Regulatory Impact Assessment

Notice of Proposed Rulemaking

Elimination of Route Designation Requirement for Motor Carriers Transporting Passengers Over Regular Routes

FMCSA-2008-0235

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Introduction

There are three basic types of passenger transportation services regulated by the Federal Motor Carrier Safety Administration (FMCSA): regular-route, charter and special operations. These types of services predate the Motor Carrier Act of 1935 (MCA), the statute that created Federal regulatory jurisdiction over interstate motor carrier transportation. Section 207(a) of the MCA stated that "no certificate shall be issued to any common carrier of passengers for operations over other than a regular route or regular routes, and between fixed termini, except as such carriers may be authorized to engage in special or charter operations." Section 208(a) required that certificates issued to regular-route carriers specify the routes, termini and intermediate points to be served under the certificate.

The requirements of sections of section 207(a) and 208(a) were repealed by the ICC Termination Act of 1995 (ICCTA). Consequently, the governing statute no longer requires FMCSA to issue operating authority to regular-route passenger carriers specifying regular routes and fixed termini. Notwithstanding this statutory change, the Agency has continued to require applicants seeking regular-route authority to submit a detailed description of the route(s) over which they propose to operate, including specification of the route termini and the roads and highways to be served. Carriers must also include a map of the intended route. The regular route designation requirement also applies to existing regular-route carriers wishing to add service over new routes, or to change the termini of routes for which they already have operating authority. The route designation requirement does not apply if an existing regular route authority carrier wants to drop or add stops along an existing route, so long as the route remains unchanged.

This Regulatory Impact Analysis (RIA) provides an assessment of the benefits and costs of potential changes to or elimination of the FMCSA regular route designation requirement. The analysis considers the potential impacts of three alternative regulatory actions under consideration, and assesses the costs and benefits of regulatory alternatives—recognizing that some of the benefits are difficult to quantify. Even if, as in this case, all of the potential costs and benefits cannot be quantified with certainty, providing regulatory relief to industry is an action that can be justified if the quantified benefits are likely greater than any potential costs (e.g., Agency time spent to address protests).

Alternatives

In considering a deregulatory action for the regular route designation requirement, three alternatives to the current requirement were developed. These deregulatory action alternatives are described in Options 2 through 4. Option 1 is the current regular route designation requirement which is used as the baseline for this analysis.

> Option 1: The current system of designating specific regular routes is the baseline "no action" option.

Option 2: Register passenger carriers as regular-route carriers without requiring designation of specific regular routes or fixed termini.

Option 3: Register passenger carriers as regular-route carriers between fixed termini without requiring designation of specific regular routes.

Option 4: Register all passenger carriers the same, not making special distinction between regular-route, charter and special operations.

All three alternatives (Options 2, 3, and 4) would reduce regulation, though the relief to industry and potential agency costs/benefits will vary under each of the options. Option 3 would not provide as much relief to industry since route termini would be required on regular route applications. The relief to industry should be the same under Options 2 and 4.

Summary of Costs and Benefits

The proposed rulemaking alternatives each accomplish the intended objective of the rulemaking to provide relief to industry. Though considered unlikely, agency time to handle protests may potentially increase under Options 2, 3, and 4, and this increase in agency time may offset the Agency benefits from cost-savings due to decreased regular route designation application processing time. Therefore, only industry time savings are included as the net benefits from the proposed alternatives. Under the most conservative assumptions used in the analysis, Options 2 and 4 would provide industry with an annual benefit of $40,000 from avoided time-related costs related to the route designation application requirement. Option 3 would provide $36,504 in benefits to industry from avoided costs related to route designation application requirement. Evaluated over a 10-year period at the standard discount rate of 7 percent, the estimated net present value of the industry cost savings for Options 2 and 4 is $280,943 and the estimated net present value of Option 3 is $222,295.

Costs

The proposed action is deregulatory in nature, with the purpose of providing relief to industry. There are no expected extra compliance costs for carriers due to the proposed action.

