

QA  
4253

Prepared by DAT-1, (202) 366-2414  
Submitted to Docket November 10, 1992

R E G U L A T O R Y   E V A L U A T I O N

OST-95-578-15

TITLE OF REGULATION:

ELECTRONIC FILING OF PROPERTY AND PASSENGER TARIFFS

RIN 2137-AC18, Docket 48385

Problem to be Solved:

The airline industry and RSPA have identified tariff filings as an area where computer automation (and revisions to the tariff regulations in 14 CFR Part 241 to allow all U.S. air carrier and foreign air carrier international tariffs to be filed by electronic means) offer both a proven and a further source of significant paperwork burden reduction. Complete electronic tariff filings have awaited technological and computer programming developments on the part of the airline industry and RSPA, based upon available resources. Further tariff automation is now feasible, because the technology is practicable and the industry and RSPA have the means and incentive to use more modern technology, as a result of the large and increasing volume of tariff filings.

18 pp

A Petition for Rulemaking was filed by the Airline Tariff Publishing Company, Inc. (ATPCO) on November 18, 1990, requesting complete tariff filings by electronic means. In this action, RSPA proposes to amend Part 221 to allow fully integrated automated filings to be accepted from U.S. air carriers and foreign air carriers for their international (foreign) passenger and property tariff rules (conditions for application of the prices in the tariff) and property tariffs (cargo and other air shipments). Such electronic tariff matter would be accepted in addition to the official electronic passenger fares (prices) now accepted by RSPA. Electronic passenger fares have been accepted as official tariff matter since December 1989.

The current tariff regulations, that RSPA proposes to change, continue to require air carriers to file about 100,000 paper tariff pages of paper tariff rules and paper cargo prices each year. Permitting all-electronic filing, as proposed, would allow air carriers to save an additional \$3 million each year, beyond the \$12 million they are saving each year from electronic fares.

We conclude that the air carrier finances would suffer needless financial stress without this action. The proposal will save carriers millions of dollars and improve the speed of tariff decisions, since RSPA may approve a filing only when it is complete, upon receipt of related paper tariff matter referenced by the electronic price filing.

All-electronic filing would permit more rapid processing, by the industry and by RSPA, than the electronic price and associated paper tariff filings now required.

Without electronic filing, tariff pages must be printed, filed with RSPA, and laboriously published (disseminated to the public) in a costly and tedious process. For instance, three or more days are now required for a filer just to print a page. With **all-**electronic filing, a filer can eliminate paper printing delays, rapidly and cost-effectively file a tariff with RSPA, and simultaneously disseminate it to the industry and public by electronic means, promoting competition by more rapid distribution of service offerings, and saving money.

The proposed rule would relieve significant burdens on a regulated industry group that has the capacity for electronic tariff filing (which, in this proposal, means the air carriers offering scheduled air service in international markets, and their filing agent). It would also enhance competition by permitting faster dissemination of tariff material. Improved tariff filing and dissemination procedures for the industry would result from RSPA adopting improved technology and allowing air carriers to eliminate the paperwork associated with tariff filing.

**Need for a Federal Solution:**

Since tariff filings are required by **§403** of 49 U.S.C., and an amendment to 14 CFR Part 221 is required to allow fully integrated electronic filings, the appropriate Federal solution is indicated.

**Approach:**

RSPA is proposing to accept fully integrated electronic filing by air carriers of international passenger and property tariffs for scheduled services. Tariffs are required by 49 U.S.C. **§403**. Since December 18, 1989, most passenger fares (prices) have been filed electronically under an interim filing system prescribed in Subpart W of 14 CFR Part 221. The interim tariff filing system has two principal components, consisting of the electronic fares (prices) and paper tariff rules (the fare application conditions).

Since ticket prices as reflected in paper passenger fare tariff pages were automated, beginning December 18, 1989, paper tariff pages filed were reduced by more than 60% from several hundred thousand pages each year, and this proposal will increase savings to about 98%. In the first two years of electronic filing, 1990 and 1991, RSPA estimates the industry saved about \$24 million. By extending the benefits of automation to additional tariff filing areas, RSPA has identified the potential to increase the industry benefits from over \$12 million annually to over \$15 million a year. This proposal is designed to permit the complete automation of passenger and cargo tariff pages during FY92 and FY93.

