

BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

SHUTTLE EXPRESS, INC.,

Petitioner and Complainant,

v.

SPEEDI SHUTTLE WASHINGTON, LLC

Respondent.

DOCKET NOS.

TC-143691

TC-160516

INTRODUCTION

REVISED OPENING TESTIMONY OF PETITIONER/COMPLAINANT

SHUTTLE EXPRESS, INC.

BY

DON J. WOOD

February 22, 2017

1 **Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.**

2 A. My name is Don J. Wood. I am a principal in the firm of Wood & Wood, an economic
3 and financial consulting firm. My business address is 914 Stream Valley Trail,
4 Alpharetta, Georgia 30022. I provide economic and financial analysis of regulated
5 industries, with an emphasis on cost-of-service issues, economic and regulatory policy,
6 and competitive market development.

7
8 **Q. PLEASE DESCRIBE YOUR EDUCATIONAL BACKGROUND.**

9 A. I received a BBA in Finance with distinction from Emory University (1985) and an MBA
10 with concentrations in Microeconomics and Finance from the College of William and
11 Mary (1987).

12
13 **Q. HAVE YOU PREVIOUSLY PRESENTED EXPERT TESTIMONY BEFORE**
14 **STATE REGULATORS?**

15 A. Yes. I have testified before the regulatory commissions of forty-three states, Puerto Rico,
16 and the District of Columbia. I have also presented expert testimony in state, federal, and
17 overseas courts, before alternative dispute resolution tribunals, and at the Federal
18 Communications Commission ("FCC"). A copy of my curriculum vitae, which includes
19 a listing of previous testimony, is attached as Exhibit DJW-1. I last testified before this
20 Commission in Docket No. UT-121994.

21

1 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?**

2 A. I have been asked by Shuttle Express, Inc. (“Shuttle Express”) to address the economic
3 and public interest issues raised by its May 16, 2016 Petition,¹ and to respond to the
4 available facts, including information acquired through discovery in this proceeding.
5

6 **Q. PLEASE DESCRIBE THE MARKET SERVED BY SHUTTLE EXPRESS.**

7 A. There is both a service and a geographic component to this market definition.

8 As Shuttle Express witness Mr. Marks describes in his testimony, Shuttle Express
9 provides door-to-door share ride service using Seattle Tacoma International Airport
10 (“SeaTac”) as its primary hub. This share ride service is provided on a scheduled
11 (prebooked) and walk-up basis. Shuttle Express also provides scheduled service between
12 SeaTac and certain other locations, such as hotels, schools, and other transportation hubs
13 (including waterfront terminals).

14 Geographically, Shuttle Express provides service to addresses within 25 miles of
15 SeatTac, Paine Field, Renton Airfield, and Boeing Field, consistent with the terms of its
16 Certificate of Public Convenience and Necessity (“CPCN”) granted by this Commission.
17

¹ Petition of Shuttle Express, Inc. for Rehearing of Matters In Re Docket No. TC-143691 and to Cancel or Restrict Certificate No. C-65854; Based on Mis-Representations by Applicant, Errors And Omissions In Prior Proceedings, And Changed Conditions Not Previously Considered; And Formal Complaint Against Speedishuttle Washington, LLC For Its Rules, Regulations or Practices in Competition with Complainant that are Unreasonable, Insufficient, Unremunerative, Discriminatory, Illegal, Unfair, or Tending to Oppress the Complainant.

1 **Q. IS THE CURRENT AND ONGOING PROVISIONING OF SERVICE TO THIS**
2 **MARKET BY SHUTTLE EXPRESS CONSISTENT WITH THE PUBLIC**
3 **INTEREST?**

4 A. Yes. The availability of the share ride services provided by Shuttle Express across this
5 geographic area provides an important service that is responsive to the needs of residents
6 and businesses in the King County area and to the needs of tourists and other visitors to
7 the area. Going forward, the public interest will be served if Shuttle Express continues to
8 offer and provide these services at a high level of quality.

9
10 **Q. THE COMMISSION HAS ADOPTED A NUMBER OF FACTORS TO**
11 **CONSIDER WHEN CONSIDERING AN APPLICATION FOR A SECOND**
12 **PROVIDER OF TRANSPORTATION SERVICES IN A GIVEN GEOGRAPHIC**
13 **AREA. WHAT IS YOUR UNDERSTANDING OF THESE FACTORS?**

14 A. As the Commission points out in Order 02, pursuant to WAC 480-30-140(2) it may
15 “consider a number of factors to determine whether the service applied for is the same as
16 existing service.”² It is my understanding that this code section contains an illustrative,
17 though not exhaustive, list of factors that may be considered.

18 By applying these factors, the Commission can identify two primary categories of
19 services that could be distinguished from an existing service. First, an applicant may
20 commit to provide a service that that meets the needs of a currently unserved market or

² Order 02, ¶14.

1 market segment, so that an identified group of customers that the incumbent is either
2 unwilling or unable to serve will directly benefit from the presence of the new entrant.
3 Second, the applicant may commit to provide an enhancement to the core service that it
4 can demonstrate will expand the size of the overall market to be served by the incumbent
5 and new entrant.

6 It is important to note that granting the application of a new entrant to serve
7 previously unserved markets or market segments does *not* mean that the market for the
8 core service provided by the incumbent has ceased to be a natural monopoly. The ability
9 of customers to continue to be able to obtain the core service (here, share ride services
10 within and throughout the designated geographic area) continues to be an important
11 element of the public interest to be considered.