Since the number of applications will not increase as a result of the action, the only source for costs is an increase in FMCSA administrative costs due to a possible increase in the number of protests under the alternative Options 2, 3, and 4.

Beyond the potential change in agency costs from a change in the number of protests, no other ancillary costs are expected as a result of the proposed change. As discussed later in the Benefits section of the analysis, elimination of the current route designation requirement could be seen as an action that would increase competition in the industry. However, the route designation requirement does not currently pose as a significant barrier to entry (to either the industry or new routes); therefore, we do not expect noticeable impacts on operations to be brought about from the action.

Additionally, it is worth noting that because the route designation requirement is not safety-based, it is not expected that the proposed action would in any way, directly or indirectly, impact passenger carrier safety.

Number of Protests

Eight regular route authority application protests[1] are recorded in FMCSA's Licensing and Insurance database (L&I).[2] Successful protests are removed from L&I; however, only one known successful protest has occurred in the past 10 to 15 years.[3] The earliest protest recorded in L&I was in 1995. Between 2003 and 2007 there were five protests, an average of one protest per year.

Generally, one would expect the number of protests to be related to the number of applications; however, even in recent years when the number of applications has increased, the number of protests has not exceeded two per year. Protests are generally viewed as protectionist in nature, with existing regular route authority carriers protesting applications made by firms wishing to provide service on routes that overlap with those operated by the incumbent carrier.[4] The number of protests might then be related to the number of carriers in the industry, the market share and market concentration in the industry and the total number of routes held by each carrier. Additionally, since applications may contain multiple routes, the greater the number of routes per application the greater the likelihood that one or more of those routes are served by existing carriers.

Table 1 Number of Regular Route Authority Application Protests

Year	Number of Protests
2003	0
2004	1
2005	2
2006	2
2007	0

Source: L&I Snapshot February 22, 2008.

It is assumed that protests are made by firms currently serving portions of the proposed route. Because existing carriers can identify whether the proposed service will compete

[1] Ten protests records are contained in L&I, however two records have been determined to be duplicate entries with identical information of records in L&I.
2 The FMCSA Licensing and Insurance System contains information about authorized carriers. Regular route authority carrier information, regular route authority applications, and protest information are contained in this database. http://li-public.fmcsa.dot.gov/LIVIEW/pkg_menu.prc_menu
[3] Correspondence with FMCSA's Chief Counsel's Office. The State of New Mexico successfully protested the application of El Conejo Americano of Texas, Inc., based on the poor safety record of a predecessor company.
[4] One carrier contacted for the analysis believed that only firms trying to keep competitors out of the industry would file protests.

with their routes and the grounds for submitting a protest are limited, there are very few protests per year.[5] Most current protests are directed at specific proposed route modifications. Under Options 2, 3 and 4 there is the potential for an increase in the number of protests because incumbent firms would not easily be able to target their protests to applications for regular route authority directly competing with their existing service. Incumbent firms might protest any new regular route application based on the possibility that the new authority might result in direct competition with their existing service. However, a significant increase in the number of protests is unlikely, due to the burden of filing protests and the deterrent that protests generally have low probability of success. Given the high likelihood that protests will fail, carriers have little incentive to protest.

Given the protectionist rationale motivating carrier protests, Option 3 would likely have fewer protests than Option 2 or Option 4 since only existing carriers operating between the same termini are likely to protest. Not enough information is known on whether, and by how much, protests might increase under the alternative Options. Given that protests are relatively rare and that successful protests will probably remain unlikely, we do not foresee any significant increase in the volume of protests under any of the options.

Agency Time (Cost) per Protests

Time spent handling a protest varies depending upon the issues raised in the protest and whether the record needs to be supplemented with additional information. The time per protest for the Chief Counsel's Office is estimated to range between one day to a week, with most of the work performed by a staff member assumed to be paid at a GS-13 level and then reviewed by a supervisor (GS-15 level employee). Additional time is also required from the program office staff (assumed to be GS-13 level employees) to provide supplemental data and complete protest related paperwork.