The timing anticipated is based on completing a rulemaking in FY92 which permits complete electronic filing of both prices and rules (which are text conditions for the application of prices), and to complete the computer programming in stages--electronic rules this FY and property tariffs in FY 93. RSPA, under the proposed regulations, will review the electronic filer's proposed format for the electronic filing, and approve the format, before the filer actually begins electronic filing. Tariff pages for passenger fares (prices) that have already been eliminated include those posted at 4,800 industry sales locations as well as those filed with RSPA.

In this proposal, RSPA continues to minimize the costs of filing tariffs through electronic means. The overall objective is to free the industry from regulatory requirements that carriers' tariffs be maintained or disseminated (posting) on paper, or filed with RSPA as paper tariff pages. When complete electronic filing is allowed as proposed in this rulemaking, a paper tariff filing will be made only by an air carrier that chooses to file paper tariff pages. Paper pages would be submitted only for the few general tariff matters that an air carrier may decide are not susceptible to rapid automation, or by the few air carriers that do not elect to use electronic means, since the proposed regulations would not require an air carrier to use electronic tariff filing.

**Currently Projected Costs and Benefits:**

This proposed rulemaking is not a major rule as defined by Executive Order 12291. It is, however, considered a significant rule under the Department's policies and procedures, because it involves important Departmental policies, and is a matter of significant interest to the aviation industry. It is based on objectives chosen to maximize net social benefits, and is selected from a range of alternative approaches in which the net costs to society are minimized. For these reasons, it is not subject to the President's moratorium.

The Department's Report to the President in April 1992 identified this proposal as a high priority administrative action, because it will reduce paperwork burden significantly for all U.S. air carriers and foreign air carriers that file tariffs.

The impact of the proposed changes is quite significant to air carriers, amounting to significant reductions in carrier's reduced filing fees alone, decreasing fees from \$12.835 million to \$11.781 million as follows, and in addition, there were labor cost savings of about \$1.9 million for a total of around \$3 million, as described in the following captions.

Alternative 1 Projected Annual Costs, proposal not implemented:

<b>Fees for Each Electronic:</b>	<b>Volume</b>	<b>Air Carrier's Cost in Millions</b>
Fare Price Filing Fee, \$75 ATPCO	19,038 =	\$ 1.428
Record, \$.05 RSPA	<b>20,700,000 =</b>	1.035
Record, \$.26 ATPCO	<b>20,700,000 =</b>	5.382
Rules Text Filing Fee, \$75 ATPCO	--	-0-
Rules Prov., \$2 RSPA	--	-0-
Rules Prov., \$10 ATPCO	--	<u>-0-</u>
Fees Electronic . . . . .		\$ 7.845
 <b>Fees for Each Paper Tariff:</b>		
Page, Pax, \$ 2 RSPA	113,542 =	\$ .227
Page, Pax, \$34.50 ATPCO	113,542 =	3.917
<b>Page, Cargo, \$2 RSPA</b>	13,558 =	<b>.027</b>
<b>Page, Cargo, \$44 ATPCO</b>	13,558 =	<b>.597</b>
STPA, Pax, \$12 RSPA	6,625 =	<b>.080</b>
STPA, Pax, \$18 ATPCO	6,625 =	<b>.119</b>
STPA, Cargo, \$12 RSPA	752 =	<b>.009</b>
STPA, Cargo, \$18 ATPCO	752 =	<b>.014</b>
Fees Paper . . . . .		<b><u>\$4.990</u></b>
 Total Annual Filing and User Fees . . . . .		 \$12.835

**Note:** Alternative 1 is projected based upon an estimated 20.7 million and 72,000 electronic records and rule provisions, respectively, and paper pages remaining about the same as current volume, and the number of filings at the current level of 19,038 annually. For comparison, there were 16.436 million electronic records filed in **1991 which** would be almost 330,000 paper pages at a rate of 50-records-per-page. Electronic pages combined with actual tariff pages of 127,100 would produce tariff pages and electronic equivalents of more than 450,000 for 1991. The projections are based on the most current information available, and the emphasis in this regulatory evaluation is on the electronic filings under the assumption that most paper filings will be eliminated before the end of 1993 as a result of this proposal.