12
13 **Q. DO YOU AGREE THAT GRANTING A CPCN TO A NEW ENTRANT COULD,**
14 **UNDER THE RIGHT CIRCUMSTANCES, SERVE THE PUBLIC INTEREST?**

15 A. Yes. If a new entrant commits to serve (and in practice, does in fact serve) a market or
16 market segment that has previously been unserved (either because the incumbent is
17 unable or unwilling to do so), then those previously unserved customers will benefit.
18 Similarly, if the new entrant commits to provide (and in practice, does in fact provide)
19 service elements that expand the overall size of the market, then entry by the applicant
20 could serve the public interest.

1 Conversely, if an applicant does not commit to serve previously unserved
2 customers (or makes such a commitment but in practice fails to do so), and instead offers
3 a service that is fundamentally the same as the service provided by the incumbent, the
4 public interest will be harmed. Granting a CPCN for a second entity to provide the same
5 core service as the incumbent means that two providers will be attempting to operate in a
6 geographic market that can economically support only a single provider. This scenario
7 would lead – at a minimum – to diminished service quality, and could ultimately lead to a
8 situation in which both providers are financially unable to continue to serve and must exit
9 the market. Such an outcome would be clearly inconsistent with the public interest.

10
11 **Q. HAVE YOU REVIEWED THE COMMISSION’S ORDERS IN WHICH IT**
12 **GRANTED A CPCN TO SPEEDISHUTTLE WASHINGTON, LLC**
13 **(“SPEEDISHUTTLE”)?**

14 A. Yes. I have reviewed each of the Orders issued in this Docket. The rationale for the
15 Commission’s decision to grant Speedishuttle’s request for a CPCN is set forth primarily
16 in Order 02 and Order 04. Based on the commitments made by Speedishuttle (in its
17 application and through the sworn testimony of its witness), the Commission concluded
18 in Order 02 that certain specific factors “distinguish Speedishuttle’s proposed service
19 from the service Shuttle Express currently provides.”³ In Order 04, the Commission
20 again found that “Speedishuttle does not propose to offer the same service Shuttle

³ Order 02, ¶15.

1 Express provides,”⁴ and ultimately concluded that “an entirely different business model
2 that appeals to and serves a certain subset of the market – like Speedishuttle proposes to
3 offer – is precisely the type of service differentiation contemplated by the new rules.”⁵

4 At the time that these orders were issued, any knowledge of Speedishuttle’s
5 operations was purely conceptual and could only be based on the commitments made by
6 Speedishuttle through its pleadings and sworn testimony. A *prospective* public interest
7 finding could be made because Speedishuttle did not “*propose* to offer the same service
8 Shuttle Express provides;” instead, the “entirely different business model” that
9 Speedishuttle *proposed* to offer could result in service to previously unserved markets or
10 market segments. At the current time, however, the knowledge of Speedishuttle’s
11 operations has moved from the conceptual to the empirical. It is possible to ascertain, as
12 a factual matter, whether Speedishuttle is *actually* offering the same service that Shuttle
13 Express provides and whether Speedishuttle is *actually* providing service pursuant to an
14 “entirely different business model” that provides service to previously unserved
15 customers. Put directly, the question of whether the service actually provided by
16 Speedishuttle “is precisely the type of service differentiation contemplated by the new
17 rules” can and should be answered by the direct empirical evidence now available.
18

⁴ Order 04, ¶17.

⁵ Id., ¶32.

1 **Q. PLEASE DESCRIBE THE ELEMENTS OF SPEEDISHUTTLE’S PROPOSED**
2 **“ENTIRELY DIFFERENT BUSINESS MODEL.”**

3 A. Speedishuttle made a number of commitments that were explicitly relied upon by the
4 Commission.

5 **Commitment to provide prearranged, reservation-based service only.** The
6 Commission noted that Mr. Cecil Morton, Speedishuttle owner and president, described
7 “Speedishuttle’s business model” as one “which offers door-to-door scheduled passenger
8 service only.”⁶ This conclusion is consistent with Mr. Morton’s testimony in support of
9 Speedishuttle’s application, in which he described the differences between prearranged,
10 reservation-based service and a walk-up, on-demand service: he explained that Shuttle
11 Express operates a walk-up, on-demand service and makes the commitment that
12 Speedishuttle “will not have that service,” but instead will instead focus “exclusively on
13 reservation-only” services.⁷ The question of whether Speedishuttle has limited its
14 operations consistent with this commitment, or whether it has instead offered a walk-up,
15 on-demand service (i.e. the same service Shuttle Express provides) is an empirical matter
16 that can now be addressed.

17 **Commitment to provide specific services to non-English speaking visitors.**

18 The Commission noted Speedishuttle’s commitment to “provide services that would be

⁶ Order 02, ¶5.

⁷ Transcript of Evidence at 48, 142.

1 very useful, if not critical, for non-English speaking and foreign travelers,”⁸ and
2 concluded that “Speedishuttle’s multilingual business model creates a significant
3 distinction” between its service and the service offered by Shuttle Express. The
4 Commission went on to find that this element of Speedishuttle’s proposed business model
5 would “uniquely target a specific subset of customers” that had been unserved or
6 underserved, and specifically noted the promise of “significantly increased accessibility
7 for non-English-speaking customers” and “individually tailored customer service” for
8 that market segment.⁹

9 Speedishuttle’s “multilingual business model” consists of two key elements.
10 First, Speedishuttle promises a multilingual website that would permit reservations to be
11 made in Chinese, Japanese, and Korean in addition to English. The value of such a
12 website would be to enable a visitor who is not fluent in English to make a reservation for
13 prearranged service through the Speedishuttle website. In order to determine whether the
14 promise of “significantly increased accessibility for non-English-speaking customers” has
15 been met, it would be instructive to review how many customers have actually made
16 reservations through the non-English pages of Speedishuttle’s website.

