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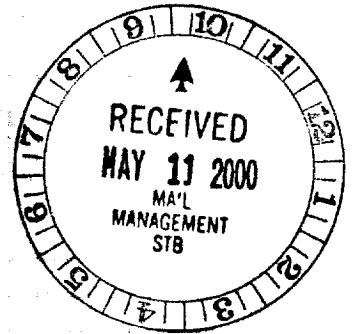
Before The
Surface Transportation Board

Part of
Public Record

-198491
Section 5a Application No. 118 (Sub-No. 2), et al.
EC-MAC Motor Carriers Service Association, Inc., et al.

-198492
Southern Motor Carriers Rate Conference, Inc.
Section 5a Application No. 46 (Sub-No. 21)

Reply Comments
Of
Southern Motor Carriers Rate Conference, Inc.



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Conference, Inc.

Due and Dated: May 11, 2000

Before The
Surface Transportation Board

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Southern Motor Carrier Rate Conference, Inc. (SMC) respectfully submits these comments in response to various statements that initially have been filed with regarding to the Surface Transportation Board's (STB) Decisions served on February 11, 2000 in these consolidated proceedings. Following are the reply statements of Jack E. Middleton, SMC's President; James Ridley, SMC's Senior Data Analyst in the Production Department; and Daniel M. Acker, SMC's Vice President of Operations and in-house motor carrier cost expert. Those statements specifically respond to comments and allegations made by various parties seeking further adjustment of SMC class rates and for other agency action. In conclusion is counsel's statement as to why, as a matter of fact and law, SMC's Section 5a Agreement No. 46 should be continued.

I.

**Reply Statement
Of
Jack E. Middleton
President and Chief Executive Officer**

**Reply Statement of
Jack E. Middleton**

My name is Jack E. Middleton, and I am employed as the President and Chief Executive Officer of Southern Motor Carriers Rate Conference, Inc. (SMC). I previously have submitted an Opening Statement on behalf of SMC in this proceeding.

I.

SMC Has Demonstrated the Responsiveness of Its
Collective-Ratemaking Activities to the Public Interest

Although the recently-enacted Motor Carrier Safety Improvement Act of 1999 prevents the Surface Transportation Board (STB) from granting nationwide ratemaking authority with antitrust immunity to any rate bureau, evidence which was submitted in support of SMC's nationwide ratemaking application in Section 5a Application No. 46 (Amendment No. 20), is very relevant in this proceeding. As that record shows some 193 shippers and shipper representatives, and 120 motor carriers filed statements in support of the nationwide expansion of SMC's collective ratemaking activities. Such endorsement by the transportation community is unprecedented, and shows that SMC's activities conducted under its approved Section 5a Agreement meets with widespread approval in the transportation industry.

Another indicator of the perceived benefits flowing from SMC's collective ratemaking activities is represented by the dramatic and continued growth in the use of CZAR-Lite throughout SMC's ratemaking territories, as well as throughout the United States. When SMC submitted its Opening Comments in support of its nationwide application on August 18, 1997, more than 151,000 CZAR-Lite diskettes were in use. As was the case previously, most of SMC's CZAR-Lite customers are shippers or shipper

representatives. Today, SMC has licensed over 250,000 CZAR-Lite users. That total includes direct retail sales to shippers, wholesale through software and developers, and by private label through shippers, third party providers and carriers. Given the broad distribution of the CZAR-Lite diskettes by carriers to their shippers, and shippers and third party providers to their carriers and customers, the number of diskettes in circulation increases dramatically. Certainly, as to SMC's ratemaking territories which includes the Southern Territory¹, interterritorially between the South and Middlewest Territories², interterritorially between the Southern and Eastern Territories³, and interterritorially between the Southern and Southwestern Territories⁴, SMC's class rates have gained wide acceptance by all segments of the transportation community as a reasonable baseline for pricing purposes.

In my Opening Statement I referenced the comparison of SMC class rates with those of eight non-SMC member motor carriers operating in SMC's ratemaking territories. Of the 205 market comparisons which were made, involving some 1,845 rates, 1,722 of those class rates, i.e. 93.33%, showed SMC's baseline of class rates being lower than those published by the non-SMC member carriers surveyed. Nevertheless, the Opening Comments of various shipper associations complain of the allegedly high-class

¹ The Southern Territory embraces the States of Alabama, Florida, Georgia, Kentucky, Louisiana (east of the Mississippi River), Mississippi, North Carolina, South Carolina, Tennessee, the southern portion of Virginia, and a small part of West Virginia.

² The Middlewest Territory generally includes the States of Iowa, Kansas, Minnesota, Nebraska, North Dakota, South Dakota, Wisconsin, eastern Colorado, the Upper Peninsula of Michigan, northern Missouri, and eastern Wyoming.

³ The Eastern Territory generally includes the States of New York, New Jersey, Pennsylvania, Delaware, Maryland, northern Virginia, a portion of West Virginia, Connecticut, Rhode Island, Massachusetts, Vermont, New Hampshire, and Maine, and the District of Columbia.

⁴ The Southwestern Territory includes the States of Arkansas, Louisiana (west of the Mississippi River), southern Missouri, eastern New Mexico, Oklahoma, and Texas.

rates resulting from collective ratemaking. Significantly, no specific comments were made regarding SMC's class rate structure. Yet, in response to the generalized allegations of several shipper associations I requested that James Ridley, SMC's Senior Data Analyst, conduct a further comparison of SMC's class rates with the class rates published by the study carriers in SMC's ratemaking territories. As set forth in Mr. Ridley's accompanying statement, an additional, random 206 market comparisons were made involving a total of 1,854 rates. Of all those rates only a total of 78, or 4.21%, involved class rates published by the individual study carriers that are lower than SMC's class rates. Thus, combining those comparisons with the original study shows that of the 411 market comparisons made, involving 3,699 rates, SMC class rates were the lowest in 3,498 instances, or in 94.57% of the class rate comparisons made.

It is well settled that rate comparisons are a valid measure in determining rate reasonableness. The extensive comparisons made and evidenced by SMC in this proceeding demonstrates that SMC's baseline of class rates compares extremely favorably and reasonably with those established by major non-SMC motor carriers conducting competitive operations within SMC's ratemaking territories. Indeed, in the overwhelming majority of instances, 94.57%, SMC's baseline class rates are considerably lower. Little doubt can exist as to the substantial benefits enjoyed by the shipping community in having those very competitive SMC baseline of class rates available for their pricing strategies. Obviously, the extensive use of SMC's class rates as the baseline places competitive pressures on non-SMC carriers inuring to the direct benefit of shippers in their ability to negotiate very favorable rates. Plainly, the availability of SMC's baseline of class rate scales encourages the establishment and

maintenance of reasonable rates for transportation in SMC's territories. Additionally, there is absolutely no record evidence establishing that the application of SMC's baseline class rates has resulted, in any instance, in rates that are unreasonable.

II.

Sound Reasons Do Not Exist for Arbitrarily Further Reducing SMC's Class Rates

Several shipper associations has expressed concern that any automatic minimum discount provided off the class rates might be illusory because of the existence of lower discounts already applicable on their traffic. As demonstrated by Daniel M. Acker, SMC's Vice President of Operations and in-house motor carrier cost expert, the 20 percent discount established for shippers having no discounts under SMC tariffs is based upon a survey of the discounts established by member motor carriers which showed that there are no discounts in effect which would negate the application of the 20 percent discount. Therefore, the concerns expressed about the potential loss of a mandatory minimum discount are invalid with respect to SMC's across-the-board discount.⁵

The entire premise for the assertions of various shipper associations that the benchmark rates must be reduced to "market levels" because of the illegal "compounding effect" that general rate increases allegedly have had over the years completely misses the mark with respect to SMC's class rates. As shown in the example presented by Mr. Acker in response to TCPC's contention that SMC's class rates rose 170 percent over an 11-year period, giving effect to offsetting carrier costs and to discounting, the actual

⁵ The validity of The Transportation Consumer Protection Council, Inc.'s (TCPC) contention that based on a pre-audit of freight bills by Industrial Traffic Consultants, Inc., "an average of 9.54% of all bills were 'undiscounted'," is suspect. What number of freight bills were involved and which carriers and in what areas of the country were those transportation services provided? Were individual carrier class rates involved or were rate bureau class rates utilized? The survey conducted by SMC showed a minimum amount of traffic moves under SMC's class rate tariffs. In any event, effective October 1, 1999, the across-the-board 20 percent discount became effective.

revenue gain for SMC's carriers over that entire period of time was 4.83 percent. The shipping community hardly suffered from the general rate increases taken by SMC's member carriers. As Mr. Acker also showed the 95.2 percent operating ratio derived for the SMC group of carriers in 1999 evidences that the individually determined rates based on SMC's baseline of class rates does not produce any excess profitability as some incorrectly have contended.

Another indicator of the rather austere results of the general rate increases taken by the SMC carriers over the years is shown by the comparison with the baseline class rates used by non-SMC carriers in the same competitive markets within SMC's ratemaking territories. Clearly, the present levels of the SMC class rates patently demonstrate that they are not inflated above the comparable levels of the baseline class rates utilized by other competitive carriers and, indeed, out of the universe of 411 market comparisons, involving 3,699 rates, are the lowest in 3,498 instances or 94.57 percent of the comparisons. How could these results be obtained if, as some suggest, SMC's class rates are inflated? The answer is that they are not, and, in actuality, by virtue of their lower levels enhance competition in SMC's ratemaking territories.

Some also suggest that a comparison of the increases in SMC's class rate levels with increases in the Consumer Price Index (CPI) or the Producers Price Index (PPI) evidence that those rates are unreasonably high. Mr. Acker goes into great detail demonstrating why those indexes are not accurate or appropriate in assessing changes in carrier labor and non-labor costs. The CPI is calculated using the measurement of the average price changes for certain goods and services. That index is a statistical average and reflects average prices paid by two identified groups, namely All Urban Consumers

and Urban Wage Earners and Clerical Workers. It is apparent that the CPI does not reflect the expenditure patterns of the motor carrier industry which, in all probability, differ substantially from those of the “average” urban consumer. A review of the major goods and services which comprise the market basket considered in the CPI make that point very clear regarding motor carrier transportation costs. Those CPI components include costs pertaining to housing, food and beverages, apparel and upkeep, medical care, transportation (principally automobiles, public transportation, etc.), entertainment and other such goods or services—not directly related to transportation costs.