Alternatives considered were:

1) **DO NOTHING.** In the present rulemaking, and in the prior tariff rulemakings, more than three alternatives to tariff automation have been considered, ranging from doing nothing to a very costly computer system which was estimated to require annual expenditures by the Department of \$5 million or more, and the two most viable alternatives identified have been to do nothing or to take the action recommended in Alternative 2 (modest RSPA tariff database and computer systems).

Doing nothing would enable the industry to avoid the proposed increase in RSPA electronic user fees for tariff filings, and would preclude air carrier's obtaining social value estimated to exceed those fees avoided. However, doing nothing will not eliminate the air carriers' tariff filing fees that are paid to the electronic filer. The air carriers probably will continue to use the current electronic filer, whether or not this proposal is adopted, to file and disseminate international tariff price and price conditions information throughout the industry, in much the same way the air carriers still use the current electronic filer to disseminate the deregulated domestic price information in lieu of tariffs.

As background, electronic filing of the current passenger fare (price) data is performed by an air carrier and its filing agent. The Airline Tariff Publishing Company (ATPCO), one filing agent, represents a substantial portion of the industry in both electronic and paper tariff filings with RSPA. There is no single source of

tariff information at present. More than one tariff filer exists, and potential exists for more than one electronic filer. There are approximately 245 tariffs of air carriers filed with RSPA. These tariffs contain millions of effective passenger fares, property charges and cargo rates.

Most U.S. and foreign air carriers filing paper and electronic tariffs with RSPA use ATPCO as their filing agent, and ATPCO has 146 tariffs filed with RSPA. In addition, Cargo Rate Services has 5 tariffs on file, and individual air carriers have 94 tariffs filed with **RSPA's** Office of Automated Tariffs. ATPCO, the only electronic tariff filer, is owned by a consortium of air carriers, including both U.S. and foreign air carriers that file tariffs with RSPA. Since ATPCO is not the only tariff filer, but is the only electronic tariff filer, we have used **ATPCO's** costs and charges for the purposes of cost evaluations of this proposal. Further, we have not proposed to change the fees for paper tariff filings, since these this proposal would substantially eliminate paper tariff filings, except for a few voluntary pages each year.

The \$0.26 ATPCO fee plus \$0.05 RSPA user fee (for a combined filing fee of \$0.31 that an air carrier paid to ATPCO for each electronic record in 1992) is affected by this proposal. Instead of \$0.05, a \$0.10 RSPA user fee is proposed. This proposed RSPA user fee of \$0.10 for each electronic record reflects **RSPA's** costs to be able to accept electronic rules and cargo electronic tariffs.

RSPA considers that the proposed five cent increase probably would be passed on to air carriers by ATPCO, and that an air carrier's fee for each electronic record would increase from \$0.31 to \$0.36, an increase of 6% that would be avoided. Further, a user fee of \$2 for each electronic rule provision also would be avoided, if electronic rules provision filings are not authorized.

Doing nothing would prevent the air carriers and RSPA from obtaining the benefits of more efficient and timely tariff filing and processing that would be afforded by all-electronic filing. It would affect RSPA's proposed 6% user fee cost increase. In any event, RSPA would evaluate on an annual basis the adequacy of the established user fees in relation to the costs of computers and programming for tariff automation, and determine whether the fees should be changed accordingly. If RSPA did nothing, the electronic tariff system (ETS) of official RSPA tariff files would continue to be the interim system of electronic fares (prices) and associated paper tariff rules.

2) ALL-ELECTRONIC TARIFF FILING OF PASSENGER AND PROPERTY TARIFFS, WITH MODEST RSPA TARIFF DATABASE AND COMPUTER SYSTEMS.

Under this proposal, RSPA would rely primarily upon the air transport industry's computer systems (owned by the Airline Tariff Publishing Company) for the electronic filing of tariffs. The RSPA computer tariff processing systems development and operations costs would require spending \$1 million or more annually (based upon modest personal computer applications, or a combination of personal computer and larger systems applications).