The U.S. Office of Personnel Management 2008 General Schedule Locality Pay Table for the Washington-Baltimore-Northern Virginia geographic area[6] lists the GS-13 labor rate as $39.75 an hour and the GS-15 labor rate as $55.25 an hour. The OMB Circular A-76 Position Full Fringe Benefit Cost Factor[7] of 36.25% is applied to the labor rates to calculate the full cost of agency personnel time.

The following assumptions on the number of hours per protest and staff wage rates are based on correspondence with staff in the Chief Counsel's Office and the program office. The average protest is assumed to require 20 hours of GS-13 labor time and 5 hours of a

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[5] Carriers protesting applications by regular-route carriers not receiving governmental assistance cannot raise competitive issues in their protests. In order to succeed, they must demonstrate the applicant is not willing and able to comply with FMCSA commercial and safety regulations. However, applications by motor carriers of passengers receiving governmental assistance may also be protested on the ground that the proposed service is not consistent with the public interest. The data do not allow for an analysis of the number of protests relative to the number of new regular route authority applications containing routes with existing service.

[6] http://www.opm.gov/oca/08tables/indexGS.asp

[7] http://www.whitehouse.gov/omb/circulars/a076/a76_incl_tech_correction.html

GS-15 in the Chief Counsel's Office, and 80 hours of time for a GS-13 in the program office. Applying the wage rates and fringe benefit cost factor, the agency administrative average cost is estimated at $5,792 per protest.

Table 2 Agency Cost per Regular Route Authority Protest

Agency Staff	Hours per Protest	GS Wage Rate per Hour	Wage and Fringe per Hour	Total Cost per Protest[8]
Chief Counsel's Office GS-13	20	$ 40	$ 54	$ 1,083
Chief Counsel's Office GS-15	5	$ 55	$ 75	$ 376
Program Staff GS-13	80	$ 40	$ 54	$ 4,333
			Total	$ 5,792

Under the current route designation requirement system (Option 1), with between 0.5 and 2 protests per year, the opportunity cost of FMCSA staff time to handle protests ranges from $2,896 to $11,585 annually. FMCSA staff time to handle protests is considered an opportunity cost in the short term since the staff hours will be reassigned to other tasks. In the long run, if the time savings are great enough from the elimination of protest processing times, actual cost savings may be realized if staff hours are reduced. The cost per protest is used in a threshold analysis following the benefits section to determine the number of additional protests under each option that would reduce the net benefits to zero.

Benefits

The proposed action will provide regulatory relief to those entities seeking new regular route operating authority for transporting passengers. The benefits of this rule are the avoided costs of compliance with the route designation requirement by carriers applying for new regular route authority and avoided costs for existing carriers with regular route authority submitting applications for changes to their existing authority.

We expect no change in the number of carriers seeking regular route authority for the first time (approximated in the analysis by the number of applications made by new entrants) and no change in the number of existing regular route carriers establishing new routes. This is based on the observation that the current route designation requirement is not perceived as a barrier to entry by carriers.[9] Since the requirement is not currently

[8] Row totals are rounded. Total Cost per Protest is computed by multiplying the GS Wage Rate ($39.75 for a GS-13 and $55.25 for a GS-15) by the fringe benefit rate (1.3625) and then multiplying by the number of hours per protest. The column total for Total Cost per Protest is the total cost rounded and does not include a rounding error from the row totals.

[9] Three passenger carriers (Sam Van Galder, 1st ABC, and Jefferson Partners LLC) answered questions about the route designation requirement, including their perceptions of why carriers protest applications and whether the requirement prevented them from offering service on more or different routes. None of the firms thought that the regular route authority application, including the route designation requirement, deterred firms from establishing new routes.

discouraging firms from applying for regular route operating authority, there is no reason to believe that discontinuing the route designation requirement would lead to an increase in the number of regular route carriers or the number of routes they serve.