A similar problem exists with the PPI. That index measures the average change over time in the selling prices received by domestic producers of goods and services. Therefore, while the CPI measures price changes from the buyer’s perspective, the PPI measures price changes from the seller’s perspective. Moreover, the composition of the goods and services considered by the PPI differs substantially from those which underpin the CPI, as well as do the types of prices collected. In any event, most costs included in the PPI, just as is the case with CPI, are not directly relevant to motor carrier transportation. Specifically, the PPI considers the costs for farm products, processed foods and feeds, textile products and apparel, hides, skins and leather, chemicals and allied products, rubber and plastic products, lumber and wood products, pulp, paper and allied products, furniture and household durables, government purchases and exports, etc.

Therefore, neither the percentage increase in the CPI nor the PPI is relevant as a measure of the changes which have occurred relative to SMC’s general rate increases.

It is also suggested by various shipper associations that an arbitrary reduction in the class rate scales, ranging from 35 to 50 percent, would be a reasonable adjustment

and properly deflate those rates. As demonstrated in the statement of Mr. Acker, the allegations of unreasonably high rates have no validity whatsoever with respect to SMC's class rates. Manifestly, the operating ratios of the SMC carriers deflate any contentions that the SMC class rates produce windfall profits. Concomitantly, when discounts and the increased labor and non-labor costs of the SMC carriers are taken into account, which none of the commenting shipper associations have done, it is seen that the actual net increase in rates over the referred-to period of 1980 through 1991 has been exceedingly modest. While the SMC class rates may have increased by some 170 percent, giving effect to discounts and increased carrier costs produced a net increase of 4.83 percent. Given the operating ratios of the SMC carriers from 1991 forward to 1999, it is also apparent those modest net revenue gains have continued.

Reference to Mr. Ridley's comparisons of SMC class rates with those of 8 large non-SMC, LTL carriers evidences the very positive competitive impact which SMC's lower class rates have in SMC's ratemaking territories. To further reduce those very competitive class rate scales by 35 to 50 percent, as some blandly suggest, would render those baseline class rates useless. SMC carriers, as Mr. Acker points out, could not continue to use such arbitrarily reduced scales as viable baseline rates. As per Mr. Acker's example, a 45 percent rollback would increase an SMC current carrier's operating ratio from 95.2 percent to 173.09 percent, thereby producing a loss of 73.09 cents on the dollar before the payment of interest, taxes and return on capital. No rational basis could dictate such a result.

Additionally, it appears the shipper associations truly entered the rollback of class rates as a solution to the complained-of loss of discount provisions for late payments by

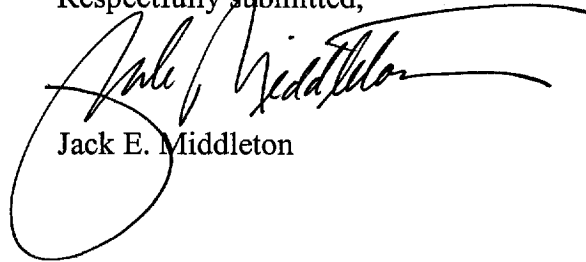
shippers. That is not properly an issue before the STB in this proceeding which addresses the continuation of SMC's Section 5a Agreement and the necessity for an adjustment in the class rates as a condition for that continuation. As explained, there are no collectively-formulated loss of discount provisions in SMC's tariffs. The fact that some carriers, in accord with the federal regulations set forth in 49 C.F.R. § 377.203(g)(1)(ii), require payment of the full, nondiscounted rate instead of the discounted rate otherwise applicable, and individually use class rates as that measure does not warrant or justify a radical across-the-board reduction in SMC's class rate scales to offset the loss of discounts because of the late payment of freight charges by shippers.

Conclusion

The objective of SMC, from the issuance of the STB's December 18, 1998 decision, was to initiate a process to consider and comply with that directive. Pursuant to the course of action approved by SMC's member carriers, effective October 1, 1999, an across-the-board 20 percent reduction in SMC's class rates for shippers having no published discount was implemented. As discussed, that is a real, automatic discount as SMC's carriers have no published discounts lower than that figure. SMC was also the first, and apparently the only motor carrier organization, to institute a carrier cost index for the purpose of establishing a cost-based general rate increase pegged to producing an operating ratio of about 93 percent, the recognized minimum operating ratio necessary to maintain a viable carrier operation. In view of these actions, SMC believes it has demonstrated its willingness and ability to comply with the spirit and intent of the STB's directives and, therefore, SMC's Section 5a Agreement should be continued. Additionally, SMC has shown that its class rate scales are generally lower than those

individually established by non-SMC carriers in its ratemaking territories and provide a very competitive baseline for pricing purposes which enables shippers to obtain very competitive rates—a principal purpose of the National Transportation Policy.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Jack E. Middleton", with a large, loopy flourish underneath the name.

Jack E. Middleton

II.

**Reply Statement
Of
James Ridley
Senior Data Analyst**

Reply Statement of
James Ridley

My name is James (Jim) Ridley and I have been employed at SMC for approximately 29 years. I am presently employed as a Senior Data Analyst in the Production Department of SMC, and currently serve as the Secretary to the SMC³ General Rate Committee. I am the same James Ridley who previously submitted an opening statement in this proceeding.

Jack E. Middleton, SMC's President, requested that I prepare the following additional marketplace rate comparisons in response to opening comments of other parties in this proceeding.

In preparing this marketplace rate comparison, I selected ten medium-size shipping points within Southern Territory. Then I also chose markets of approximately the same size within each of the other four SMC³ ratemaking territories, i.e. Eastern, Central, Middlewestern and Southwestern Territories. These cities are located in traffic lanes along the U.S. Interstate highway system, with the exception of Aiken, SC and Florence, AL.

For comparison purposes I have used rates for the same eight individual carriers that were used in the comparison appended to the filing on April 11, 2000. Individual carrier rates were compared to Class rates published in SMC Tariffs 500, 501 and 585. These carriers and the involved tariffs are identified in Appendix B to my statement. Classes and weights were selected on a random basis using only the Less-than-truckload (LTL) rates.

The general principle again is to show how the SMC ratemaking process is able to maintain base rates which are comparable to competitive, individual motor carrier class

rates even though motor carriers have the ability to manipulate their individual motor carrier rates between given markets depending on their company's operational requirements.

Only undiscounted class rates were considered in making the comparisons. The carriers, in accordance with agreements or contracts, apply discounts individually to their customers and there is no way to determine what is actually between any two given points.

Of the 206 market comparisons shown in the analysis set forth in Appendix A, SMC rates compare with the individual carrier rates as follows:

- SMC rates are the lowest in 136 occurrences, equating to 66.02% of the total;
- SMC rates are the 2nd lowest in 64 occurrences, equating to 31.07% of the total;
- SMC rates are the 3rd lowest in 4 occurrences, equating to 1.94% of the total.

This means that out of the 206 market comparisons SMC rates are within the category of the three lowest levels of rates on 204 occurrences, or 99.03% of the total.

Within the comparison there are a total of 1,854 rates. Of the 1,854 rates shown in the comparison, there are only 78 (4.21%) rates published by individual carriers that are lower than the SMC rates.

Where SMC rates are higher than the lowest of any rate between any market pair, the difference was from a low of 0.1% to a high of 11.6%. The overall average is 1.88%.

Review of the rates that are higher than the SMC class rates show a range from a low of 0.1% to a high of 97.6%. Of the individual carrier rates higher than SMC class rates, there are 383 occurrences where they are in excess of 20% higher than SMC class rates.

Of the eight individual carriers compared, six carriers have rates lower than SMC on at least one occasion.

Although SMC rates are developed for joint-line movements, which would generally necessitate a higher level of thru-rates, I believe that the comparison shows clearly the fact that SMC rates are indeed competitively advantageous to the shipping public and clearly are more than reasonably related to the individual motor carrier class rates prevailing in the market today. The comparison also shows that when an individual carrier's rates in the comparisons are lower than the SMC rate level between two particular points, other carriers still maintain rates that are higher than SMC class rates published between the same points.

Another point of fact is that SMC rates are based on distances. For SMC this means the distances prescribed between two three-digit U.S. Postal Zip Code Areas in the applicable SMC Class rate tariffs. When general rate increases are acted on at the bureau level, such increases must be applied uniformly across the board without regard to individual markets.

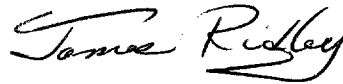
On the other hand, individual carrier rates may be adjusted to allow for operational differences, and a broad array of service benefits or liabilities, as the case may be, for providing service between any given set of markets. The comparison again clearly points out these differences. Individual carrier rates tend to be "niche-driven," while SMC rate levels must be reasonable and apply equally to all customers.

Additionally, many small and medium size carriers do not develop and maintain their own individual motor carrier rates, but are dependent on SMC to provide them with a viable marketplace base level of rates within SMC ratemaking territories. Although

SMC rates are developed for joint-line traffic, there is nothing to preclude an individual carrier from adopting such rates for its own single-line application, as well as for joint-line transportation purposes.

In reviewing the market comparisons shown in Appendix A, and incorporating these figures with the figures shown in the comparisons in Appendix A of the April 11, 2000 opening statement, one can clearly see the viability of SMC class rates as compared with the individual carrier rates shown in the comparisons. Of the 411 market comparisons, encompassing 3,699 rates, SMC rates were the lowest in 3,498 instances or 94.57% of the time.

Respectfully submitted,

A handwritten signature in cursive script, appearing to read "James Ridley".