RSPA intends that it will not expend more on the electronic tariff system (ETS) development than it earns in tariff user fees paid by air carriers to the filing agent, which pays RSPA. Further, the user fees that provide the funding for electronic tariff operations will be annually cost justified under OMB requirements, and based upon **RSPA's** ETS automation plans.

The RSPA computer system or systems applications would be designed to mesh with and complement the filer's (ATPCO) systems, while at the same time providing the Office of Automated Tariffs the means to efficiently and cost-effectively control, approve and warehouse (archive) the automated tariffs. A facility for electronic edits and analysis of electronic tariffs as well as applications to access and extract data from the electronic tariff information would be developed for the RSPA computer applications.

Alternative 2 (modest RSPA tariff database and computer systems) is considered the most conservative and cost-effective. For RSPA user fees of \$1 million or more annually, RSPA estimates the industry would save over \$15 million annually, an increment of \$3 million that this proposal would save over the \$12 million already saved each year from electronic fares.

The additional savings are estimated at 100,000 paper tariff pages that would not be filed in FY 93 that were filed in FY 91 and are anticipated to be filed in FY 92 (so that there is a residual of only about 6,000 paper tariff pages filed by carriers who choose this option), as well as about 330,000 tariff pages that RSPA

estimates air carriers would have had to file in FY 93, if electronic fare filing had not been accepted, for a total tariff filing pages avoided in FY 92 of about 430,000 pages. Extended at 5.34 burden hours per response, the industry burden hours saved would be **2,296,200** hours. The incremental savings alone for 100,000 pages at 5.34 burden hours per response are estimated to be 534,000 burden hours. Extending the hour savings to ATPCO dollar savings of salaries at \$10.42 would indicate dollars saved overall of **\$23,926,404** (2,296,200 burden hours @ \$10.42 per hour) and incremental dollar savings of **\$5,562,280** (534,000 burden hours @ \$10.42 per hour) from electronic filings passenger tariff rules and cargo tariffs, as is proposed. These savings would be reduced by the effect of the proposed electronic filing fees for the electronic media that would substitute for the paper filings, the net of which is estimated to be about \$3 million annually.

Over the past several years since 1989, the number of tariff filings has increased dramatically. It is not possible to state the exact number of tariff pages or electronic tariff filings by each air carrier. In 1989, 324,232 tariff pages were filed. In 1990, 123,679 tariff pages were filed and **17,161,914** electronic records were filed (which at 50 records per page would be the equivalent of 445,764 pages), for a total of about 569,443 equivalent pages. Further, in 1991, 113,542 tariff pages were filed and **16,435,900** electronic records were filed (which at 50 records per page would be the equivalent of 328,718 pages) for a total of over 400,000 equivalent pages.

Taking a conservative approach, and estimating the current monthly volume at June 1992 at about 8,900 real pages (passenger rules, cargo tariffs and **STPA's** as compared to about 11,000 actual pages per month on average in 1991) and about 1.28 million electronic records (or 25,600 pages at 50 records per page), for a total of about 34,500 pages each month for 12 months would total 414,000 equivalent pages at \$36.50 each, for a total industry burden of about **\$15,111,000**. This is a reduction of about \$3.5 million from the industry burden of **\$18,761,625**. Conversely, 414,000 equivalent pages at 50 electronic records each would indicate about **20,700,000** electronic records annually, although there may be some lack of precision in estimates equating the huge volume of electronic records to paper tariff pages at 50 records a **page**. This exists, because each paper filing contained a front and back page that was not reflected in the 50 records per page estimate, which tends to distort the estimate. Since this proposal will permit completely electronic filings, we based the current estimate upon electronic records, or **20,700,000** records at 0.0819 hours (almost 5 minutes burden for each record) for a total burden of **1,695,373** hours or 121,765 electronic records each year, on average, for each of the air carriers filing tariffs with RSPA.

**ATPCO's** current filing fee of \$0.31 for each electronic record (which includes \$0.05 in user fees paid to RSPA), would likely increase to \$0.36 for each electronic record (which would include \$0.10 in user fees paid to RSPA), based upon this proposal. Further, electronic rules provisions are proposed to be charged by RSPA at \$2.00 for each provision, which we assume will be passed on to the air carriers by ATPCO.