17 The second key element of Speedishuttle’s plan is a commitment to meet all
18 incoming passengers with a multilingual agent, and to escort them through SeaTac and to
19 a Speedishuttle vehicle. The Commission relied on Speedishuttle’s sworn testimony

⁸ Order 04, ¶24.

⁹ Order 04, ¶21.

1 regarding this commitment: “Mr. Morton testified that all Speedishuttle customers are
2 greeted outside the security gate by a company employee, escorted to the baggage claim,
3 and then escorted to their shuttle. The Company plans to hire multilingual greeters to
4 communicate with non-English speaking customers.”¹⁰ The Commission goes on to
5 describe its understanding of this commitment that would distinguish the service of
6 Speedishuttle from that of Shuttle Express: “Speedishuttle service includes a personal
7 airport greeter for each customer at no additional cost.”¹¹ In order to determine whether
8 Speedishuttle has actually provided this “individually tailored customer service” to a
9 previously unserved market, it is now instructive to examine whether Speedishuttle has
10 met its commitment to meet all incoming passengers with a multilingual agent, and to
11 escort those passengers from the security gate to their shuttle. Put directly, has
12 Speedishuttle made good on its commitments to “provide services that would be very
13 useful, if not critical, for non-English speaking and foreign travelers”?¹²

14
15 **Q. WHY IS IT IMPORTANT TO DETERMINE WHETHER SPEEDISHUTTLE**
16 **HAS MET THESE COMMITMENTS?**

17 A. The decision to grant Speedishuttle’s application for a CPCN was based in part on an
18 assumption that there exists an “entire demographic of travelers whose needs cannot be
19 met by Shuttle Express’s existing service” but whose needs *would be met* by the service

¹⁰ Order 02, ¶6.

¹¹ Order 02, ¶15.

¹² Order 04, ¶24.

1 actually offered by Speedishuttle. Speedishuttle’s ability and commitment to meet the
2 unique needs of this “entire demographic of travelers” is what differentiates
3 Speedishuttle’s service and forms the basis for the Commission’s assumption that the
4 service provided by Speedishuttle would be different from that provided by Shuttle
5 Express.

6
7 **Q. IN ITS ORDERS, THE COMMISSION ALSO NOTED THAT WHILE SEATAC**
8 **PASSENGER VOLUME HAS INCREASED THERE HAS BEEN “NO**
9 **CORRESPONDING INCREASE IN REGULATED AIRPORT SHUTTLE**
10 **TRANSPORTATION.”¹³ HOW DID THIS OBSERVATION IMPACT THE**
11 **DECISION TO APPROVE SPEEDISHUTTLE’S APPLICATION?**

12 A. The Commission does not draw a direct link in the language of its Orders, but my
13 understanding is that the Commission expected that features of Speedishuttle’s proposed
14 service would result in an increase in the overall demand for “airport shuttle
15 transportation” (or conversely, that Shuttle Express’s decision not to provide these
16 features had resulted in a level of demand for these services that is lower than it otherwise
17 would have been. In doing so, the Commission cited the testimony of Speedishuttle’s
18 Mr. Morton “documenting a 3.53 percent increase in airport passenger volume at SeaTac

¹³ Order 02, ¶18.

1 between 2012 and 2013, and a population increase of more than 300,000 in King County
2 between 2000 and 2012.”¹⁴

3 In theory, a new entrant that provides additional features that make a core service
4 more desirable by customers could generate public interest benefits. This could expand
5 the overall size of the market and motivate the incumbent provider to also make the new
6 features available to its customers. It is my understanding that this theoretical potential is
7 what the Commission had in mind when it noted that Speedishuttle’s proposed features
8 “are precisely the type of service enhancements envisioned in the Commission’s 2013
9 rulemaking and codified in the revised rules.”¹⁵

10 It is now possible to determine whether these theoretical, promised benefits have
11 served the public interest as was predicted two years ago. The salient questions are (1)
12 whether Speedishuttle has implemented the promised features, and (2) whether any of
13 ~~Speedishuttle’s proposed new features has made share ride services more appealing in a~~
14 ~~way that additional customers have been attracted (so that the size of the overall market~~
15 ~~has increased).~~

16 ~~Q. WHAT SPECIFIC FEATURES DID SPEEDISHUTTLE PROMISE TO~~
17 ~~PROVIDE?~~

18 ~~A. Speedishuttle promised a number of specific features, addressed below. As an initial~~
19 ~~matter, it is important to note that these features do not change the underlying core~~

¹⁴ Order 02, ¶5.

¹⁵ Order 04, ¶10.

1 ~~transportation service being provided,¹⁶ and do not promise to expand the service to~~
2 ~~additional markets or market segments of previously unserved customers (in the way that~~
3 ~~a multilingual service has the potential to do).~~

4 **Commitment to guarantee a 20 minute airport departure time.** The
5 Commission concluded that an additional factor that “distinguishes Speedishuttle’s
6 proposed service from the service Shuttle Express currently provides” is Speedishuttle’s
7 willingness to “guarantee a 20 minute airport departure time.”¹⁷ This conclusion was
8 based on the testimony of the Speedishuttle president: “Mr. Morton testified that
9 Speedishuttle offers a service guarantee that all shuttles will depart within 20 minutes of
10 check-in.”¹⁸ In order to determine whether Speedishuttle’s service can, in practice, be
11 distinguished from that of Shuttle Express, it is necessary to determine whether
12 Speedishuttle’s performance has been consistent with this guarantee.

