

BREMERTON-KITSAP AIRPORTER, INC. 29 March 2013

ENTRY REGULATION-BACKGROUND

Regarding increased competition the following data is presented for consideration: In December 2012 a total of 1302 one way trips (21 round trips each day) were accomplished from the Kitsap Peninsula and which utilized 24 passenger busses. During the same period a total of 12985 passengers were carried on the busses either to the airport or from Sea-Tac and returning to the Kitsap Peninsula. This passenger total represents a load factor of 41.555% of the rated capacity of the busses. This indicates that the Kitsap Peninsula airport travelers are more than adequately provided airport transportation by the Bremerton-Kitsap Airporter, Inc. with 21 hourly scheduled round trips.

Also, during December 2012 a total of 540 one way trips (9 daily round trips) operated between JBLM and Sea-Tac International Airport utilizing mostly 11 passenger vans, but a stand-by 24 passenger bus when needed. During December 2012 a total of 1844 round trip passengers were carried on these vans. This total represents a load factor of 31.043% of the rated capacity of the vans. This again clearly indicates that Bremerton-Kitsap Airporter, Inc. meets the needs of the airport travelers from JBLM.

Continued limited regulation of entry is essential to meet the needs of the traveling public. During 2012, 166,185 passengers rode on our busses and vans and represent nearly two thirds the total population of Kitsap County (251,133). Many citizens in the communities that we serve depend on our service, our fares, our frequent and dependable schedule, our courteous staff, our safe and clean vehicles and many other advantages over the travelers' other travel options.

Authorizing another carrier to operate in the territories (not routes) served by Bremerton-Kitsap Airporter, Inc. is not in the best interests of the traveling public and will most certainly result in higher fares, reduced daily service and pick-up locations. It is easy to see that in both routes served by BKA, Inc. our vehicles could carry an additional 18263 passengers during December 2012 on the Kitsap route and an additional 4096 passengers on the JBLM route if the number of round trips remained the same for each route. This date also clearly indicates that Bremerton-Kitsap Airporter, Inc. operations in both territories served, operating a total 30 round trips to /from SeaTac Airport, exceeds the standard set by the UTC in meeting the public need and necessity.

ENTRY REGULATION-RECOMMENDATIONS

Entry regulations continue as before for scheduled, fixed route airporters. A distinction must be made between scheduled, fixed route operators and on demand, door-to-door operators. Allowing further entry to additional carriers is unnecessary and would result for current carriers (and the new carrier), with reduced service, higher fares and possible discontinuance of operations in their entirety for both fixed route and on demand operators.

RATE REGULATION- BACKGROUND

Rate deregulation is essential. Determination of rates that are fair, just, reasonable and sufficient is not a function of accounting methodology. It is a simple economic supply/demand function. If fares are not reasonable the traveler will most likely utilize a POV, either his/her own or a neighbor/family member. In that event, the potential customer weighs costs of either mode. If a POV is utilized, the costs include gasoline for the round trip, bridge tolls, parking at the airport, insurance/ maintenance of the POV etc. Another consideration is if the traveler is fortunate enough to find a neighbor or spouse to drive them to the airport at 3:00AM, he or she must return meaning gasoline and vehicle costs are doubled.

The current 93/7 ratio is unfair. This ratio excludes federal income taxes and interest on loans. Consider a corporation which generates \$3,000,000 in annual sales. Using the current methodology the business shareholders are allowed \$210,000 profit (7% X \$3,000,000).

Corporation Federal income tax rates are:

\$0-\$50,000 – 15%

\$50,000-\$75,000—25%

\$75,000-\$100,000—34%

\$100,000-\$335,000—39%

Therefore, after taxes on \$3,000,000 gross sales and federal income taxes are deducted (\$65,150 tax), it leaves profit for the shareholders of \$144,850 provided the corporation is free of debt for vehicle and other purchases. Interest on debt further reduces profit distribution to the shareholders. Many salaried Washington taxpayers earn this amount without taking any risk!! A severe vehicle accident could easily leave the owners in bankruptcy.

RATE REGULATION-RECOMMENDATIONS

Rate deregulation is essential for this industry! Operators must be allowed the flexibility to determine rates that are fair, just, reasonable and sufficient based on current market conditions and what the customer is willing to pay for the service. Until deregulation is included in Washington statutes (if ever), necessary changes to applicable WAC provisions must allow for rate adjustments similar to the Illinois statutes.

I further recommend that operators be allowed to increase fares by 25% the first year and another 15% each succeeding year. A recent Kitsap Sun article indicates that legislation is pending for a \$0.10/gallon increase in state fuel tax, increased licensing fees for all vehicles, increased bridge tolls in succeeding years to a maximum \$6.00 and even a possible state income tax which is unlikely to pass. No consideration is given to the cost of Obama Care because nobody knows what those costs will be. I realize that all these recommendations could change if budget shortfalls must be met.

The proposed draft code revision calls for a 20% increase in fares the first year and 3% in each following years. The BKA, Inc. fare for a passenger from Bangor is \$20.25 regular fare and \$18.25 for a military or senior citizen (\$.27/mi. or \$24.7/mi.). Nearly all passengers at Bangor are military on active duty and qualify for the lesser military rate of \$18.25. Currently the fuel surcharge amount is \$1.50. It is speculated that gasoline prices could reach \$6.00/gallon which could easily offset a 20% increase in our

current fares and if any minor increases in operating costs occur in following years BKA, Inc. would quickly be underwater.

If the code revisions are made, I would propose increasing fares to a maximum 25% the first year, rounded to the nearest dollar, for ease of cash handling. The increased fares will bring our fares to a level that is still among the lowest in the nation. We believe that the increased fares will not harm the popularity and considerable usage of our service. We believe that our frequency of service and our low fares account for the fact that last year we carried 66% (166185) of the total Kitsap County population (251,000).

Richard E. Asche
President
Bremerton-Kitsap Airporter, Inc
P.O. Box 1255
Port Orchard, WA 98366
360-876-1737
www.kitsapairporter.com