Benefits from Increased Competition

Theoretically, a deregulatory action such as the economic deregulation of the passenger carrier industry is intended to lower or eliminate barriers for entry into the industry and into new markets (routes). This increase in competition may lead to benefits such as lower costs and improved customer service. Similar to the entry of low-cost carriers into the airline industry, the entry of low-cost carriers like Megabus have recently increased competition in the intercity passenger bus industry. These new carriers are cited as one likely cause in the renewed growth of the regular route passenger carrier industry.[10] The Bus Regulatory Reform Act of 1982 provided partial deregulation, primarily from federal control over pricing and routes. The current route designation requirement is an artifact of an earlier era (the route designation requirement stems from the Motor Carrier Act of 1935), and has not impeded the recent overall increase in competition in the industry.[11]

Although the proposed action will provide regulatory relief, the expected change in competition due to elimination of the route designation requirement should be negligible, particularly as compared to increases in competition from recent industry changes. We believe that the route designation requirement is not a significant barrier to entry, nor does the protest process limit competition. Therefore, the benefits from a change in competition as a result of this action are presumed to be negligible for the purpose of this analysis.

Number of Entities Affected

The cost savings associated with relief from the current route designation requirement would accrue to carriers seeking regular route authority per application filed, rather than on a per carrier basis. Each new entrant is an affected entity, since each new entrant must complete the route designation requirement when it files for regular route operating authority. Additionally, existing regular route carriers filing applications for new regular route operating authority are subject to the same route designation requirement.

Cost savings are determined by the number of carriers submitting applications and the amount of time needed to comply with the route designation requirement per application. Therefore, it is necessary to identify the number of likely new entrants and the number of existing regular route carriers applying for additional regular route authority.

We estimated the number of new entrants by analyzing the trends in the average number of regular route authority applications filed by new entrants per year. The five-year

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[10] Schwieterman, et al. The Return of the Intercity Bus: The Decline and Recovery of Scheduled Service to American Cities, 1960-2007. DePaul University *(2007)*.

[11] Schwieterman, et al. The Return of the Intercity Bus: The Decline and Recovery of Scheduled Service to American Cities, 1960-2007. DePaul University *(2007)*.

average (mean) from 2003 to 2007 of the number of new entrants is roughly 65 carriers per year (with a standard deviation of 22.5). The average is significantly influenced by the large number of new entrants in 2007, as shown in Table 3. Prior to 2007, the four-year average number of applications filed by new entrants was 57 per year (standard deviation of 16). The five-year median number of applications filed by new entrants is also 65 per year.

Existing regular route authority carriers must file applications to serve new routes or to expand an existing route. There are 903 regular route carriers recorded in L&I, however only 272 of these carriers are active carriers.[12]

Table 3: Number of New Regular Route Authority Applications per Year

Year	Number of Applications filed by New Entrants[13]	Number of Applications filed by Carriers with Existing Regular Route Authority (Not New Entrants)	New Regular Route Authority Applications
2003	42	33	75
2004	46	31	77
2005	76	23	99
2006	65	16	81
2007	94	34	128

Source: L&I February 22, 2008 snapshot

Over the five-year period between 2003 and 2007, carriers holding existing regular route authority filed an average of 27 new applications per year (standard deviation of 7.7). The five year median number of applications per year filed by existing regular route carriers is 31 applications per year. As shown in Table 3, 2007 had the highest number of applications per year.

Regular Route Passenger Carrier Industry: Decline and Growth

After decades of decline, trends suggest that beginning in late 2006 intercity bus service is experiencing the first increase in service levels and demand in 40 years.[14] Highway congestion, increasing fuel costs, and competition from new low-cost, internet based carriers are some of the reasons cited for the increase in scheduled service over the past two years.[15]

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[12] Active carriers are listed in L&I and do not include motor carriers with pending applications for operating authority and inactive carriers whose authority was revoked for failure to maintain evidence of the required minimum levels of financial responsibility.
[13] This column is the total number of applications filed by carriers in the New Entrant program. This is not the same as the number of carriers applying for regular route authority for the first time.
[14] Schwieterman, et al. The Return of the Intercity Bus: The Decline and Recovery of Schedule Service to American Cities, 1960-2007. DePaul University, Dec. 2007.
[15] Metro Magazine "Top 50 Motorcoach Operators Ride Wave of Optimism" January 2007.