13 ~~———**Commitment to provide service using Mercedes Benz vehicles that offer WiFi**~~
14 ~~**service to passengers.** The Commission’s orders refer to Speedishuttle’s proposed use~~
15 ~~of “luxury vehicles”¹⁹ or “upscale vehicles,”²⁰ but do not explain why the use of such~~
16 ~~vehicles was expected to be inherently more desirable than the use of clean, well-~~

¹⁶ For example, implementing a 20 minute departure guarantee for the share ride service does not alter the door-to-door transportation service being provided; instead it has the potential to make core service more appealing.

¹⁷ Order 02, ¶15.

¹⁸ Order 02, ¶6. The language of the testimony is not in the form of a target or objective, but in the form of *guarantee* that *all shuttle departures* will meet this standard.

¹⁹ Order 04, ¶21.

²⁰ Order 04, ¶1.

1 ~~maintained vehicles made by a different manufacturer. The terms “upscale” and “luxury”~~
2 ~~are not defined in the Orders, and the Commission does not articulate a specific~~
3 ~~expectation regarding how the market for share ride services will be expanded by the~~
4 ~~specific use of vehicles from a single manufacturer. It is difficult, therefore, to~~
5 ~~objectively determine whether this particular feature has had the expected impact on the~~
6 ~~public interest.~~

7 Speedishuttle’s commitment to make WiFi service available in all of its vehicles
8 could, as the Commission noted, represent a feature that would make the service more
9 attractive to a specific subset of customers who are “tech-savvy.” If, by entering the
10 market as a new entrant Speedishuttle introduced a unique feature (such as WiFi
11 availability) that increased the perceived value and attractiveness of share ride services to
12 the public (or to a portion of the public), it could motivate an incumbent to also provide
13 such a feature. As noted above, a new entrant that provides additional features that make
14 a core service more desirable by customers could generate public interest benefits by
15 expanding the overall size of the market and motivate the incumbent provider to also
16 make the new features available to its customers. ~~Unlike the proposed use of “luxury”~~
17 ~~vehicles described above, the impact of the availability of WiFi is an empirical question~~
18 ~~that can be tested.~~

19
20 **Q. YOU STATED THAT WHEN THE ORDERS APPROVING ITS APPLICATION**
21 **WERE ISSUED, THE KNOWLEDGE OF SPEEDISHUTTLE’S OPERATIONS**

1 **WAS ENTIRELY PROSPECTIVE IN NATURE. IS IT NOW POSSIBLE TO**
2 **TEST WHETHER THE ASSUMPTIONS THAT UNDERLIE THAT APPROVAL**
3 **WERE WELL-FOUNDED?**

4 A. Yes. At the time Speedishuttle’s application was considered, the Commission had access
5 to the company’s commitments (made through its pleadings and sworn testimony), and
6 was able to reach a decision based on Speedishuttle’s commitment to implement its
7 proposed business model – one that promised to target a specific subset of customers who
8 were claimed to be currently unserved, and to introduce features that would expand the
9 size of the overall market. Now, after approximately eighteen months of operation, it is
10 possible to examine the actual behavior and operation of Speedishuttle in order to more
11 accurately evaluate the company’s impact on customers, markets, and ultimately the
12 public interest.

13
14 **Q. ONE OF SPEEDISHUTTLE’S COMMITMENTS WAS TO PROVIDE**
15 **PREARRANGED, RESERVATION-BASED SERVICES ONLY. HAS THE**
16 **COMPANY’S OPERATION BEEN CONSISTENT WITH THIS**
17 **COMMITMENT?**

18 A. No. In spite of Mr. Morton’s testimony and assurance to the Commission that the
19 company “will not have” a walk-up, on-demand service, the available evidence suggests
20 that Speedishuttle either intended to offer this service at the time of its application or

1 made the decision to do so immediately thereafter. In an email dated April 4, 2015,²¹ Mr.
2 Morton communicated to representatives of the Port of Seattle that he intended to
3 commence providing the “prearranged door to door shared ride shuttle service” that he
4 had described in his testimony in support of the application, and also intended to
5 commence providing the “on demand airport shuttle service” that he had unequivocally
6 stated in testimony would not be an offering of Speedishuttle. He further stated that
7 Speedishuttle would begin offering the “on demand shuttle service” within 60 days and
8 sought a long term solution to manage “the prearranged and on demand requirements for
9 shared ride services.” On May 21, 2015, Mr. Morton sent a follow-up email²² in which
10 he requested to lease counter space and obtain signage in order to provide walk-up, on-
11 demand service, and stated an intention “to commence selling walk-up transfers
12 immediately.”
13

14 **Q. HAS SPEEDISHUTTLE IN FACT OFFERED WALK-UP, ON-DEMAND**
15 **SERVICE?**

16 A. Yes. As Shuttle Express witness Mr. Marks describes in his testimony, Speedishuttle
17 operates a kiosk at SeaTac adjacent to Shuttle Express’s counter and actively sells walk-
18 up, on-demand services at that location. Available operations data show that in its first
19 30 days of operation, over one-third of Speedishuttle’s outbound customers from SeaTac

²¹ Exhibit A to the Shuttle Express Petition.

²² Exhibit B to the Shuttle Express Petition.