James Ridley

APPENDIX A

MARKETPLACE RATE COMPARISON

FROM AIKEN, SC 29801 TO [IN ZIP ORDER]		WEIGHT		RATE IN DOLLARS AND CENTS PER 100 POUNDS									
	ZIP	TERR	CLASS	GROUP	SMC	1	2	3	4	5	6	7	8
PORTLAND, ME	04101	E	50	L5C	50.35	60.47	51.93	55.37	57.25	53.70	59.65	49.02	58.08
PERCENTAGE TO SMC					0.0%	20.1%	3.1%	10.0%	13.7%	6.7%	18.5%	-2.6%	15.4%
BUFFALO, NY	14201	E	65	M10M	23.31	26.30	24.71	29.39	27.26	23.94	26.98	23.68	24.80
PERCENTAGE TO SMC					0.0%	12.8%	6.0%	26.1%	16.9%	2.7%	15.7%	1.6%	6.4%
SCRANTON, PA	18501	E	85	M5C	58.49	66.32	62.30	65.59	64.25	60.92	62.81	79.49	64.62
PERCENTAGE TO SMC					0.0%	13.4%	6.5%	12.1%	9.8%	4.2%	7.4%	35.9%	10.5%
DOVER, DE	19901	E	70	M1M	34.50	39.60	36.93	40.64	41.38	35.40	36.91	47.65	34.96
PERCENTAGE TO SMC					0.0%	14.8%	7.0%	17.8%	19.9%	2.6%	7.0%	38.1%	1.3%
AIKEN, SC	29801	S	100	M5C	.....	.....	.....	.....	.....	.....	.....	.....	.....
PERCENTAGE TO SMC					.....	.....	.....	.....	.....	.....	.....	.....	.....
DUBLIN, GA	31021	S	55	M2M	13.08	18.44	13.43	13.85	16.58	13.19	17.21	19.68	13.14
PERCENTAGE TO SMC					0.0%	41.0%	2.7%	5.9%	26.8%	0.8%	31.6%	50.5%	0.5%
JACKSON, MS	39201	S	77.5	L5C	48.63	68.06	49.46	56.08	63.32	49.52	59.52	50.97	49.29
PERCENTAGE TO SMC					0.0%	40.0%	1.7%	15.3%	30.2%	1.8%	22.4%	4.8%	1.4%
ELIZABETHTOWN, KY	42701	S	92.5	M1M	40.85	53.08	43.82	48.40	51.28	41.61	44.37	41.12	41.42
PERCENTAGE TO SMC					0.0%	29.9%	7.3%	18.5%	25.5%	1.9%	8.6%	0.7%	1.4%
AKRON, OH	44301	C	60	M10M	15.22	18.45	15.72	22.70	19.59	16.08	19.57	16.94	15.28
PERCENTAGE TO SMC					0.0%	21.2%	3.3%	49.1%	28.7%	5.7%	28.6%	11.3%	0.4%
SOUTH BEND, IN	46601	C	100	L5C	83.01	97.21	89.06	96.45	90.76	83.50	89.07	81.68	84.12
PERCENTAGE TO SMC					0.0%	17.1%	7.3%	16.2%	9.3%	0.6%	7.3%	-1.6%	1.3%
ALPENA, MI	49707	C	77.5	M1M	52.21	62.36	58.41	60.19	64.16	52.54	54.92	51.32	68.49
PERCENTAGE TO SMC					0.0%	19.4%	11.9%	15.3%	22.9%	0.6%	5.2%	-1.7%	31.2%
AMES, IA	50010	MW	92.5	M10M	31.92	40.03	34.27	51.53	39.63	34.01	39.41	37.25	34.28
PERCENTAGE TO SMC					0.0%	25.4%	7.4%	61.4%	24.2%	6.5%	23.5%	16.7%	7.4%
ABERDEEN, SD	57401	MW	60	M5M	32.22	36.22	39.72	48.61	35.88	32.10	34.25	38.43	41.07
PERCENTAGE TO SMC					0.0%	12.4%	23.3%	50.9%	11.4%	-0.4%	6.3%	19.3%	27.5%
PEORIA, IL	61601	C	85	M2M	43.04	46.59	46.88	51.65	48.29	43.30	42.53	39.93	43.62
PERCENTAGE TO SMC					0.0%	8.2%	8.9%	20.0%	12.2%	0.6%	-1.2%	-7.2%	1.3%
ROLLA, MO	65401	MW	70	M2M	33.62	41.04	35.73	40.94	45.66	33.83	35.13	36.79	37.15
PERCENTAGE TO SMC					0.0%	22.1%	6.3%	21.8%	35.8%	0.6%	4.5%	9.4%	10.5%
WICHITA, KS	67201	MW	65	M5C	53.23	61.80	55.53	61.42	63.55	53.05	57.86	57.61	56.63
PERCENTAGE TO SMC					0.0%	16.1%	4.3%	15.4%	19.4%	-0.3%	8.7%	8.2%	6.4%
ALEXANDRIA, LA	71301	SW	77.5	M5M	25.29	29.35	27.73	34.09	35.67	28.23	27.13	29.48	26.92
PERCENTAGE TO SMC					0.0%	16.1%	9.6%	34.8%	41.0%	11.6%	7.3%	16.6%	6.4%
FORT SMITH, AR	72901	SW	50	M10M	17.48	20.05	17.75	19.71	23.50	18.44	20.32	18.02	19.11
PERCENTAGE TO SMC					0.0%	14.7%	1.5%	12.8%	34.4%	5.5%	16.2%	3.1%	9.3%
ABILENE, TX	79601	SW	60	L5C	56.20	67.08	62.78	60.71	65.79	55.99	69.11	60.56	64.83
PERCENTAGE TO SMC					0.0%	19.4%	11.7%	8.0%	17.1%	-0.4%	23.0%	7.8%	15.4%
PUEBLO, CO	81001	MW	50	M5M	28.82	33.43	34.83	38.78	35.08	28.86	29.95	31.64	36.74
PERCENTAGE TO SMC					0.0%	16.0%	20.9%	34.6%	21.7%	0.1%	3.9%	9.8%	27.5%
ROSWELL, NM	88201	SW	55	M5C	54.70	62.45	63.80	58.61	71.52	58.93	61.17	66.01	71.38
PERCENTAGE TO SMC					0.0%	14.2%	16.6%	7.1%	30.7%	7.7%	11.8%	20.7%	30.5%

EXPLANATION OF WEIGHTS:

- L5C ... Applies on shipments weighing less than 500 pounds.
- M5C ... Applies on shipments weighing 500 pounds or more, but less than 1,000 pounds.
- M1M ... Applies on shipments weighing 1,000 pounds or more, but less than 2,000 pounds.
- M2M ... Applies on shipments weighing 2,000 pounds or more, but less than 5,000 pounds.
- M5M ... Applies on shipments weighing 5,000 pounds or more, but less than 10,000 pounds.
- M10M ... Applies on shipments weighing 10,000 pounds or more, but less than 20,000 pounds.

Designates Lowest Rate

TERRITORIAL DESIGNATIONS:

- C Central
- E Eastern
- MW Middlewestern
- S Southern
- SW Southwestern

MARKETPLACE RATE COMPARISON

FROM						RATE IN DOLLARS AND CENTS PER 100 POUNDS								
DUBLIN, GA 31021				WEIGHT										
TO [IN ZIP ORDER]	ZIP	TERR	CLASS	GROUP	SMC	1	2	3	4	5	6	7	8	
PORTLAND, ME	04101	E	50	L5C	54.12	64.07	57.46	58.36	61.35	58.27	63.72	62.77	62.45	
PERCENTAGE TO SMC					0.0%	18.4%	6.2%	7.8%	13.4%	7.7%	17.7%	16.0%	15.4%	
BUFFALO, NY	14201	E	65	M10M	23.94	27.02	26.11	32.14	27.59	24.59	26.87	28.33	25.46	
PERCENTAGE TO SMC					0.0%	12.9%	9.1%	34.3%	15.2%	2.7%	12.2%	18.3%	6.3%	
SCRANTON, PA	18501	E	85	M5C	63.62	71.62	69.81	69.55	72.67	66.70	68.04	74.76	70.28	
PERCENTAGE TO SMC					0.0%	12.6%	9.7%	9.3%	14.2%	4.8%	6.9%	17.5%	10.5%	
DOVER, DE	19901	E	70	M1M	38.05	45.16	64.80	43.88	46.56	39.62	42.31	47.93	38.56	
PERCENTAGE TO SMC					0.0%	18.7%	70.3%	15.3%	22.4%	4.1%	11.2%	26.0%	1.3%	
AIKEN, SC	29801	S	100	M5C	36.13	52.75	38.21	41.80	45.19	36.81	49.18	56.31	36.63	
PERCENTAGE TO SMC					0.0%	46.0%	5.8%	15.7%	25.1%	1.9%	36.1%	55.9%	1.4%	
DUBLIN, GA	31021	S	55	M2M	.....	.....	.....	.....	.....	.....	.....	.....	.....	
PERCENTAGE TO SMC					.....	.....	.....	.....	.....	.....	.....	.....	.....	
JACKSON, MS	39201	S	77.5	L5C	45.71	65.10	48.02	53.56	54.53	46.54	55.35	72.03	46.32	
PERCENTAGE TO SMC					0.0%	42.4%	5.1%	17.2%	19.3%	1.8%	21.1%	57.6%	1.3%	
ELIZABETHTOWN, KY	42701	S	92.5	M1M	40.22	52.87	44.50	47.33	50.61	40.97	43.51	51.03	40.75	
PERCENTAGE TO SMC					0.0%	31.5%	10.6%	17.7%	25.8%	1.9%	8.2%	26.9%	1.3%	
AKRON, OH	44301	C	60	M10M	18.27	19.68	19.27	25.25	19.94	19.29	20.58	20.34	18.35	
PERCENTAGE TO SMC					0.0%	7.7%	5.5%	38.2%	9.1%	5.6%	12.6%	11.3%	0.4%	
SOUTH BEND, IN	46601	C	100	L5C	81.54	95.99	89.89	97.59	90.00	82.06	84.87	94.85	82.63	
PERCENTAGE TO SMC					0.0%	17.7%	10.2%	19.7%	10.4%	0.6%	4.1%	16.3%	1.3%	
ALPENA, MI	49707	C	77.5	M1M	51.28	59.96	59.02	85.82	64.23	51.63	53.95	60.33	67.29	
PERCENTAGE TO SMC					0.0%	16.9%	15.1%	67.4%	25.3%	0.7%	5.2%	17.6%	31.2%	
AMES, IA	50010	MW	92.5	M10M	31.13	38.77	32.79	49.62	36.66	33.18	38.39	41.30	33.43	
PERCENTAGE TO SMC					0.0%	24.5%	5.3%	59.4%	17.8%	6.6%	23.3%	32.7%	7.4%	
ABERDEEN, SD	57401	MW	60	M5M	30.87	34.11	43.08	47.94	34.99	30.78	32.76	42.58	39.36	
PERCENTAGE TO SMC					0.0%	10.5%	39.6%	55.3%	13.3%	-0.3%	6.1%	37.9%	27.5%	
PEORIA, IL	61601	C	85	M2M	36.47	44.35	40.43	49.72	45.34	36.70	39.29	43.83	36.96	
PERCENTAGE TO SMC					0.0%	21.6%	10.9%	36.3%	24.3%	0.6%	7.7%	20.2%	1.3%	
ROLLA, MO	65401	MW	70	M2M	32.67	39.93	35.72	39.31	42.28	32.86	34.03	42.68	36.10	
PERCENTAGE TO SMC					0.0%	22.2%	9.3%	20.3%	29.4%	0.6%	4.2%	30.6%	10.5%	
WICHITA, KS	67201	MW	65	M5C	51.91	59.93	55.82	59.16	58.58	51.75	56.48	67.09	55.25	
PERCENTAGE TO SMC					0.0%	15.4%	7.5%	14.0%	12.8%	-0.3%	8.8%	29.2%	6.4%	
ALEXANDRIA, LA	71301	SW	77.5	M5M	23.93	28.04	27.63	32.21	31.16	26.70	25.80	31.25	25.48	
PERCENTAGE TO SMC					0.0%	17.2%	15.5%	34.6%	30.2%	11.6%	7.8%	30.6%	6.5%	
FORT SMITH, AR	72901	SW	50	M10M	16.98	19.58	17.76	18.05	21.67	17.91	20.18	20.89	18.57	
PERCENTAGE TO SMC					0.0%	15.3%	4.6%	6.3%	27.6%	5.5%	18.8%	23.0%	9.4%	
ABILENE, TX	79601	SW	60	L5C	53.45	64.11	61.39	58.96	61.65	53.26	66.73	68.24	61.70	
PERCENTAGE TO SMC					0.0%	19.9%	14.9%	10.3%	15.3%	-0.4%	24.8%	27.7%	15.4%	
PUEBLO, CO	81001	MW	50	M5M	27.64	31.46	45.54	37.67	31.10	27.67	28.42	37.02	35.24	
PERCENTAGE TO SMC					0.0%	13.8%	64.8%	36.3%	12.5%	0.1%	2.8%	33.9%	27.5%	
ROSWELL, NM	88201	SW	55	M5C	52.32	58.87	62.62	56.12	62.25	56.36	58.73	74.75	68.29	
PERCENTAGE TO SMC					0.0%	12.5%	19.7%	7.3%	19.0%	7.7%	12.3%	42.9%	30.5%	

