

DOCKET T-101661

Comment of Bremerton-Kitsap Airporter, Inc. C-903 In Response to Staff Recommendation on Elimination of Fuel Surcharges for the Auto Transportation Industry

April 4, 2011

Dear Mr. Danner:

After perusing the Staff's March 18, 2011 Recommendation, it appeared as though it was Bremerton-Kitsap Airporter's turn at the proverbial "Whipping Post". Much of the data pertaining to Bremerton-Kitsap Airporter, Inc. ("BKA") as presented by staff to justify terminating the current methodology for granting fuel surcharges were erroneous or embellished. Clarification or correction of these data was forthcoming from your office which was appreciated but nevertheless seemed to unduly focus on our company as somehow misusing the fuel surcharge mechanism.

I have studied nearly all of the comments now filed under this Docket and find that I am nearly in total agreement with most of them. I can understand the frustration that all commenters address since; I, too, am frustrated to a similar degree. Our industry had a meeting with the Commissioners in late 2006 regarding rates, including fuel surcharges, and it now appears that we are again "plowing" the same ground. Rather than addressing the need for a mechanism to defray the rapidly increasing costs of fuel, staff appears more intent in forcing operators to file a general rate case. I am on record opposing rate case filings because of the extensive effort and costs involved for the operator and because of the threat of a further reduction in our fares, which incidentally are perhaps the lowest in the nation on a per mile basis. Indeed, a fare reduction of \$2.00 for all fares was imposed on BKA, Inc. in 2001. Because our fares were already so low, we have enjoyed an increasing number of passengers each year, which in turn generates more gross revenue and therefore enables BKA, Inc to expand the level of service that we provide to our customers. And why should the efficient operator be penalized for an incremental increase in profits through efficient management?

The current 93% operating ratio methodology is obsolete and was implemented many decades ago. Airporter operations in fact are not monopolies as there are millions of POV's on the Washington roadways in addition to taxis, limousines, and ground transporters who all compete for the same type of paying customer. The 93% operating expense ratio leaves a 7% profit margin from which federal income taxes and all interest on loans are extracted. The staff will not consider tariff filings which allow the operator more than a projected 7% profit. In the case of BKA, Inc. we are often in the fortunate position of earning more than the 7% profit margin which currently would result in the staff recommending denial of any fare increase proposal. Again some other methodology must be used in determining fair, just, reasonable and sufficient fares and it is time the Commission address this threshold methodology in a separate proceeding.

In this volatile environment, fuel surcharges are an effective and efficient mechanism to afford airporter operators interim relief from dramatically rising costs of fuel.

I therefore, recommend that Commissioners maintain the current Fuel surcharge methodology indefinitely or until banded rates are implemented, similar to those in Illinois. I also recently returned from an Airport Ground Transportation Association meeting where I had an opportunity to speak with the largest ground transportation operator in the state of Illinois. He confirmed that entry for airporters is also restricted there if there is an operator who is effectively operating to the satisfaction of the commission (similar to Washington). If another operator is to be granted entry it must do so upon a showing that the public convenience and necessity requires issuance of the license. (*See*, i.e. 625 ILCS 5 Sec. 18C-6201(d)(2)). Illinois is concerned that current operators be protected from dilution of their customer base, which deregulation or open entry would allow and which could result in increasing fares and/or bankruptcy of one or both providers.

Staff continues to believe that current methodology for determining fuel surcharges is fundamentally flawed. How? Fuel surcharges as noted address the rapidly fluctuating costs of fuel in a timely manner. Under their new deferred accounting methodology proposal, is spreading out fuel costs over six months more equitable? This would mean that consumers are theoretically paying a fuel surcharge for gasoline costs which are six months old, and which may be higher or lower than today's price at the pump. There have been no objections from our customers that we are aware of concerning our fuel surcharges or our basic fares for that matter.

The "Illinois banded rates" (which allow the operator to vary their fares up or down at a 25% annual rate, with Illinois Commerce Commission approval system) would be easy to manage for both the operator and Commission staff. It would eliminate the need for a fuel surcharge at all. Staff has contended that Illinois has open entry for operators providing airport service yet this is contrary to the attached statues and the conversations I had with the largest airporter operator in the state. As witnessed by the Staff's proposal to eliminate fuel surcharge mechanisms for the auto transportation industry, we are currently widely divided on a mechanism to fairly regulate the rates for our industry. Until and unless the Commission revises its overall approach to ratemaking for regulated auto transportation companies, throwing out fuel surcharges will only exacerbate that divide and further reduce profitability for operators. That may in fact be the Staff's true goal here but I urge the Commission to avoid a temptation for a quick fix in favor of a more comprehensive and studied approach and modernization of ratemaking review for this industry, which again, I believe is long overdue.

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