1 were walk-up customers.²³ It is impossible to reconcile this volume of on-demand
2 service with a sworn commitment to offer “door-to-door scheduled passenger service
3 only.”
4

5 **Q. WHAT ARE THE IMPLICATIONS OF SPEEDISHUTTLE’S DECISION TO**
6 **PROVIDE ON-DEMAND, WALK-UP SERVICE?**

7 A. Providing this service (and opting to do so immediately after receiving a CPCN from the
8 Commission) means that the first element of Speedishuttle’s purported “entirely different
9 business model” is not entirely different – or even somewhat different – from incumbent
10 Shuttle Express’s business model. To the contrary, Speedishuttle is providing the same
11 mix of prearranged, reservation-based services and on-demand, walk-up services as
12 Shuttle Express, and is using virtually identical airport facilities and infrastructure in
13 order to do so. In this respect, the service actually offered by Speedishuttle is “the same
14 service Shuttle Express currently provides.”
15

16 **Q. ARE THE COMPANY’S ACTIONS REGARDING ON-DEMAND, WALK-UP**
17 **SERVICES INCONSISTENT WITH OTHER COMMITMENTS MADE BY**
18 **SPEEDISHUTTLE?**

²³ Notice of Determination Not to Amend Order 04, December 14, 2015, p.2, citing Speedishuttle response that 669 – or nearly a third – of its 1971 total passengers obtained “walk-up” service at the Company’s SeaTac kiosk in the kiosk’s first 30 days of operation.

1 A. Yes. As described in more detail below, Mr. Morton testified that “all Speedishuttle
2 customers” will be greeted at the security exit area at SeaTac by a multilingual greeter.
3 The Commission relied on this commitment to distinguish the service to be offered by
4 Speedishuttle from the service already offered by Shuttle Express, and specifically noted
5 that Speedishuttle would provide “a personal airport greeter for each customer.” Setting
6 aside the question of whether Speedishuttle has actually provided the promised
7 multilingual greeters (an issue addressed later in my testimony), this commitment is
8 consistent only with a commitment to exclusively offer prearranged, reservation-based
9 services. Speedishuttle cannot know in advance who a walk-up customer will be until
10 that customer arrives at its kiosk, and cannot greet that customer prior to that time.
11 Again, the service actually offered by Speedishuttle is “the same service Shuttle Express
12 currently provides.”

13
14 **Q. THE SECOND OF SPEEDISHUTTLE’S COMMITMENTS WAS TO PROVIDE A**
15 **SPECIFIC SET OF SERVICES TO NON-ENGLISH SPEAKING VISITORS.**
16 **HAS THE COMPANY’S OPERATION BEEN CONSISTENT WITH THIS**
17 **COMMITMENT?**

18 A. No. The Speedishuttle “multilingual business model” that purportedly created “a
19 significant distinction” between its service and the service offered by Shuttle Express
20 consists of two components: (1) a multilingual website that will permit non-English
21 speaking visitors to make reservations in their native language (and specifically permit

1 reservations to be made by those visitors who would have been unable or unlikely to
2 book a reservation on an English-only website), and (2) multilingual agents that would
3 meet all incoming prearranged passengers at the security exit and escort them to their
4 shuttle. The Commission relied on these commitments of “significantly increased
5 accessibility” and “individually tailored customer service” in order to reach a conclusion
6 that the Speedishuttle business model would provide service to previously unserved
7 customers.

8
9 **Q. IS THERE ANY EVIDENCE THAT THE SPEEDISHUTTLE MULTILINGUAL**
10 **WEBSITE HAS ENABLED ANY NUMBER OF NON-ENGLISH SPEAKING**
11 **CUSTOMERS TO MAKE A RESERVATION FOR PREARRANGED SERVICE?**

12 A. No. In discovery, Speedishuttle has responded that of the 61,721 reservations made for
13 its services from May 2015 through August 2016, it was unable to identify any
14 reservation as having been made in a language other than English.²⁴ This evidence
15 supports a conclusion that either (1) the unserved market for non-English speaking
16 visitors is much smaller than expected, or (2) the Speedishuttle website does not provide
17 a workable means for these visitors to make a non-English reservation. In either case,
18 there is no support for a conclusion that any incremental number of reservations was
19 made possible by the construction of Speedishuttle’s website.

20

²⁴ Speedishuttle Response to Data Request No. 4.

1 **Q. ARE THERE OTHER REASONS TO CONCLUDE THAT THE PURPORTED**
2 **MULTILINGUAL DIFFERENTIAL BETWEEN THE SPEEDISHUTTLE AND**
3 **SHUTTLE EXPRESS BOOKING SYSTEMS ARE NOT AS GREAT AS**
4 **SPEEDISHUTTLE PRESENTED THEM TO BE?**

5 A. Yes. As Shuttle Express witnesses Mr. Marks and Mr. Kajanoff both explain,
6 transportation providers – including both Shuttle Express and Speedishuttle – utilize
7 wholesale ticket sellers/booking agents, and reservations made through these wholesalers
8 represent a significant percentage of the total number of prearranged passengers for share
9 ride services.²⁵ Until 2015, Shuttle Express’s largest wholesale agent was the GO Group,
10 which operates its own booking website. After Speedishuttle obtained its CPCN, Shuttle
11 Express sought to renew its wholesale agreement with GO Group, but GO Group opted
12 instead to enter into an agreement with Speedishuttle. Mr. Kajanoff describes a number
13 of issues surrounding these agreements, but the salient point here is that for the
14 significant number of customers who book their reservations through the GO Group,
15 Speedishuttle is now providing the same service, booked through the same user interface,
16 that was previously provided by Shuttle Express. For these customers, there is no
17 “significantly increased accessibility” through Speedishuttle’s multilingual website;
18 instead, customers are using the exact same user interface to book the same share ride
19 service as they previous did with Shuttle Express.

²⁵ As described in his testimony, Mr. Kajanoff estimates that 30% of Speedishuttle’s gross revenues are from bookings made through GO Group.

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Q. IS THERE ANY EVIDENCE THAT SPEEDISHUTTLE HAS MET ITS COMMITMENT TO MEET ALL INCOMING PASSENGERS WITH A MULTILINGUAL AGENT?

