small businesses providing truck repair and moving equipment (with a corresponding net cost to currently unpermitted carriers not presently meeting these safety requirements). If, as expected, the rules result in a larger number of firms becoming permitted carriers and filing annual reports, there will be a small net benefit to small businesses providing accounting services (with a corresponding net cost to currently unpermitted carriers not presently meeting these filing requirements). If, as expected, the rules result in fewer protests of applications for operating permits and fewer hearings before the WUTC, there will be a small net detriment to small business firms providing legal services (with a corresponding savings to firms now employing such services for protests and hearings).

**Devaluation of Permit:** Historically, new entrants have often become certificated household goods carriers by purchasing existing businesses and permits, rather than applying for new permits. This has led to a perceived "value" being ascribed to a permit, which might be seen to be diminished by these rules providing for more expeditious handling of applications for new permits.

First and foremost, many of the transactions for permits occurred in years prior to deregulation of interstate and intrastate motor freight, and many of these firms provided regulated services in that environment. The carriage of household goods in intrastate commerce is typically only a small fraction of the business of such firms, and the "devaluation of permits" issued by the State of Washington, if any occurred, can primarily be ascribed to the deregulation of motor freight and office moving services, not household goods.

From an economic perspective, the Commission's rate making authority requires that it set rates based upon the investment and expenses used to provide service. In this process, no value has ever been ascribed to the "permit" as an investment, even though many carriers may have actually incurred a direct cost to secure the permit. The only "value" which an existing permit should ever have under regulation is the underlying value of the market presence, goodwill, and name familiarity of the underlying business.

Given the requirement that the Commission regulate "in the public interest" and issue permits when justified by the "public convenience and necessity," it is axiomatic, in economic terms, that the "permit" itself has no value. If at any time regulation created a scarcity of household moving services to the point where the mere permission to operate was valuable, over and above the value of the business and the equipment owned by the business, it is clear that the regulators should have either reduced the rates (rebating the excess of rates over costs of providing service to consumers) or allowed additional entrants into the business.

The fact that the Commission has not allowed the inclusion of costs of acquiring a permit to be included in the formula used to construct rates for household goods carriers is consistent with this view: the "permit" itself is not a thing of value.

**RECOMMENDATIONS: MITIGATION OF DISPROPORTIONATE COSTS TO SMALL EMPLOYERS [19.85.040(2)(a)]**

The Regulatory Fairness Act requires consideration of measures which will mitigate the impact of the proposed rule on small businesses. These are defined as those with fewer than fifty employees. This statement recommends consideration of the following mitigation measures, and adoption of those which do not impose a significant administrative burden on the agency or impair the effectiveness of the intent of the proposed rule:

- 1) Allow more time for small businesses to meet certain deadlines imposed by the rules;
- 2) Require less information to be filed with the Commission by small businesses;
- 3) Have the WUTC develop a model or uniform Estimate form and Complaint Register available for use by all carriers.

The small businesses affected by this rule, in many cases, are sole proprietor or family owned and operated firms. Many do not have a full time office staff, or the ability to handle routine correspondence in the way that a larger firm might be able to. The "management" of the firm in many cases is also the driver of the vehicle providing service, and "office work" must compete with the provision of household goods carriage for the owner or manager's time. During the peak moving season in particular, this can create circumstances where prompt responses to some inquiries may be difficult. Consequently, this Statement recommends three specific measures to permit smaller firms to have more time to respond to circumstances requiring written communication. Large firms, by contrast, generally have a full-time office staff person or

persons, and can be expected to have more resources available to facilitate prompt communication.

### **Mitigation Measures Recommended for Agency Consideration**

**Time limit for application for reinstatement of a suspended permit:** The proposed rule (WAC 480-15-460) would allow 30 days for application for reinstatement. This Statement recommends that this be extended to 60 days for a small business, as defined.

**Time limit for production of records:** The proposed rule (WAC 480-15-890) changes the current "on demand" requirement to five days. This Statement recommends that this deadline be set at ten days for a small business, as defined.

**Shorter Annual Report:** The next mitigation measure is to reduce the amount of information which must be filed with the Commission by a small business. The current Annual Report is four pages long, consisting of a summary page and two Schedules. This Statement recommends that Schedule 2 (Income Statement) be required only once every four years from a small business, as defined (this frequency will permit analysis of the costs incurred by small businesses by the WUTC). The certification on Schedule 1 (name and officers of company) would be modified to permit self-certification of eligibility as a small business, by modifying the "drivers and equipment" section to include total number of employees. This will reduce the reporting requirement and paperwork by more than 50% for small businesses. Larger businesses will still be subject to filing Schedule 2. The Commission may want to consider a financial threshold rather than the 50 employee threshold for definition of a small business. If the threshold were set at \$200,000 per year, approximately two-thirds of the currently reporting carriers would be exempt from filing Schedule 2. The Commission would still retain the right to request the information on Schedule 2 from any carrier. The Commission will implement this recommendation outside of this rulemaking, effective in 1999.