EXPLANATION OF WEIGHTS:

L5C ... Applies on shipments weighing less than 500 pounds.
M5C ... Applies on shipments weighing 500 pounds or more, but less than 1,000 pounds.
M1M ... Applies on shipments weighing 1,000 pounds or more, but less than 2,000 pounds.
M2M ... Applies on shipments weighing 2,000 pounds or more, but less than 5,000 pounds.
M5M ... Applies on shipments weighing 5,000 pounds or more, but less than 10,000 pounds.
M10M ... Applies on shipments weighing 10,000 pounds or more, but less than 20,000 pounds.

Designates Lowest Rate

TERRITORIAL DESIGNATIONS:

C Central
E Eastern
MW Middlewestern
S Southern
SW Southwestern

MARKETPLACE RATE COMPARISON

FROM					RATE IN DOLLARS AND CENTS PER 100 POUNDS									
ELIZABETHTOWN, KY 42701					WEIGHT									
TO [IN ZIP ORDER]	ZIP	TERR	CLASS	GROUP	SMC	1	2	3	4	5	6	7	8	
PORTLAND, ME	04101	E	50	L5C	50.35	57.83	52.92	56.12	51.92	55.56	59.08	50.98	58.08	
PERCENTAGE TO SMC					0.0%	14.9%	5.1%	11.5%	3.1%	10.3%	17.3%	1.3%	15.4%	
BUFFALO, NY	14201	E	65	M10M	17.07	17.58	19.94	24.13	20.25	17.28	19.35	17.91	18.17	
PERCENTAGE TO SMC					0.0%	3.0%	16.8%	41.4%	18.6%	1.2%	13.4%	4.9%	6.4%	
SCRANTON, PA	18501	E	85	M5C	56.12	61.18	61.03	65.35	58.30	61.88	56.08	58.66	61.99	
PERCENTAGE TO SMC					0.0%	9.0%	8.7%	16.4%	3.9%	10.3%	-0.1%	4.5%	10.5%	
DOVER, DE	19901	E	70	M1M	40.21	44.33	42.99	44.63	42.24	42.33	42.54	41.24	44.42	
PERCENTAGE TO SMC					0.0%	10.2%	6.9%	11.0%	5.0%	5.3%	5.8%	2.6%	10.5%	
AIKEN, SC	29801	S	100	M5C	55.93	73.26	61.38	65.75	64.93	56.94	60.67	56.48	56.69	
PERCENTAGE TO SMC					0.0%	31.0%	9.7%	17.6%	16.1%	1.8%	8.5%	1.0%	1.4%	
DUBLIN, GA	31021	S	55	M2M	22.18	27.46	23.93	23.93	25.65	22.38	22.84	26.91	22.27	
PERCENTAGE TO SMC					0.0%	23.8%	7.9%	7.9%	15.6%	0.9%	3.0%	21.3%	0.4%	
JACKSON, MS	39201	S	77.5	L5C	46.42	62.86	51.04	72.03	58.63	47.27	53.08	47.82	47.03	
PERCENTAGE TO SMC					0.0%	35.4%	10.0%	55.2%	26.3%	1.8%	14.3%	3.0%	1.3%	
ELIZABETHTOWN, KY	42701	S	92.5	M1M	.....	.....	.....	.....	.....	.....	.....	.....	.....	
PERCENTAGE TO SMC					.....	.....	.....	.....	.....	.....	.....	.....	.....	
AKRON, OH	44301	C	60	M10M	12.59	12.60	13.08	17.31	16.14	13.36	15.04	13.17	12.64	
PERCENTAGE TO SMC					0.0%	0.1%	3.9%	37.5%	28.2%	6.1%	19.5%	4.6%	0.4%	
SOUTH BEND, IN	46601	C	100	L5C	64.19	76.89	66.88	75.91	85.71	64.90	84.35	68.07	65.07	
PERCENTAGE TO SMC					0.0%	19.8%	4.2%	18.3%	33.5%	1.1%	31.4%	6.0%	1.4%	
ALPENA, MI	49707	C	77.5	M1M	39.96	46.26	42.57	45.93	57.94	40.41	40.76	39.83	48.52	
PERCENTAGE TO SMC					0.0%	15.8%	6.5%	14.9%	45.0%	1.1%	2.0%	-0.3%	21.4%	
AMES, IA	50010	MW	92.5	M10M	22.63	26.24	24.41	35.31	29.02	24.24	27.58	27.32	22.93	
PERCENTAGE TO SMC					0.0%	16.0%	7.9%	56.0%	28.2%	7.1%	21.9%	20.7%	1.3%	
ABERDEEN, SD	57401	MW	60	M5M	24.84	26.38	29.81	36.53	26.64	25.38	26.11	30.00	31.67	
PERCENTAGE TO SMC					0.0%	6.2%	20.0%	47.1%	7.2%	2.2%	5.1%	20.8%	27.5%	
PEORIA, IL	61601	C	85	M2M	25.71	32.31	27.48	34.37	34.13	26.00	28.62	32.42	26.07	
PERCENTAGE TO SMC					0.0%	25.7%	6.9%	33.7%	32.7%	1.1%	11.3%	26.1%	1.4%	
ROLLA, MO	65401	MW	70	M2M	23.77	27.71	24.46	29.12	33.98	24.04	23.23	25.31	24.09	
PERCENTAGE TO SMC					0.0%	16.6%	2.9%	22.5%	43.0%	1.1%	-2.3%	6.5%	1.3%	
WICHITA, KS	67201	MW	65	M5C	43.45	48.91	43.00	49.97	48.49	44.41	44.69	47.35	46.24	
PERCENTAGE TO SMC					0.0%	12.6%	-1.0%	15.0%	11.6%	2.2%	2.9%	9.0%	6.4%	
ALEXANDRIA, LA	71301	SW	77.5	M5M	23.60	25.95	26.74	36.69	29.59	25.09	24.92	26.49	25.10	
PERCENTAGE TO SMC					0.0%	10.0%	13.3%	55.5%	25.4%	6.3%	5.6%	12.2%	6.4%	
FORT SMITH, AR	72901	SW	50	M10M	14.15	15.15	15.12	17.54	19.02	15.32	16.77	15.71	14.20	
PERCENTAGE TO SMC					0.0%	7.1%	6.9%	24.0%	34.4%	8.3%	18.5%	11.0%	0.4%	
ABILENE, TX	79601	SW	60	L5C	50.71	58.48	58.08	57.24	53.84	53.54	62.78	56.62	58.51	
PERCENTAGE TO SMC					0.0%	15.3%	14.5%	12.9%	6.2%	5.6%	23.8%	11.7%	15.4%	
PUEBLO, CO	81001	MW	50	M5M	24.12	26.44	29.59	40.31	24.79	24.65	23.88	28.08	30.73	
PERCENTAGE TO SMC					0.0%	9.6%	22.7%	67.1%	2.8%	2.2%	-1.0%	16.4%	27.4%	
ROSWELL, NM	88201	SW	55	M5C	49.94	54.54	59.66	60.19	54.38	53.80	54.66	61.74	65.18	
PERCENTAGE TO SMC					0.0%	9.2%	19.5%	20.5%	8.9%	7.7%	9.5%	23.6%	30.5%	

EXPLANATION OF WEIGHTS:

- L5C ... Applies on shipments weighing less than 500 pounds.
- M5C ... Applies on shipments weighing 500 pounds or more, but less than 1,000 pounds.
- M1M ... Applies on shipments weighing 1,000 pounds or more, but less than 2,000 pounds.
- M2M ... Applies on shipments weighing 2,000 pounds or more, but less than 5,000 pounds.
- M5M ... Applies on shipments weighing 5,000 pounds or more, but less than 10,000 pounds.
- M10M ... Applies on shipments weighing 10,000 pounds or more, but less than 20,000 pounds.