A. No. The commitment made by Speedishuttle – and relied upon by the Commission – to provide this “individually tailored customer service” for foreign visitors was very specific: “Mr. Morton testified that all Speedishuttle customers are greeted outside the security gate by a company employee, escorted to the baggage claim, and then escorted to their shuttle.” Speedishuttle agreed to “hire multilingual greeters” in order to communicate with the non-English speaking customers being personally greeted.²⁶ The Commission goes on to further describe its understanding of this commitment that would distinguish the service of Speedishuttle from that of Shuttle Express: “Speedishuttle service includes a personal airport greeter for each customer at no additional cost.”²⁷

All available evidence reveals that Speedishuttle’s performance has fallen far short of providing “a personal airport greeter for each customer” so that each customer can be “greeted outside the security gate by a company employee, escorted to the baggage claim, and then escorted to their shuttle.” As Mr. Marks explains, there is no evidence that Speedishuttle has attempted to develop a staff of multilingual greeters: its application does not ask the applicant for a list of languages spoken and Speedishuttle has

²⁶ Order 02, ¶6.
²⁷ Order 02, ¶15.

1 hired a number of former Shuttle Express employees who are English-only speakers. In
2 response to discovery, Speedishuttle has provided a list of employees and the languages
3 purportedly spoken by each.²⁸ Of the eleven greeters listed who are claimed to speak a
4 second language, only one speaks “Chinese,”²⁹ and none of the listed greeters speak
5 Japanese or Korean.

6 Based on Mr. Marks’ observations, Speedishuttle also appears to be significantly
7 short-staffed. He observed that the Company had far too few greeters on duty at any
8 given time to greet “each customer,” few (if any) arriving passengers are being greeted
9 by Speedishuttle personnel “outside the security gate,” and many arriving passengers are
10 not greeted at all.

11 Shuttle Express is also presenting the testimony of Mr. Jason DeLeo, a consultant
12 for SMS International Port Services (“SMS”). SMS had a contract with Speedishuttle to
13 provide ground transportation to cruise ship passengers. In that agreement, Speedishuttle
14 made a familiar commitment to SMS: “Speedishuttle told SMS that it would meet and
15 greet all arriving passengers and escort them to their vans.” Mr. DeLeo explains that
16 after the 2016 cruise season began, SMS began getting complaints from its client cruise
17 lines, who had been receiving complaints from guests. The essence of these complaints
18 was that arriving passengers were not being greeted by Speedishuttle. Mr. DeLeo and his
19 staff personally investigated, and found Speedishuttle to be significantly short-staffed

²⁸ Speedishuttle Response to Data Request No. 1.

²⁹ In its response, Speedishuttle does not indicate whether this individual speaks Mandarin, Wu, Yue, Min, or some other language.

1 (with two greeters attempting to meet approximately seventy arriving passengers at
2 sixteen baggage carousels). The greeters that were present appeared unprofessional and
3 poorly trained. Mr. DeLeo was also able to examine the computer tablets being used by
4 the Speedishuttle greeters, and found that the system restricted the greeter to a single
5 passenger per flight. Mr. DeLeo was told by a Speedishuttle employee that “probably
6 less than half” of the arriving passengers were actually being greeted, though Mr. DeLeo
7 estimates the percentage of greeted passengers to be much lower than 50%.

8 These observations fail to support a conclusion that Speedishuttle has met – or
9 that it has come close to meeting – the specific commitments it made at the time of its
10 application.

11
12 **Q. WHAT ARE THE IMPLICATIONS OF SPEEDISHUTTLE’S FAILURE TO**
13 **PROVIDE THE PROMISED “SIGNIFICANTLY INCREASED ACCESSIBILITY**
14 **FOR NON-ENGLISH-SPEAKING CUSTOMERS” AND “INDIVIDUALLY**
15 **TAILORED CUSTOMER SERVICE” FOR NON-ENGLISH SPEAKING**
16 **CUSTOMERS?**

17 A. It seems clear that Speedishuttle has elected not to invest in the personnel (in terms of
18 quantity or quality) that would be necessary carry out its promise to differentiate its
19 service from that already offered by Shuttle Express by providing services “that would be
20 very useful, if not critical, for non-English speaking and foreign travelers.” After
21 eighteen months of operation, there is no evidence that the presence of Speedishuttle in

1 the market has allowed the needs of any previously unserved customer to be met. Instead
2 of offering and providing service to this new, unserved market through a multilingual
3 business model, Speedishuttle has instead primarily, if not exclusively, offered service to
4 the same base of customers already being served by Shuttle Express.

5 Failing to provide the promised services means that this second element of
6 Speedishuttle's purported "entirely different business model" is not fundamentally
7 different from incumbent Shuttle Express's business model. There are no documented
8 non-English reservations, a significant number of reservations are being made through an
9 identical interface (the GO Group website), and there is scant evidence of any serious
10 effort to greet incoming passengers (and no evidence of any effort to provide multilingual
11 greeters). In this respect, the service actually offered by Speedishuttle is "the same
12 service Shuttle Express currently provides."