Given that the intercity passenger industry may be experiencing structural changes in terms of the number of new firms and market share of carriers, the route deregulation options will be evaluated under three industry growth/change scenarios. Each scenario is based on the observed number of regular route authority applications filed over the past three to five years.

- Scenario 1: Five-Year Median (2003-2007). Scenario 1 is the most conservative scenario, and will produce the lowest estimate of the relief to industry provided under the three options.

- Scenario 2: Five-Year Average (2003-2007). Scenario 2 is based on the average number of applications filed between 2003 and 2007. Prior to 2003, the data quality is not as reliable. However, assuming a continuation in the five year trend over the ten year analysis period is quite reasonable, and given the recent growth in the industry, the five-year average may also be on the conservative side in terms of quantifying relief to industry.

- Scenario 3: Three-Year Average (2005-2007). Scenario 3 will produce the largest estimate of the relief to industry since this scenario is based on the three years with the highest number of applications.

Route Designation Savings

As noted above, there are on average 65 applications filed by carriers in the new entrant program and 31 applications filed by existing carriers each year. The industry burden to comply with the route designation requirement depends on the number of applications per year and the number of routes on each application. Based on information collected from the regular route carriers identified in footnote 12, the route designation requirement takes "a couple" of hours per route to complete.[16] After reviewing the route designation requirement, and considering that a map must be included of the proposed route, this analysis assumes that it takes 2 hours per route to complete the route designation requirement. Time to complete the route designation requirement may be more or less per route depending on the length and complexity of the proposed route and the number of employees reviewing the final application. Therefore, under Options 2 and 4, we estimate that carriers will save 2 hours per route on each application. Under Option 3 only an average of 1 hour and 50 minutes per route is saved, as we estimate that it would take 10 minutes to specify the route termini. Agency time to transcribe the routes into the daily FMCSA Register is assumed to take an equivalent amount of time per route under all of the Options.

Based on an analysis of 29 regular route applications published in the FMCSA Register between September 1, 2007 and April 15, 2008, the average number of routes per application was just under 5 (standard deviation of 10.5). The maximum number of routes per application was 57 and the median number was 2. Applications filed by new

[16] Passenger carriers reported that the time to complete the route designation portion of the application was "an hour or two" and "a couple of hours" if the application had only one route.

entrants had far fewer routes per application, with an average of 2.3 routes per application (standard deviation of 1.3). Existing carrier applications had an average of 13 routes per application (standard deviation of 20).

Based on industry wage rate data from the Bureau of Labor Statistics information on employee compensation, we estimate the cost of completing the route designation requirement is $50 per hour (approximately equal to the mean hourly rate of a General and Operating Manager in the transportation sector ($38.21) plus 30% for fringe benefits).[17] Carriers contacted for this analysis confirmed that $50 per hour reflected the average wage rate for the designated agents or carrier employees completing the regular route application and route designation supplemental paperwork.[18] Depending on the size of the carrier, a general manager, operations manager and/or agent may work on the application.

Table 4: Average Annual Applications and Routes per Application

Number of Applications and Routes per Application	Scenario 1: 5-Year Median	Scenario 2: 5-Year Average	Scenario 3: 3-Year Average
Application by New Entrants	65	64.6	78
Routes per Application (New Entrant)	2	2	2
Applications by Existing Carriers	31	27	24
Routes per Application (Existing Carriers)	10	10	10

The Agency staff wage rate is assumed to be the same program staff rate as the GS-13 level used in the cost of a protest, $54 per hour.