Designates Lowest Rate

TERRITORIAL DESIGNATIONS:

- C Central
- E Eastern
- MW Middlewestern
- S Southern
- SW Southwestern

MARKETPLACE RATE COMPARISON

FROM					RATE IN DOLLARS AND CENTS PER 100 POUNDS									
FLORENCE, AL 35630	ZIP	TERR	CLASS	WEIGHT GROUP	SMC	1	2	3	4	5	6	7	8	
TO [IN ZIP ORDER]														
PORTLAND, ME	04101	E	50	L5C	55.38	63.08	58.81	60.76	60.84	59.59	65.69	56.48	63.89	
PERCENTAGE TO SMC					0.0%	13.9%	6.2%	9.7%	9.9%	7.6%	18.6%	2.0%	15.4%	
BUFFALO, NY	14201	E	65	M10M	21.43	21.85	23.39	30.74	25.07	21.59	24.21	22.33	22.81	
PERCENTAGE TO SMC					0.0%	2.0%	9.1%	43.4%	17.0%	0.7%	13.0%	4.2%	6.4%	
SCRANTON, PA	18501	E	85	M5C	65.36	70.50	71.70	73.47	72.94	69.22	68.72	67.26	72.19	
PERCENTAGE TO SMC					0.0%	7.9%	9.7%	12.4%	11.6%	5.9%	5.1%	2.9%	10.4%	
DOVER, DE	19901	E	70	M1M	42.56	46.70	45.95	47.89	47.47	44.61	46.09	43.46	47.01	
PERCENTAGE TO SMC					0.0%	9.7%	8.0%	12.5%	11.5%	4.8%	8.3%	2.1%	10.5%	
AIKEN, SC	29801	S	100	M5C	52.56	68.30	55.19	57.15	64.99	53.55	56.36	59.23	53.26	
PERCENTAGE TO SMC					0.0%	29.9%	5.0%	8.7%	23.6%	1.9%	7.2%	12.7%	1.3%	
DUBLIN, GA	31021	S	55	M2M	20.16	24.52	20.82	18.22	22.50	20.34	24.98	28.86	20.24	
PERCENTAGE TO SMC					0.0%	21.6%	3.3%	-9.6%	11.6%	0.9%	23.9%	43.2%	0.4%	
JACKSON, MS	39201	S	77.5	L5C	37.15	52.71	39.06	44.69	50.60	37.84	44.81	53.17	37.64	
PERCENTAGE TO SMC					0.0%	41.9%	5.1%	20.3%	36.2%	1.9%	20.6%	43.1%	1.3%	
ELIZABETHTOWN, KY	42701	S	92.5	M1M	28.77	38.88	32.24	37.74	36.74	29.30	39.26	41.67	29.14	
PERCENTAGE TO SMC					0.0%	35.1%	12.1%	31.2%	27.7%	1.8%	36.5%	44.8%	1.3%	
AKRON, OH	44301	C	60	M10M	14.35	15.16	15.54	23.33	18.62	15.15	17.76	15.62	14.42	
PERCENTAGE TO SMC					0.0%	5.6%	8.3%	62.6%	29.8%	5.6%	23.8%	8.9%	0.5%	
SOUTH BEND, IN	46601	C	100	L5C	73.07	85.80	82.42	86.91	87.62	73.53	78.15	79.23	74.06	
PERCENTAGE TO SMC					0.0%	17.4%	12.8%	18.9%	19.9%	0.6%	7.0%	8.4%	1.4%	
ALPENA, MI	49707	C	77.5	M1M	47.60	52.69	54.85	54.81	57.40	47.89	49.83	46.99	62.46	
PERCENTAGE TO SMC					0.0%	10.7%	15.2%	15.1%	20.6%	0.6%	4.7%	-1.3%	31.2%	
AMES, IA	50010	MW	92.5	M10M	23.94	28.54	26.79	38.92	33.34	25.49	30.89	29.55	25.73	
PERCENTAGE TO SMC					0.0%	19.2%	11.9%	62.6%	39.3%	6.5%	29.0%	23.4%	7.5%	
ABERDEEN, SD	57401	MW	60	M5M	26.17	27.82	33.76	40.56	31.91	26.09	27.45	31.73	33.38	
PERCENTAGE TO SMC					0.0%	6.3%	29.0%	55.0%	21.9%	-0.3%	4.9%	21.2%	27.6%	
PEORIA, IL	61601	C	85	M2M	32.25	36.00	36.67	40.87	37.62	32.44	32.92	35.80	32.70	
PERCENTAGE TO SMC					0.0%	11.6%	13.7%	26.7%	16.7%	0.6%	2.1%	11.0%	1.4%	
ROLLA, MO	65401	MW	70	M2M	24.97	29.61	27.75	28.85	35.33	25.13	25.94	30.22	25.31	
PERCENTAGE TO SMC					0.0%	18.6%	11.1%	15.5%	41.5%	0.6%	3.9%	21.0%	1.4%	
WICHITA, KS	67201	MW	65	M5C	41.66	46.68	45.56	49.45	53.73	41.54	43.86	46.24	44.34	
PERCENTAGE TO SMC					0.0%	12.0%	9.4%	18.7%	29.0%	-0.3%	5.3%	11.0%	6.4%	
ALEXANDRIA, LA	71301	SW	77.5	M5M	21.22	22.57	24.61	27.21	29.95	23.68	21.88	31.21	21.31	
PERCENTAGE TO SMC					0.0%	6.4%	16.0%	28.2%	41.1%	11.6%	3.1%	47.1%	0.4%	
FORT SMITH, AR	72901	SW	50	M10M	12.51	12.62	13.49	13.41	17.97	13.18	14.52	16.65	12.54	
PERCENTAGE TO SMC					0.0%	0.9%	7.8%	7.2%	43.6%	5.4%	16.1%	33.1%	0.2%	
ABILENE, TX	79601	SW	60	L5C	46.62	54.25	53.57	50.10	56.73	46.43	59.93	52.88	50.98	
PERCENTAGE TO SMC					0.0%	16.4%	14.9%	7.5%	21.7%	-0.4%	28.5%	13.4%	9.4%	
PUEBLO, CO	81001	MW	50	M5M	23.52	25.82	29.25	30.53	26.85	23.56	23.89	26.97	29.98	
PERCENTAGE TO SMC					0.0%	9.8%	24.4%	29.8%	14.2%	0.2%	1.6%	14.7%	27.5%	
ROSWELL, NM	88201	SW	55	M5C	45.21	49.85	54.15	49.89	57.46	48.68	51.09	57.43	58.98	
PERCENTAGE TO SMC					0.0%	10.3%	19.8%	10.4%	27.1%	7.7%	13.0%	27.0%	30.5%	

EXPLANATION OF WEIGHTS:

- L5C . . . Applies on shipments weighing less than 500 pounds.
- M5C . . . Applies on shipments weighing 500 pounds or more, but less than 1,000 pounds.
- M1M . . . Applies on shipments weighing 1,000 pounds or more, but less than 2,000 pounds.
- M2M . . . Applies on shipments weighing 2,000 pounds or more, but less than 5,000 pounds.
- M5M . . . Applies on shipments weighing 5,000 pounds or more, but less than 10,000 pounds.
- M10M . . . Applies on shipments weighing 10,000 pounds or more, but less than 20,000 pounds.

Designates Lowest Rate

TERRITORIAL DESIGNATIONS:

- C Central
- E Eastern
- MW Middlewestern
- S Southern
- SW Southwestern

MARKETPLACE RATE COMPARISON

FROM		WEIGHT				RATE IN DOLLARS AND CENTS PER 100 POUNDS								
JACKSON, MS 39201	TO [IN ZIP ORDER]	ZIP	TERR	CLASS	GROUP	SMC	1	2	3	4	5	6	7	8
PORTLAND, ME	04101	E	50	L5C		61.68	70.93	63.52	62.81	67.53	65.82	71.20	60.05	71.16
PERCENTAGE TO SMC						0.0%	15.0%	3.0%	1.8%	9.5%	6.7%	15.4%	-2.6%	15.4%
BUFFALO, NY	14201	E	65	M10M		24.57	25.80	26.02	33.83	27.41	24.75	26.95	25.06	26.15
PERCENTAGE TO SMC						0.0%	5.0%	5.9%	37.7%	11.6%	0.7%	9.7%	2.0%	6.4%
SCRANTON, PA	18501	E	85	M5C		72.21	78.67	76.85	82.26	79.63	75.61	73.93	70.04	79.77
PERCENTAGE TO SMC						0.0%	8.9%	6.4%	13.9%	10.3%	4.7%	2.4%	-3.0%	10.5%
DOVER, DE	19901	E	70	M1M		47.29	52.31	49.53	55.14	51.71	49.37	48.34	46.02	52.22
PERCENTAGE TO SMC						0.0%	10.6%	4.7%	16.6%	9.3%	4.4%	2.2%	-2.7%	10.4%
AIKEN, SC	29801	S	100	M5C		55.93	74.72	56.90	59.94	73.29	56.94	60.67	59.92	56.69
PERCENTAGE TO SMC						0.0%	33.6%	1.7%	7.2%	31.0%	1.8%	8.5%	7.1%	1.4%
DUBLIN, GA	31021	S	55	M2M		21.17	26.47	21.18	21.73	25.25	21.37	21.39	22.43	21.26
PERCENTAGE TO SMC						0.0%	25.0%	0.0%	2.6%	19.3%	0.9%	1.0%	6.0%	0.4%
JACKSON, MS	39201	S	77.5	L5C		.....	.....	.....	.....	.....	.....	.....	.....	.....
PERCENTAGE TO SMC						.....	.....	.....	.....	.....	.....	.....	.....	.....
ELIZABETHTOWN, KY	42701	S	92.5	M1M		39.00	49.76	41.92	49.43	48.06	39.72	39.33	37.44	39.54
PERCENTAGE TO SMC						0.0%	27.6%	7.5%	26.7%	23.2%	1.8%	0.8%	-4.0%	1.4%
AKRON, OH	44301	C	60	M10M		18.98	18.67	19.44	29.67	20.56	20.05	21.45	18.22	19.06
PERCENTAGE TO SMC						0.0%	-1.6%	2.4%	56.3%	8.3%	5.6%	13.0%	-4.0%	0.4%
SOUTH BEND, IN	46601	C	100	L5C		80.59	92.81	86.49	108.71	85.47	81.11	80.41	82.33	81.67
PERCENTAGE TO SMC						0.0%	15.2%	7.3%	34.9%	6.1%	0.6%	-0.2%	2.2%	1.3%
ALPENA, MI	49707	C	77.5	M1M		51.28	59.13	57.38	66.93	62.66	51.63	53.71	51.32	67.29
PERCENTAGE TO SMC						0.0%	15.3%	11.9%	30.5%	22.2%	0.7%	4.7%	0.1%	31.2%
AMES, IA	50010	MW	92.5	M10M		27.95	32.20	30.04	47.06	32.66	29.78	34.17	31.55	28.31
PERCENTAGE TO SMC						0.0%	15.2%	7.5%	68.4%	16.9%	6.5%	22.3%	12.9%	1.3%
ABERDEEN, SD	57401	MW	60	M5M		28.19	30.59	35.17	41.90	31.74	28.09	28.91	33.33	35.94
PERCENTAGE TO SMC						0.0%	8.5%	24.8%	48.6%	12.6%	-0.4%	2.6%	18.2%	27.5%
PEORIA, IL	61601	C	85	M2M		33.95	39.01	37.43	50.38	36.95	34.16	33.97	36.42	34.41
PERCENTAGE TO SMC						0.0%	14.9%	10.3%	48.4%	8.8%	0.6%	0.1%	7.3%	1.4%
ROLLA, MO	65401	MW	70	M2M		26.97	33.46	29.07	33.50	36.77	27.13	28.75	31.64	27.34
PERCENTAGE TO SMC						0.0%	24.1%	7.8%	24.2%	36.3%	0.6%	6.6%	17.3%	1.4%
WICHITA, KS	67201	MW	65	M5C		42.28	48.39	44.23	49.45	49.68	42.14	43.28	58.40	44.98
PERCENTAGE TO SMC						0.0%	14.5%	4.6%	17.0%	17.5%	-0.3%	2.4%	38.1%	6.4%
ALEXANDRIA, LA	71301	SW	77.5	M5M		13.93	16.50	15.91	21.38	21.22	15.55	18.18	21.17	13.98
PERCENTAGE TO SMC						0.0%	18.4%	14.2%	53.5%	52.3%	11.6%	30.5%	52.0%	0.4%
FORT SMITH, AR	72901	SW	50	M10M		12.29	12.52	12.88	13.36	17.28	12.96	13.54	16.51	12.32
PERCENTAGE TO SMC						0.0%	1.9%	4.8%	8.7%	40.6%	5.5%	10.2%	34.3%	0.2%
ABILENE, TX	79601	SW	60	L5C		40.48	47.55	46.52	42.95	48.94	40.33	52.22	57.81	44.28
PERCENTAGE TO SMC						0.0%	17.5%	14.9%	6.1%	20.9%	-0.4%	29.0%	42.8%	9.4%
PUEBLO, CO	81001	MW	50	M5M		22.94	25.65	27.77	31.50	24.96	22.97	23.18	25.75	29.25
PERCENTAGE TO SMC						0.0%	11.8%	21.1%	37.3%	8.8%	0.1%	1.0%	12.2%	27.5%
ROSWELL, NM	88201	SW	55	M5C		41.64	47.22	48.66	43.16	50.49	44.85	47.39	51.10	54.31
PERCENTAGE TO SMC						0.0%	13.4%	16.9%	3.7%	21.3%	7.7%	13.8%	22.7%	30.4%