13
14 **Q. SPEEDISHUTTLE ALSO MADE SOME SPECIFIC COMMITMENTS THAT**
15 **WERE EXPECTED TO RESULT IN AN INCREASE IN THE OVERALL**
16 **DEMAND FOR "AIRPORT SHUTTLE TRANSPORTATION." HAS THE**
17 **EXPECTED INCREASE IN DEMAND OCCURRED?**

18 A. No. Speedishuttle made a commitment (through the testimony of Mr. Morton) that it
19 would offer a service guarantee that all shuttles will depart within 20 minutes of the time
20 a customer checks in. It is at best unclear whether the commitment to offer such a
21 guarantee has been met: I have not been able to locate the terms of this guarantee in

1 Speedishuttle’s tariff, and there is no evidence that Speedishuttle communicates this
2 guarantee to its customers. Even if offered, information provided by Speedishuttle
3 indicates that the company fails to meet this standard about 23% of the time.³⁰

4 Speedishuttle also described the potential to expand the market by better serving
5 “tech savvy” customers through WiFi availability in each of its vans. As noted above, I
6 agree that if, by entering the market as a new entrant Speedishuttle introduced a unique
7 feature that increased the perceived value and attractiveness of share ride services to the
8 public, and by doing so motivated the incumbent to also provide such a feature, doing so
9 might generate public interest benefits. Regarding WiFi, the question is whether
10 Speedishuttle’s entry into the market with WiFi-equipped van caused Shuttle Express to
11 also install WiFi capability. The answer to this particular cause-and-effect scenario is
12 “no”; as Mr. Marks explains in his testimony, Shuttle Express had already begun to equip
13 its vans with WiFi capability prior to Speedishuttle’s application in 2014 (and has since
14 completed the fleet-wide rollout). As a result, even if WiFi capability is found to
15 increase the size of the overall market by attracting tech-savvy passengers (something
16 that has not been established), Speedishuttle is not the cause of Shuttle Express’s decision
17 to add this this ancillary feature to its core transportation service because Speedishuttle’s
18 application was filed after Shuttle Express had begun to do so.

³⁰ Speedishuttle Response to Data Request No. 7.

1 **Q. IS THERE ANY EVIDENCE THAT A 20 MINUTE DEPARTURE GUARANTEE**
2 **(IF ACTUALLY OFFERED AND MET) OR THE ADDITION OF WIFI**
3 **CAPABILITY (EVEN IF IT HAD OCCURRED AS A RESULT OF**
4 **SPEEDISHUTTLE’S ENTRY INTO THE MARKET) HAVE RESULTED IN AN**
5 **EXPANSION OF THE MARKET FOR “AIRPORT SHUTTLE**
6 **TRANSPORTATION”?**

7 A. No. As Mr. Kajanoff explains in his testimony, the total number of outbound trips
8 (Speedishuttle and Shuttle Express combined) from SeaTac have declined from 2015 to
9 2016. Over the May-October period in 2015,³¹ Shuttle Express and Speedishuttle made a
10 combined 32,974 trips. Over the same period in 2016, Shuttle Express and Speedishuttle
11 made a combined 28,769 trips – a decline of 12.75%. This does not represent a shift in
12 market share, but a decline in the size of the total market for outbound share ride services.
13 A year-to-year decline of this magnitude supports a conclusion that the 20 minute
14 guarantee and the introduction of WiFi did not increase the size of the overall market, in
15 contrast to Speedishuttle’s projections in its application case.

16
17 **Q. BASED ON THE AVAILABLE EVIDENCE, HOW WOULD YOU DESCRIBE**
18 **THE IMPACT OF SPEEDISHUTTLE’S ENTRY INTO THIS GEOGRAPHIC**
19 **MARKET FOR SHARE RIDE SERVICES?**

³¹ For these months, both carriers were operating in both 2015 and 2016.

1 A. It is perhaps simpler to first identify what the impact has *not* been. All available evidence
2 supports a conclusion that – in spite of all commitments and assurances to the contrary –
3 that Speedishuttle never intended to operate using “an entirely different business model
4 that appeals to a certain subset of the market.” After supporting its application with a
5 commitment to offer only prearranged, reservation-based services, Speedishuttle
6 immediately began to offer walk-up, on-demand services. There is no evidence that
7 Speedishuttle’s primary claim for service differentiation – its multilingual business model
8 – has resulted in service to a previously unserved market (or that Speedishuttle service
9 was provided to a single customer that would not have otherwise been served by Shuttle
10 Express). This is perhaps not surprising: Speedishuttle has no evidence of customers
11 making reservations through its multilingual website, a significant number of its online
12 bookings are through the same wholesale providers (GO Group and other wholesale
13 agents) previously used by Shuttle Express, and the proposed service of multilingual
14 greeters meeting every (or even most) customers simply has not materialized. The
15 available evidence also supports a conclusion that the Speedishuttle service
16 enhancements that were expected to expand the size of the market has not done so; even
17 with Speedishuttle’s 20 minute departure guarantee and WiFi availability across both
18 fleets, the total number of outbound trips by Speedishuttle and Shuttle Express combined
19 declined by about 13% from 2015 to 2016.

20 Whatever its initial intentions, it is clear that Speedishuttle is now providing the
21 same service that Shuttle Express provides, with no meaningful distinctions.

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Q. YOU DESCRIBED WHAT HAS *NOT* OCCURRED AS A RESULT OF SPEEDISHUTTLE’S ENTRY INTO THE MARKET. IN YOUR OPINION, WHAT IS LIKELY TO OCCUR IF SPEEDISHUTTLE CONTINUES TO PROVIDE THE SAME SERVICES AS SHUTTLE EXPRESS IN THIS GEOGRAPHIC MARKET?

A. There are a number of likely consequences of introducing a second provider into a market characterized by a natural monopoly. As expected, both providers are incurring financial losses when attempting to serve the area. If a market can only support a single efficient provider, there is no scenario in which it can support two providers. The expectation that Speedishuttle would serve a different, previously-unserved market was based on a proposed business plan that was never put into effect in any meaningful way. And even to the limited extent that it was, the expectation that proposed service features would expand the market by increasing demand has not been met; in reality, the size of the total market has declined since the entry of Speedishuttle.