In addition to the time savings, under Options 2 and 4 existing carriers will no longer be required to file an application when adding or modifying routes, therefore avoiding the application fee of $300 per application. In Option 3, existing carriers wishing to obtain authority for new routes will still have to file applications that specify the new route termini, and do not avoid paying the application fee. Options 2 and 4 provide application fee savings to industry; however in the net benefit and threshold analysis the application fee savings are not included since application fees are transfer payments. That is, the application cost savings to industry are also reductions in payments received by the agency

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[17] See BLS Occupational Employment and Wage Estimates data at http://www.bls.gov/oes/current/naics4_485200.htm (Accessed May 2008). These figures do not include related costs of employee benefits, payroll taxes, and overhead. The 30% fringe benefit rate is based on the BLS Employer Costs for Employee Compensation for full-time workers in the transportation industry which can be found at: http://www.bls.gov/news.release/ecec.t12.htm

[18] One carrier stated that the wage of the person completing the regular route application would be approximately $45,000 per year, which is roughly $25 per hour, less than the $38.21 hourly rate taken from BLS.

Table 5: Options 2 and 4: Annual Benefits Under Three Industry Scenarios

Number of Applications and Routes per Application	Scenario 1: 5-Year Median	Scenario 2: 5-Year Average	Scenario 3: 3-Year Average
Industry Relief-Time Savings	$ 44,000	$ 40,320	$ 40,000
Industry Relief-Application Fee Savings	$ 9,300	$ 8,220	$ 7,300
Agency Time Savings	$ 47,520	$ 43,546	$ 43,200
Industry and Agency Time Savings	$ 91,520	$ 83,866	$ 83,200

Table 6: Option 3: Annual Benefits Under Three Industry Scenarios

Number of Applications and Routes per Application	Scenario 1: 5-Year Median	Scenario 2: 5-Year Average	Scenario 3: 3-Year Average
Industry Relief-Time Savings	$ 40,127	$ 36,777	$ 36,504
Industry Relief-Application Fee Savings	$ -	$ -	$ -
Agency Time Savings	$ 43,647	$ 40,003	$ 39,704
Industry and Agency Time Savings	$ 83,773	$ 76,780	$ 76,209

Threshold Analysis: Agency Protests Costs versus Agency Application Time Savings

This section provides a threshold analysis of how much Agency costs in handling protests would have to increase in order to outweigh the agency time savings.

In Options 2 and 4 under Scenarios 1 and 2, the industry and Agency cost savings would be offset by roughly 8 additional protests per year. In Scenarios 3 the Agency cost savings would be offset by an additional 7 protests per year. In Option 3 the number of additional protests to offset the industry and Agency time savings would be 8, 7, and 7 under Scenarios 1, 2, and 3 respectively.

Thus, though it is unlikely that the costs of handling protests will match the costs saved in Agency processing time, Agency time costs and benefits are not included in the net benefits due to the uncertainty concerning the additional number of protests.

Net Present Benefits

The proposed deregulatory action provides some relief to industry without causing any appreciable costs. Scenario 3 provides the most conservative estimate for the annual benefits to industry. Using Scenario 3, the annual benefit to industry resulting from Option 2 and Option 4 is estimated at $40,000 from avoided costs related to the route designation application requirement. Again under Scenario 3, the annual benefit to industry resulting from Option 3 is estimated to be approximately $40,127 from avoided costs related to route designation application requirement.

Scenario 1 and Scenario 2 produce annual industry time savings benefits of $44,000 and $40,320 respectively for Options 2 and 4 and $40,127 and $36,777 for Option 3.

Evaluated over a 10-year period at the standard discount rate of 7 percent, the estimated net present value of the industry cost savings for Options 2 and 4 under Scenario 3 is approximately $280,943. Option 3 results in an estimated net present value of $222,295 when annual benefits over a 10-year analysis period are discounted at a rate of 7 percent. In line with OMB guidance on sensitivity analysis,[19] the table below also illustrates the effects of an alternative discount rate on the present value of total benefits.[20]

[19] White House Office of Management and Budget, Circular A-94, "Analyses should show the sensitivity of the discounted net present value and other outcomes to variations in the discount rate."
[20] Though the individual figures in the table (and throughout this analysis) have not been rounded, they should of course be regarded as approximate rather than precise numbers.