EXPLANATION OF WEIGHTS:

L5C ... Applies on shipments weighing less than 500 pounds.
M5C ... Applies on shipments weighing 500 pounds or more, but less than 1,000 pounds.
M1M ... Applies on shipments weighing 1,000 pounds or more, but less than 2,000 pounds.
M2M ... Applies on shipments weighing 2,000 pounds or more, but less than 5,000 pounds.
M5M ... Applies on shipments weighing 5,000 pounds or more, but less than 10,000 pounds.
M10M ... Applies on shipments weighing 10,000 pounds or more, but less than 20,000 pounds.

Designates Lowest Rate

TERRITORIAL DESIGNATIONS:

C Central
E Eastern
MW Middlewestern
S Southern
SW Southwestern

MARKETPLACE RATE COMPARISON

FROM					RATE IN DOLLARS AND CENTS PER 100 POUNDS									
JACKSON, TN 38301	WEIGHT													
TO [IN ZIP ORDER]	ZIP	TERR	CLASS	GROUP	SMC	1	2	3	4	5	6	7	8	
PORTLAND, ME	04101	E	50	L5C	56.63	61.50	58.40	61.36	64.10	64.65	66.48	60.49	65.34	
PERCENTAGE TO SMC					0.0%	8.6%	3.1%	8.4%	13.2%	14.2%	17.4%	6.8%	15.4%	
BUFFALO, NY	14201	E	65	M10M	21.43	21.85	22.71	30.06	25.03	21.59	24.71	23.42	22.81	
PERCENTAGE TO SMC					0.0%	2.0%	6.0%	40.3%	16.8%	0.7%	15.3%	9.3%	6.4%	
SCRANTON, PA	18501	E	85	M5C	65.36	66.95	69.61	74.45	72.09	71.01	69.78	66.75	72.19	
PERCENTAGE TO SMC					0.0%	2.4%	6.5%	13.9%	10.3%	8.6%	6.8%	2.1%	10.4%	
DOVER, DE	19901	E	70	M1M	44.93	46.65	47.10	48.70	49.57	49.04	48.34	47.94	49.64	
PERCENTAGE TO SMC					0.0%	3.8%	4.8%	8.4%	10.3%	9.1%	7.6%	6.7%	10.5%	
AIKEN, SC	29801	S	100	M5C	55.05	67.30	56.13	61.13	71.98	56.09	59.67	58.84	55.80	
PERCENTAGE TO SMC					0.0%	22.3%	2.0%	11.0%	30.8%	1.9%	8.4%	6.9%	1.4%	
DUBLIN, GA	31021	S	55	M2M	21.51	24.85	21.52	19.60	24.78	21.68	21.89	26.80	21.60	
PERCENTAGE TO SMC					0.0%	15.5%	0.0%	-8.9%	15.2%	0.8%	1.8%	24.6%	0.4%	
JACKSON, MS	39201	S	77.5	L5C	35.73	47.05	36.43	44.69	48.03	36.39	53.53	53.81	36.22	
PERCENTAGE TO SMC					0.0%	31.7%	2.0%	25.1%	34.4%	1.8%	49.8%	50.6%	1.4%	
ELIZABETHTOWN, KY	42701	S	92.5	M1M	28.77	35.75	31.30	37.05	36.93	29.30	38.74	43.57	29.14	
PERCENTAGE TO SMC					0.0%	24.3%	8.8%	28.8%	28.4%	1.8%	34.7%	51.4%	1.3%	
AKRON, OH	44301	C	60	M10M	14.35	15.16	15.09	22.70	16.23	15.15	17.73	16.51	14.42	
PERCENTAGE TO SMC					0.0%	5.6%	5.2%	58.2%	13.1%	5.6%	23.6%	15.1%	0.5%	
SOUTH BEND, IN	46601	C	100	L5C	71.23	79.28	78.46	85.65	83.82	71.64	77.46	84.11	72.18	
PERCENTAGE TO SMC					0.0%	11.3%	10.2%	20.2%	17.7%	0.6%	8.7%	18.1%	1.3%	
ALPENA, MI	49707	C	77.5	M1M	46.70	48.30	52.35	53.92	55.25	46.98	47.14	48.04	61.29	
PERCENTAGE TO SMC					0.0%	3.4%	12.1%	15.5%	18.3%	0.6%	0.9%	2.9%	31.2%	
AMES, IA	50010	MW	92.5	M10M	22.30	25.75	24.65	34.99	27.60	23.78	27.88	28.06	23.98	
PERCENTAGE TO SMC					0.0%	15.5%	10.5%	56.9%	23.8%	6.6%	25.0%	25.8%	7.5%	
ABERDEEN, SD	57401	MW	60	M5M	24.84	24.99	31.38	37.91	27.80	24.75	26.15	31.25	31.67	
PERCENTAGE TO SMC					0.0%	0.6%	26.3%	52.6%	11.9%	-0.4%	5.3%	25.8%	27.5%	
PEORIA, IL	61601	C	85	M2M	30.16	30.87	33.56	36.89	33.82	30.35	30.31	32.96	30.56	
PERCENTAGE TO SMC					0.0%	2.4%	11.3%	22.3%	12.1%	0.6%	0.5%	9.3%	1.3%	
ROLLA, MO	65401	MW	70	M2M	20.35	24.29	22.57	25.61	29.35	20.48	22.31	27.90	20.60	
PERCENTAGE TO SMC					0.0%	19.4%	10.9%	25.8%	44.2%	0.6%	9.6%	37.1%	1.2%	
WICHITA, KS	67201	MW	65	M5C	39.91	41.71	42.43	47.18	46.14	39.78	41.55	49.71	40.06	
PERCENTAGE TO SMC					0.0%	4.5%	6.3%	18.2%	15.6%	-0.3%	4.1%	24.6%	0.4%	
ALEXANDRIA, LA	71301	SW	77.5	M5M	20.21	19.42	22.89	25.97	28.18	22.54	24.65	24.57	20.27	
PERCENTAGE TO SMC					0.0%	-3.9%	13.3%	28.5%	39.4%	11.5%	22.0%	21.6%	0.3%	
FORT SMITH, AR	72901	SW	50	M10M	11.23	11.98	11.90	12.42	17.06	11.86	16.72	16.51	11.26	
PERCENTAGE TO SMC					0.0%	6.7%	6.0%	10.6%	51.9%	5.6%	48.9%	47.0%	0.3%	
ABILENE, TX	79601	SW	60	L5C	44.10	48.17	49.84	47.44	51.18	43.95	54.21	56.45	48.23	
PERCENTAGE TO SMC					0.0%	9.2%	13.0%	7.6%	16.1%	-0.3%	22.9%	28.0%	9.4%	
PUEBLO, CO	81001	MW	50	M5M	22.36	23.25	27.06	28.35	24.43	22.38	22.78	26.89	28.50	
PERCENTAGE TO SMC					0.0%	4.0%	21.0%	26.8%	9.3%	0.1%	1.9%	20.3%	27.5%	
ROSWELL, NM	88201	SW	55	M5C	44.01	46.17	51.39	48.64	50.68	47.41	50.24	58.08	57.43	
PERCENTAGE TO SMC					0.0%	4.9%	16.8%	10.5%	15.2%	7.7%	14.2%	32.0%	30.5%	

EXPLANATION OF WEIGHTS:

- L5C . . . Applies on shipments weighing less than 500 pounds.
- M5C . . . Applies on shipments weighing 500 pounds or more, but less than 1,000 pounds.
- M1M . . . Applies on shipments weighing 1,000 pounds or more, but less than 2,000 pounds.
- M2M . . . Applies on shipments weighing 2,000 pounds or more, but less than 5,000 pounds.
- M5M . . . Applies on shipments weighing 5,000 pounds or more, but less than 10,000 pounds.
- M10M . . . Applies on shipments weighing 10,000 pounds or more, but less than 20,000 pounds.