**Model or Uniform Estimate Form:** One of the additional costs which the rule would cause to be incurred is the development of forms for providing estimates for consumers, which the rule then requires be adhered to within specified limits. It is assumed that some consumers will desire binding estimates, and that therefore some carriers will offer binding estimates. This Statement recommends that the WUTC consider developing a model Estimate Form which could be used by any carrier. This would eliminate the cost to any small business to develop such a form. The Model Form would set forth the elements of the estimate, together with the rules and regulations affecting binding and non-binding estimates. Because the cost of developing (as opposed to printing) the form is a fixed cost, it represents a disproportionate impact on small businesses. An example of this is the standard real estate forms offered by escrow agencies, which are used by multiple real estate brokerages. The Commission will develop a Model Form within 120 days of adoption of these rules. The Model Estimate Form may be used by any

carrier, or carriers may develop their own Estimate Form, provided it complies with the requirements of the rule.

**Model or Uniform Complaint Register:** One of the additional costs which the rule would cause to be incurred is the development of a complaint register, which is in a different form than firms currently log complaints. This is a disproportionate cost on small business because of the fact that the process of establishing a register is a fixed cost, independent of volume. By creating a model complaint register, which any firm may use, the Commission would eliminate the costs incurred in creating a complaint register. The actual logging of complaints will be proportionate to the volume of business and quality of service, and there is no reason to believe that these will impose a disproportionate burden on small business. The Commission will develop a Model Complaint Register within 120 days of adoption of these rules. The Model Complaint Register may be used by any carrier, or carriers may develop their own Complaint Register, provided that it complies with the requirement of the rule.

### **Mitigation Measures Considered and Rejected**

The following mitigation measures were considered as part of the Statement and rejected for the reasons set forth:

**Time to acknowledge a complaint:** The proposed rule (WAC 480-15-810) reduces the currently allowed 30 days to acknowledge a complaint down to 10 days. This Statement considered a recommendation that the lag be permitted to be up to 20 days for a small business, as defined. The 10 day period would continue to apply to carriers which do not meet the definition of a small business. This option was rejected because it would impose a burden on consumers, who may be facing an impending deadline by which they must file a claim, without knowing if their complaint has been received or not. The only cost of compliance is to respond with a post card acknowledging receipt of the complaint; no change in the time allowed for a substantive response to the complaint is required by the rule.

**Lower application fee for smaller carriers:** The statute limits the application fee the Commission can charge to \$550 per applicant, and that is the current and proposed level. This fee represents a disproportionate impact on small businesses, because it does not vary with the size of the enterprise. This Statement considered a recommendation that a lower fee be imposed on smaller firms. The Commission staff has determined that this does not cover even the processing costs of the smallest applications for authority. If the \$550 limit is raised in the future, it may be appropriate to establish a lower fee for smaller firms.

**Lower regulatory fee for smaller carriers:** The statute limits the regulatory fee the Commission can collect to .25% of gross operating revenues. This does not represent a disproportionate impact on small businesses, because it does vary in a completely linear fashion

with the size of the enterprise. A separate statute requires that the Commission's regulatory programs be self-funding. Household goods carriage regulatory costs currently exceed regulatory revenues, and one of the purposes of the proposed rule is to reduce the regulatory workload to a level consistent with available program revenue, while enhancing that revenue by bringing a larger percentage of firms actually providing household goods carriage under regulation. A reduction in the regulatory fee can perhaps be considered in the future if these goals are successful.

**Deadline for filing the required annual report:** The proposed rule (WAC 480-15-480) requires all firms obligated to file annual reports to do so by May 1 of each calendar year. This statement considered a recommendation that this date be extended to June 1 of each year for a small business, as defined. This date was selected to permit flexibility for small businesses, while spreading the Commission staff workload. Because the larger businesses generate the majority of the revenues which are submitted with the Annual Reports, the revenue impact to the State of this recommendation would be minor. This measure was rejected because of a statutory requirement that the Annual Report be filed no later than four months after the end of the year, and that is the current requirement. (RCW 81.80.321)