Table 4: Annual and Net Present Value of Benefits (Industry Time Savings)

Year	Option 2 and Option 4			Option 3		
	Annual Benefit	Present Value Benefit (3 Percent)	Present Value Benefit (7 percent)	Annual Benefit	Present Value Benefit (3 Percent)	Present Value Benefit (7 Percent)
1	$ 40,000	$ 38,835	$ 37,383	$ 36,504	$ 35,441	$ 33,123
2	$ 40,000	$ 37,704	$ 34,938	$ 36,504	$ 34,409	$ 30,054
3	$ 40,000	$ 36,606	$ 32,652	$ 36,504	$ 33,407	$ 27,270
4	$ 40,000	$ 35,539	$ 30,516	$ 36,504	$ 32,434	$ 24,744
5	$ 40,000	$ 34,504	$ 28,519	$ 36,504	$ 31,489	$ 22,451
6	$ 40,000	$ 33,499	$ 26,654	$ 36,504	$ 30,572	$ 20,371
7	$ 40,000	$ 32,524	$ 24,910	$ 36,504	$ 29,681	$ 18,484
8	$ 40,000	$ 31,576	$ 23,280	$ 36,504	$ 28,817	$ 16,772
9	$ 40,000	$ 30,657	$ 21,757	$ 36,504	$ 27,978	$ 15,218
10	$ 40,000	$ 29,764	$ 20,334	$ 36,504	$ 27,163	$ 13,808
Total		**$ 341,208**	**$ 280,943**		**$ 311,390**	**$ 222,295**

Initial Regulatory Flexibility Analysis (IRFA)

In compliance with the Regulatory Flexibility Act (5 U.S. C. 601-612), this analysis considers the effects of the proposed rulemaking on small entities. This analysis has determined that the proposed alternatives will affect a substantial number of small entities; however, the small positive impact will not be significant.

All new entrant regular route carriers are affected under the proposed rulemaking since all such carriers are currently subject to the route designation requirement and must file at least one regular route authority application to obtain their initial regular route authority. Existing regular route carriers are affected only if they seek to expand their routes. Between 2003 and 2005 there was an average of 92 regular route authority applications submitted each year (new entrants and applications made by existing carriers) and currently there are a total of 272 active regular route authority carriers.[21]

The Small Business Administration's Small Business Size Standard for Interurban and Rural Bus Transportation classifies carriers with no more than $6.5 million in gross annual revenue as small businesses.[22] Data from the Small Business Administration (SBA), Office of Advocacy data on U.S. industries by receipt size in 2002 are used to estimate the proportion of regular route authority carriers classified as small businesses using the $6.5 million gross annual revenue standard. The industries by receipt size data are provided to the SBA by the U.S. Census Bureau and are from the 2002 U.S. Economic Censuses. The industry code for interurban and rural bus transportation (NAICS 485210) is used to identify the industry segment that includes regular route authority carriers. In the 2002 U.S. Census, 279 out of 323 firms (roughly 86 percent) in the interurban and rural bus transportation industry reported annual receipts of less than $5 million.[23] Additionally, firms with annual gross revenues between $5 million and $6.5 million would also be classified as small businesses, though we are unable to quantify the number of firms with gross revenues within this range. Absent more current data, reported in finer detail, this IRFA assumes that approximately 86 percent of regular route authority carriers are small entities.

The proposed rulemaking is a deregulatory action intended to provide relief to industry. There are no additional costs specific to these entities as a result of this rulemaking, and the rule provides new entrants with a cost saving of approximately $200 per application. Given that there is no burden from the proposed rulemaking, it is concluded that there will not be a significant economic impact on small entities.

[21] Number of regular route authority applications and active regular route authority carriers is based on the L&I February 22, 2008 snapshot.
[22] NAICS Code 485210: Interurban and Rural Bus Transportation, http://www.sba.gov/idc/groups/public/documents/sba_homepage/serv_sstd_tablepdf.pdf
[23] U.S. data classified by receipt size of firm, all industries data by receipt size 2002 for NAICS 485210: http://www.sba.gov/advo/research/data.html. Data from the 2007 U.S. Economic Census will not be available until early 2009

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