Designates Lowest Rate

TERRITORIAL DESIGNATIONS:

- C Central
- E Eastern
- MW Middlewestern
- S Southern
- SW Southwestern

MARKETPLACE RATE COMPARISON

FROM					RATE IN DOLLARS AND CENTS PER 100 POUNDS									
KNOXVILLE, TN 37901														
TO [IN ZIP ORDER]	ZIP	TERR	CLASS	WEIGHT GROUP	SMC	1	2	3	4	5	6	7	8	
PORTLAND, ME	04101	E	50	L5C	49.10	51.98	50.41	54.78	50.14	56.05	58.47	49.52	56.65	
PERCENTAGE TO SMC					0.0%	5.9%	2.7%	11.6%	2.1%	14.2%	19.1%	0.9%	15.4%	
BUFFALO, NY	14201	E	65	M10M	18.65	19.54	19.87	26.64	21.29	18.76	21.69	21.90	19.84	
PERCENTAGE TO SMC					0.0%	4.8%	6.5%	42.8%	14.2%	0.6%	16.3%	17.4%	6.4%	
SCRANTON, PA	18501	E	85	M5C	54.62	54.11	58.00	62.68	59.89	58.57	57.23	54.85	60.32	
PERCENTAGE TO SMC					0.0%	-0.9%	6.2%	14.8%	9.6%	7.2%	4.8%	0.4%	10.4%	
DOVER, DE	19901	E	70	M1M	34.98	35.70	37.28	39.87	36.36	38.21	37.98	35.23	38.65	
PERCENTAGE TO SMC					0.0%	2.1%	6.6%	14.0%	3.9%	9.2%	8.6%	0.7%	10.5%	
AIKEN, SC	29801	S	100	M5C	46.01	54.38	47.00	52.66	51.57	46.84	49.16	61.48	46.63	
PERCENTAGE TO SMC					0.0%	18.2%	2.2%	14.5%	12.1%	1.8%	6.8%	33.6%	1.3%	
DUBLIN, GA	31021	S	55	M2M	16.65	20.85	16.77	17.44	19.60	16.79	22.75	26.35	16.72	
PERCENTAGE TO SMC					0.0%	25.2%	0.7%	4.7%	17.7%	0.8%	36.6%	58.3%	0.4%	
JACKSON, MS	39201	S	77.5	L5C	46.42	56.95	46.37	53.56	56.99	47.27	55.84	63.61	47.03	
PERCENTAGE TO SMC					0.0%	22.7%	-0.1%	15.4%	22.8%	1.8%	20.3%	37.0%	1.3%	
ELIZABETHTOWN, KY	42701	S	92.5	M1M	28.77	34.65	31.17	35.97	31.77	29.30	38.51	41.05	29.14	
PERCENTAGE TO SMC					0.0%	20.4%	8.3%	25.0%	10.4%	1.8%	33.9%	42.7%	1.3%	
AKRON, OH	44301	C	60	M10M	13.47	13.50	14.18	19.53	14.13	14.23	16.24	14.24	13.52	
PERCENTAGE TO SMC					0.0%	0.2%	5.3%	45.0%	4.9%	5.6%	20.6%	5.7%	0.4%	
SOUTH BEND, IN	46601	C	100	L5C	71.23	77.52	78.46	84.49	76.62	71.64	77.41	79.38	72.18	
PERCENTAGE TO SMC					0.0%	8.8%	10.2%	18.6%	7.6%	0.6%	8.7%	11.4%	1.3%	
ALPENA, MI	49707	C	77.5	M1M	46.70	46.79	52.10	50.34	50.60	46.98	47.31	48.25	61.29	
PERCENTAGE TO SMC					0.0%	0.2%	11.6%	7.8%	8.4%	0.6%	1.3%	3.3%	31.2%	
AMES, IA	50010	MW	92.5	M10M	27.95	30.60	29.90	42.78	31.31	29.78	34.44	34.87	30.01	
PERCENTAGE TO SMC					0.0%	9.5%	7.0%	53.1%	12.0%	6.5%	23.2%	24.8%	7.4%	
ABERDEEN, SD	57401	MW	60	M5M	27.52	27.00	34.25	41.21	28.92	27.44	29.23	35.58	35.08	
PERCENTAGE TO SMC					0.0%	-1.9%	24.5%	49.7%	5.1%	-0.3%	6.2%	29.3%	27.5%	
PEORIA, IL	61601	C	85	M2M	33.11	34.04	36.16	41.86	35.29	33.30	34.08	35.27	33.54	
PERCENTAGE TO SMC					0.0%	2.8%	9.2%	26.4%	6.6%	0.6%	2.9%	6.5%	1.3%	
ROLLA, MO	65401	MW	70	M2M	27.36	30.28	29.33	34.48	35.00	27.54	28.98	33.81	27.74	
PERCENTAGE TO SMC					0.0%	10.7%	7.2%	26.0%	27.9%	0.7%	5.9%	23.6%	1.4%	
WICHITA, KS	67201	MW	65	M5C	49.25	50.57	51.15	54.68	53.29	49.09	52.59	58.64	49.44	
PERCENTAGE TO SMC					0.0%	2.7%	3.9%	11.0%	8.2%	-0.3%	6.8%	19.1%	0.4%	
ALEXANDRIA, LA	71301	SW	77.5	M5M	24.29	24.47	26.38	32.21	31.03	27.09	25.97	30.39	24.38	
PERCENTAGE TO SMC					0.0%	0.7%	8.6%	32.6%	27.7%	11.5%	6.9%	25.1%	0.4%	
FORT SMITH, AR	72901	SW	50	M10M	14.78	15.67	14.85	16.73	19.21	15.58	18.17	17.05	14.83	
PERCENTAGE TO SMC					0.0%	6.0%	0.5%	13.2%	30.0%	5.4%	22.9%	15.4%	0.3%	
ABILENE, TX	79601	SW	60	L5C	53.45	56.37	59.15	56.30	55.00	53.26	66.15	64.05	58.48	
PERCENTAGE TO SMC					0.0%	5.5%	10.7%	5.3%	2.9%	-0.4%	23.8%	19.8%	9.4%	
PUEBLO, CO	81001	MW	50	M5M	26.47	26.95	31.68	34.37	26.52	26.50	27.13	29.96	33.74	
PERCENTAGE TO SMC					0.0%	1.8%	19.7%	29.8%	0.2%	0.1%	2.5%	13.2%	27.5%	
ROSWELL, NM	88201	SW	55	M5C	52.32	52.69	60.40	55.50	58.01	56.36	58.31	64.67	68.29	
PERCENTAGE TO SMC					0.0%	0.7%	15.4%	6.1%	10.9%	7.7%	11.4%	23.6%	30.5%	

EXPLANATION OF WEIGHTS:

L5C . . . Applies on shipments weighing less than 500 pounds.
M5C . . . Applies on shipments weighing 500 pounds or more, but less than 1,000 pounds.
M1M . . . Applies on shipments weighing 1,000 pounds or more, but less than 2,000 pounds.
M2M . . . Applies on shipments weighing 2,000 pounds or more, but less than 5,000 pounds.
M5M . . . Applies on shipments weighing 5,000 pounds or more, but less than 10,000 pounds.
M10M . . . Applies on shipments weighing 10,000 pounds or more, but less than 20,000 pounds.

Designates Lowest Rate

TERRITORIAL DESIGNATIONS:

C Central
E Eastern
MW Middlewestern
S Southern
SW Southwestern

MARKETPLACE RATE COMPARISON

FROM					RATE IN DOLLARS AND CENTS PER 100 POUNDS									
MOBILE, AL 36601	ZIP	TERR	CLASS	WEIGHT GROUP	SMC	1	2	3	4	5	6	7	8	
TO [IN ZIP ORDER]														
PORTLAND, ME	04101	E	50	L5C	60.42	70.30	62.27	65.54	65.77	65.00	70.52	58.91	69.70	
PERCENTAGE TO SMC					0.0%	16.4%	3.1%	8.5%	8.9%	7.6%	16.7%	-2.5%	15.4%	
BUFFALO, NY	14201	E	65	M10M	25.83	27.45	27.32	38.94	28.95	26.00	29.21	26.39	27.49	
PERCENTAGE TO SMC					0.0%	6.3%	5.8%	50.8%	12.1%	0.7%	13.1%	2.2%	6.4%	
SCRANTON, PA	18501	E	85	M5C	72.21	79.45	76.85	82.26	79.63	76.50	75.99	70.04	79.77	
PERCENTAGE TO SMC					0.0%	10.0%	6.4%	13.9%	10.3%	5.9%	5.2%	-3.0%	10.5%	
DOVER, DE	19901	E	70	M1M	47.29	52.81	49.53	54.37	51.71	49.56	48.82	46.02	52.22	
PERCENTAGE TO SMC					0.0%	11.7%	4.7%	15.0%	9.3%	4.8%	3.2%	-2.7%	10.4%	
AIKEN, SC	29801	S	100	M5C	53.38	71.57	54.43	60.16	71.98	54.37	57.48	56.65	54.09	
PERCENTAGE TO SMC					0.0%	34.1%	2.0%	12.7%	34.8%	1.9%	7.7%	6.1%	1.3%	
DUBLIN, GA	31021	S	55	M2M	20.16	25.16	20.23	17.83	24.18	20.34	24.34	27.98	20.24	
PERCENTAGE TO SMC					0.0%	24.8%	0.3%	-11.6%	19.9%	0.9%	20.7%	38.8%	0.4%	
JACKSON, MS	39201	S	77.5	L5C	31.42	47.95	32.08	38.30	42.22	32.00	47.88	44.59	31.86	
PERCENTAGE TO SMC					0.0%	52.6%	2.1%	21.9%	34.4%	1.8%	52.4%	41.9%	1.4%	
ELIZABETHTOWN, KY	42701	S	92.5	M1M	41.47	53.89	44.45	50.51	50.91	42.21	44.84	40.62	42.03	
PERCENTAGE TO SMC					0.0%	29.9%	7.2%	21.8%	22.8%	1.8%	8.1%	-2.0%	1.4%	
AKRON, OH	44301	C	60	M10M	19.34	19.51	19.78	30.92	21.09	20.44	22.74	18.88	19.44	
PERCENTAGE TO SMC					0.0%	0.9%	2.3%	59.9%	9.0%	5.7%	17.6%	-2.4%	0.5%	
SOUTH BEND, IN	46601	C	100	L5C	84.62	97.41	90.77	102.40	91.54	85.14	90.62	85.79	85.76	
PERCENTAGE TO SMC					0.0%	15.1%	7.3%	21.0%	8.2%	0.6%	7.1%	1.4%	1.3%	
ALPENA, MI	49707	C	77.5	M1M	54.03	63.87	60.47	65.48	66.54	54.38	56.10	54.89	70.91	
PERCENTAGE TO SMC					0.0%	18.2%	11.9%	21.2%	23.2%	0.6%	3.8%	1.6%	31.2%	
AMES, IA	50010	MW	92.5	M10M	30.34	35.47	32.57	49.62	34.46	32.31	37.30	34.41	32.57	
PERCENTAGE TO SMC					0.0%	16.9%	7.4%	63.5%	13.6%	6.5%	22.9%	13.4%	7.4%	
ABERDEEN, SD	57401	MW	60	M5M	30.20	33.14	37.43	46.62	33.47	30.10	32.19	35.70	38.49	
PERCENTAGE TO SMC					0.0%	9.7%	23.9%	54.4%	10.8%	-0.3%	6.6%	18.2%	27.5%	
PEORIA, IL	61601	C	85	M2M	36.47	43.59	39.28	51.65	43.20	36.70	38.83	40.64	36.96	
PERCENTAGE TO SMC					0.0%	19.5%	7.7%	41.6%	18.5%	0.6%	6.5%	11.4%	1.3%	
ROLLA, MO	65401	MW	70	M2M	29.36	37.63	31.09	36.09	40.49	29.55	31.54	35.46	29.75	
PERCENTAGE TO SMC					0.0%	28.2%	5.9%	22.9%	37.9%	0.6%	7.4%	20.8%	1.3%	
WICHITA, KS	67201	MW	65	M5C	46.60	53.91	48.66	56.18	55.30	46.45	51.01	49.21	49.57	
PERCENTAGE TO SMC					0.0%	15.7%	4.4%	20.6%	18.7%	-0.3%	9.5%	5.6%	6.4%	
ALEXANDRIA, LA	71301	SW	77.5	M5M	16.96	20.22	19.36	23.43	25.94	18.92	22.79	26.24	17.02	
PERCENTAGE TO SMC					0.0%	19.2%	14.2%	38.1%	52.9%	11.6%	34.4%	54.7%	0.4%	
FORT SMITH, AR	72901	SW	50	M10M	13.95	15.31	14.55	15.74	19.86	14.71	20.71	19.87	14.00	
PERCENTAGE TO SMC					0.0%	9.7%	4.3%	12.8%	42.4%	5.4%	48.5%	42.4%	0.4%	
ABILENE, TX	79601	SW	60	L5C	45.34	54.42	50.64	50.10	55.23	45.18	59.16	49.65	49.60	
PERCENTAGE TO SMC					0.0%	20.0%	11.7%	10.5%	21.8%	-0.4%	30.5%	9.5%	9.4%	
PUEBLO, CO	81001	MW	50	M5M	25.29	28.60	30.60	34.37	27.58	25.33	25.90	28.48	32.23	
PERCENTAGE TO SMC					0.0%	13.1%	21.0%	35.9%	9.1%	0.2%	2.4%	12.6%	27.4%	
ROSWELL, NM	88201	SW	55	M5C	45.21	51.34	52.77	49.89	52.17	48.68	51.51	55.21	58.98	
PERCENTAGE TO SMC					0.0%	13.6%	16.7%	10.4%	15.4%	7.7%	13.9%	22.1%	30.5%	

