

Senate Fiscal Agency
P. O. Box 30036
Lansing, Michigan 48909-7536

SFA**BILL ANALYSIS**

Telephone: (517) 373-5383
Fax: (517) 373-1986
TDD: (517) 373-0543

Senate Bill 18 (as passed by the Senate)
Sponsor: Senator Dan L. DeGrow
Committee: Technology and Energy

Date Completed: 1-30-97

RATIONALE

The Michigan Public Service Commission (PSC), under authority granted in Public Act 246 of 1921, regulates the service, rates, fares, and charges of freight and passenger ferryboats. Harsens Island, in St. Clair County, is served by a single, private ferry operator. The island is home to about 1,200 year-round residents and has about 3,000-4,000 more summer residents. Students who live on the island attend mainland schools and there is no health care provider located on the island. The ferry operator apparently has often threatened to cancel service to the island when he has had a rate hearing before the PSC, even though the law guarantees the operator a rate of return from the regulated fares. Because island residents may be completely dependent upon the service of a ferry operator, some people believe that Public Act 246 should prevent the discontinuation of a regulated ferry service without the PSC's approval unless alternative services were available.

CONTENT

The bill would amend Public Act 246 of 1921 to prohibit a carrier by water regulated under the Act from discontinuing a regulated service without the approval of the PSC unless one or more alternative carriers were furnishing the same service at the same location.

A carrier proposing to discontinue a regulated service would have to file a notice of the discontinuation with the PSC, publish the notice in a newspaper of general circulation within the service area, and provide other reasonable notice as required by the PSC. Within 30 days after the date of publication of the notice, a person affected by the discontinuation of service could apply to the PSC for a hearing, or the PSC could hold a hearing on its own motion, to determine whether the discontinuation of service was permitted under the Act.

Proposed MCL 460.207

ARGUMENTS

(Please note: The arguments contained in this analysis originate from sources outside the Senate Fiscal Agency. The Senate Fiscal Agency neither supports nor opposes legislation.)

Supporting Argument

Unless the law specifically prohibits discontinuation of a regulated ferry service when other options are not available, a single ferry operator serving a particular locale, such as Harsens Island, can demand that the PSC approve unreasonable rate hikes under the threat of canceling the service and leaving island residents stranded. When only one ferry operator served an island dependent upon transport to the mainland for its health and welfare, it is appropriate that the State ensure that the service continue. Ferry operators should not be free to jeopardize a community's population by threatening to end a regulated monopoly service upon which that community is dependent.

Opposing Argument

The State should not force a business operator to continue to offer a service when that operator no longer desires to engage in that enterprise.

Response: The bill would apply to a type of regulated monopoly service, similar to electric utility regulation. The PSC sets the rates at a level that guarantees a return to the provider and the provider may not just pull the service if it does not like its rate of return.

Legislative Analyst: P. Affholter

FISCAL IMPACT

The bill would have no fiscal impact on State or local government.

Fiscal Analyst: M. Tyszkiewicz

A9798\S18A

This analysis was prepared by nonpartisan Senate staff for use by the Senate in its deliberations and does not constitute an official statement of legislative intent.