RSPA estimates the offsetting cost of electronic filing, in lieu of paper filing, based on approximately 20.7 million electronic records anticipated in FY 93 at \$0.36 per record filing fee paid to ATPCO. These 20.7 million electronic records (of which the incremental portion from this proposal would account for about 5 million, or 100,000 pages at 50 records per page), would result in burden cost totals of about \$7.5 million overall (20.7 million records at \$0.36 each) and \$1.8 million of incremental savings (5 million records at \$0.36 each). The electronic passenger and property rules provisions are estimated to total about 300 electronic rule provisions filed each business day (at on average three provisions for each electronic rule filed), or about 6,000 each month and 72,000 provisions annually, which at \$2.00 per provision would result in offsetting costs of \$144,000 annually. Therefore, net savings are estimated as follows:

	<u>Overall</u> (Millions)	<u>Incremental</u> (Millions)
FILING		
\$ Paper Burden Filing Saved . . . . .	\$15.1	\$3.6
414,000 & 100,000 pages @ \$36.50		
Less:		
<b>Elec.</b> Records Filed . . . . .	7.5	1.8
20.7 M and 5 M @ \$0.36		
<b>Elec.</b> Prov. Filed . . . . .	.1	.1
72K @ \$2.00		
Other Changes Proposed in NPRM, such as disclosure, effective date, and finished tariffs that as a whole are est. to require ATPCO programmers approx. 2,000 hours at \$100 an hour . . . . .	2	<u>.2</u>
Subtotal of rule costs . . . . .	7.8	2.1
	\$ 7.3	\$ 1.5
Total Net \$ Saved in Filing Costs . . . . .		

LABOR COSTS

Industry Paper Burden Labor costs saved for 414,000 & 100,000 pages was estimated based upon savings of 744,272 labor hours, which is two times the 372,136 prior estimate reflecting the increase in the tariff volume, at \$10.45 per hour, a low-range tariff salary rate, with the incremental savings proposed in this rulemaking estimated to represent one-fourth of the total.

Subtotal of labor savings . . . . .	\$ 7.8	\$ 2.0
-------------------------------------	--------	--------

TOTAL ANNUAL ESTIMATED SAVINGS ON ETS . . . . .	\$15.0	\$ 3.5
---	--------	--------

Discussion of Alternatives.

Alternative 1 (do nothing) is an option that would be expected to generate considerable industry opposition, in view of the industry petitions for rulemaking. More importantly, significant benefits and paperwork reduction are expected to accrue to air carriers from allowing completely electronic filing of tariffs by air carrier, and the Department will not permit the carriers to be denied these benefits by artificial barriers such a regulations that require tariffs to be submitted on paper.



Alternative 2 (modest RSPA tariff database and computer systems) is chosen. This alternative is currently being used for electronic passenger fares filings, and the current interim RSPA ETS system is susceptible to being improved for electronic tariff rules and cargo tariff submissions.

Further, electronic tariff filings (rules and cargo rates), in addition to official passenger fares already filed electronically, are estimated to reduce paperwork associated with air carrier tariffs to an overall reduction of about **98%**, at a cost to the industry of RSPA user fees only, which are estimated to equal or exceed \$1 million each year.

The reduction, as compared to former paper tariff filings of several hundred thousand pages annually (more than 400,000 pages would have been filed each year in FY 1990 and 1991, it is estimated, absent electronic filing), is expected to result in about 6,000 tariff pages filed each year, and to increase the annual industry benefits from electronic filing by about \$3 million more than the current \$12 million each year, bringing the overall air carrier savings to about \$15 million.

This alternative may be expected to require upgrading the computers and computer programs used to process the filed tariffs filed with RSPA, and those enhancements would be accomplished within the annual user fees that are collected to complete the electronic tariff system developments. This alternative, where overall cost savings/benefits to the industry approximate \$15 million each year, and incremental savings total about \$3 million each year, compared with actual user fee costs to the industry that currently amount to only approximately one-third of the savings (about \$1 million in **RSPA's** annual **"user"** fees), is **RSPA's** most viable alternative.