As the two providers continue to incur losses, service quality will diminish. The fundamental nature of a share ride service, in which a van departs when a critical mass of riders has been reached, means that wait times will increase when a second provider is introduced. The same stream of walk-up or reserved passengers must now fill two side-by-side vans to critical mass; inevitably, this will take longer to accomplish than filling a single van to the same level. Providers can choose between decreasing service quality

1 (by increasing wait times before departure), or operating vans at a lower percentage of
2 capacity (and thereby increasing the incremental cost incurred per passenger). Decreased
3 service quality will reduce overall demand, leading to even longer wait times. Over time,
4 increasing financial stress as both providers continue to incur losses will result in
5 additional pressure to reduce costs, usually by further lowering service quality. The final
6 result could be the financial weakening of both providers to the point that neither can
7 sustain its operations and must exit the market.

8
9 **Q. ARE YOU AWARE OF ANY EVIDENCE TO SUPPORT A CONCLUSION THAT**
10 **BOTH SHUTTLE EXPRESS AND SPEEDISHUTTLE CAN CONTINUE TO**
11 **BOTH OPERATE IN THIS MARKET?**

12 A. No. In its application, Speedishuttle proposed to serve previously-unserved markets and
13 to expand the size of the existing market for share ride services. As explained above, this
14 did not occur. Instead, Speedishuttle is competing for the same base of customers served
15 by Shuttle Express. The result is that Speedishuttle and Shuttle Express are competing
16 for the same customers, but the two of them together cannot obtain or retain sufficient
17 market share to remain viable over the long term.

18
19 **Q. YOU STATED THAT THAT SPEEDISHUTTLE IS NOW PROVIDING THE**
20 **SAME SERVICE THAT SHUTTLE EXPRESS PROVIDES AND IS COMPETING**

1 **FOR THE SAME CUSTOMERS. ARE THERE ANY EXCEPTIONS TO THIS**
2 **OBSERVATION?**

3 A. Yes. Available evidence suggests that, not only has it failed to provide service to the
4 unserved market that it promised to serve, Speedishuttle is not attempting to serve the
5 entire geographic market of King County. Instead, Speedishuttle is creamskimming the
6 most lucrative, lowest-cost routes, while leaving the higher cost routes to be served by
7 Shuttle Express.

8 As Mr. Kajanoff explains in his testimony, there are a number of facts to support
9 this conclusion: (1) Speedishuttle’s reported average revenue per passenger is
10 approximately equal to its tariffed fare for trips to downtown Seattle hotels and cruise
11 terminals (and much lower than its tariffed fares to other parts of the county; (2)
12 Speedishuttle reports³² that 85% of its outbound walk-up traffic was gone to downtown
13 Seattle (a much higher percentage than Shuttle Express experiences; and (3) Shuttle
14 Express reservations declined by a larger percentage for trips to the downtown Seattle
15 area during Speedishuttle’s first year of operation than for any other part of the county.

16 Speedishuttle’s creamskimming strategy significantly increases the adverse public
17 interest impact of its operations. If it were attempting to provide service throughout King
18 County (as Shuttle Express does), Speedishuttle would represent – as described above – a
19 second provider attempting to provide the same service as the incumbent in a geographic
20 market that can only support a single provider. This would put service quality (in the

³²Speedishuttle Response to Data Request No. 9.

1 short run) and ultimately service availability to the entire county at risk. By engaging in
2 creamskimming, Speedishuttle is putting service to the parts of King County outside the
3 downtown Seattle area at risk much sooner. Such a plan of operation is clearly
4 inconsistent with the commitments made by Speedishuttle in support of its application, a
5 squarely at odds with the public interest.
6

7 **Q. WHAT ARE YOUR RECOMMENDATIONS TO THE COMMISSION?**

8 A. It is my conclusion that the public interest will best be served by limiting Speedishuttle's
9 operations to the "entirely different business model that appeals to and serves a certain
10 subset of the market" originally proposed by Speedishuttle. Consistent with the
11 commitments made in sworn testimony in support of its application, Speedishuttle should
12 be limited to serving the market that the Commission found to be previously unserved:
13 those visitors who book prearranged services through the Company's multilingual
14 website or smartphone app (in a language other than English) and who are greeted
15 "outside the security gate by a [multilingual] company employee, escorted to the baggage
16 claim, and then escorted to their shuttle." If the Commission concludes for some reason
17 that it cannot implement or enforce such restrictions on the Speedishuttle CPCN, then it
18 should cancel the certificate.
19

1 **Q. HOW WOULD REQUIRING SPEEDISHUTTLE’S OPERATIONS TO BE**
2 **CONSISTENT WITH ITS INITIAL COMMITMENTS SERVE THE PUBLIC**
3 **INTEREST?**

4 A. Such a restriction would promote the public interest in two ways. First, it would
5 eliminate the current situation in which two providers are attempting to provide the same
6 service in a market that can only support a single provider. This would allow Shuttle
7 Express, as the incumbent, to continue to operate and to provide service to locations
8 throughout King County. Second, these restrictions would require Speedishuttle to focus
9 on the unserved market that it initially identified when making its application. The
10 language of the Orders approving the application make it clear that Speedishuttle was
11 successful in its attempt to convince the Commission that a market for non-English
12 speaking visitors (particularly those speaking some form of Chinese, Japanese, or
13 Korean) was not being adequately served, and that Speedishuttle’s “entirely different
14 business model” – one that specifically includes a multilingual website and a personal,
15 multilingual greeter for each arriving passenger – would adequately serve this market.
16 To date, Speedishuttle has not followed through on its commitments, and this market
17 remains unserved (or at best underserved). Requiring Speedishuttle to focus on properly
18 serving this incremental market would promote the interests of both these customers and
19 the broader public.

20
21 **Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?**

1 A. Yes.