EXPLANATION OF WEIGHTS:

L5C . . . Applies on shipments weighing less than 500 pounds.
M5C . . . Applies on shipments weighing 500 pounds or more, but less than 1,000 pounds.
M1M . . . Applies on shipments weighing 1,000 pounds or more, but less than 2,000 pounds.
M2M . . . Applies on shipments weighing 2,000 pounds or more, but less than 5,000 pounds.
M5M . . . Applies on shipments weighing 5,000 pounds or more, but less than 10,000 pounds.
M10M . . . Applies on shipments weighing 10,000 pounds or more, but less than 20,000 pounds.

Designates Lowest Rate	
TERRITORIAL DESIGNATIONS:	
C	Central
E	Eastern
MW	Midwestern
S	Southern
SW	Southwestern

MARKETPLACE RATE COMPARISON

FROM		WEIGHT				RATE IN DOLLARS AND CENTS PER 100 POUNDS								
SHELBY, NC 28150		ZIP	TERR	CLASS	GROUP	SMC	1	2	3	4	5	6	7	8
TO [IN ZIP ORDER]														
PORTLAND, ME	04101	E	50	L5C		46.58	50.96	47.85	52.41	49.89	49.78	55.40	46.25	53.75
PERCENTAGE TO SMC						0.0%	9.4%	2.7%	12.5%	7.1%	6.9%	18.9%	-0.7%	15.4%
BUFFALO, NY	14201	E	65	M10M		21.43	22.01	22.61	25.95	22.95	22.02	24.27	22.00	22.81
PERCENTAGE TO SMC						0.0%	2.7%	5.5%	21.1%	7.1%	2.8%	13.3%	2.7%	6.4%
SCRANTON, PA	18501	E	85	M5C		53.06	53.89	57.31	59.77	55.39	55.26	54.94	73.04	58.64
PERCENTAGE TO SMC						0.0%	1.6%	8.0%	12.6%	4.4%	4.1%	3.5%	37.7%	10.5%
DOVER, DE	19901	E	70	M1M		32.94	34.06	35.19	36.62	35.29	34.08	34.95	45.59	33.38
PERCENTAGE TO SMC						0.0%	3.4%	6.8%	11.2%	7.1%	3.5%	6.1%	38.4%	1.3%
AIKEN, SC	29801	S	100	M5C		37.80	47.09	38.60	43.80	44.67	38.49	51.23	51.24	38.29
PERCENTAGE TO SMC						0.0%	24.6%	2.1%	15.9%	18.2%	1.8%	35.5%	35.6%	1.3%
DUBLIN, GA	31021	S	55	M2M		17.85	22.37	17.95	16.59	19.94	18.00	19.44	22.54	17.92
PERCENTAGE TO SMC						0.0%	25.3%	0.6%	-7.1%	11.7%	0.8%	8.9%	26.3%	0.4%
JACKSON, MS	39201	S	77.5	L5C		52.29	66.89	52.03	59.86	61.37	53.23	62.16	56.26	53.00
PERCENTAGE TO SMC						0.0%	27.9%	-0.5%	14.5%	17.4%	1.8%	18.9%	7.6%	1.4%
ELIZABETHTOWN, KY	42701	S	92.5	M1M		40.22	47.31	42.98	47.33	47.17	40.97	41.44	40.90	40.75
PERCENTAGE TO SMC						0.0%	17.6%	6.9%	17.7%	17.3%	1.9%	3.0%	1.7%	1.3%
AKRON, OH	44301	C	60	M10M		14.52	15.40	15.16	19.53	17.55	15.33	17.96	15.39	14.61
PERCENTAGE TO SMC						0.0%	6.1%	4.4%	34.5%	20.9%	5.6%	23.7%	6.0%	0.6%
SOUTH BEND, IN	46601	C	100	L5C		81.54	87.68	87.27	92.85	86.80	82.06	83.07	82.33	82.63
PERCENTAGE TO SMC						0.0%	7.5%	7.0%	13.9%	6.5%	0.6%	1.9%	1.0%	1.3%
ALPENA, MI	49707	C	77.5	M1M		50.35	53.96	56.10	55.71	57.29	50.69	52.97	48.23	66.08
PERCENTAGE TO SMC						0.0%	7.2%	11.4%	10.6%	13.8%	0.7%	5.2%	-4.2%	31.2%
AMES, IA	50010	MW	92.5	M10M		32.72	37.27	34.94	51.53	35.59	34.85	40.77	38.41	35.17
PERCENTAGE TO SMC						0.0%	13.9%	6.8%	57.5%	8.8%	6.5%	24.6%	17.4%	7.5%
ABERDEEN, SD	57401	MW	60	M5M		32.22	32.86	39.53	47.28	34.15	32.10	34.40	39.21	41.07
PERCENTAGE TO SMC						0.0%	2.0%	22.7%	46.7%	6.0%	-0.4%	6.8%	21.7%	27.5%
PEORIA, IL	61601	C	85	M2M		42.21	41.19	45.78	49.72	43.77	42.45	41.61	39.67	42.78
PERCENTAGE TO SMC						0.0%	-2.4%	8.5%	17.8%	3.7%	0.6%	-1.4%	-6.0%	1.4%
ROLLA, MO	65401	MW	70	M2M		35.54	39.66	37.58	41.75	43.02	35.75	37.66	39.73	39.26
PERCENTAGE TO SMC						0.0%	11.6%	5.7%	17.5%	21.0%	0.6%	6.0%	11.8%	10.5%
WICHITA, KS	67201	MW	65	M5C		57.22	60.03	59.37	61.42	60.51	57.04	60.64	62.32	60.89
PERCENTAGE TO SMC						0.0%	4.9%	3.8%	7.3%	5.7%	-0.3%	6.0%	8.9%	6.4%
ALEXANDRIA, LA	71301	SW	77.5	M5M		29.31	29.27	31.85	35.95	34.95	32.68	30.71	32.98	31.19
PERCENTAGE TO SMC						0.0%	-0.1%	8.7%	22.7%	19.2%	11.5%	4.8%	12.5%	6.4%
FORT SMITH, AR	72901	SW	50	M10M		18.98	19.84	18.86	32.82	21.97	20.00	22.84	19.84	20.73
PERCENTAGE TO SMC						0.0%	4.5%	-0.6%	72.9%	15.8%	5.4%	20.3%	4.5%	9.2%
ABILENE, TX	79601	SW	60	L5C		60.29	65.16	66.66	64.24	63.17	60.08	74.13	65.97	69.55
PERCENTAGE TO SMC						0.0%	8.1%	10.6%	6.6%	4.8%	-0.3%	23.0%	9.4%	15.4%
PUEBLO, CO	81001	MW	50	M5M		29.99	31.63	35.87	39.32	30.62	30.03	30.79	33.02	38.24
PERCENTAGE TO SMC						0.0%	5.5%	19.6%	31.1%	2.1%	0.1%	2.7%	10.1%	27.5%
ROSWELL, NM	88201	SW	55	M5C		58.27	60.17	67.23	59.85	64.78	62.77	64.54	70.68	76.04
PERCENTAGE TO SMC						0.0%	3.3%	15.4%	2.7%	11.2%	7.7%	10.8%	21.3%	30.5%

EXPLANATION OF WEIGHTS:

- L5C . . . Applies on shipments weighing less than 500 pounds.
- M5C . . . Applies on shipments weighing 500 pounds or more, but less than 1,000 pounds.
- M1M . . . Applies on shipments weighing 1,000 pounds or more, but less than 2,000 pounds.
- M2M . . . Applies on shipments weighing 2,000 pounds or more, but less than 5,000 pounds.
- M5M . . . Applies on shipments weighing 5,000 pounds or more, but less than 10,000 pounds.
- M10M . . . Applies on shipments weighing 10,000 pounds or more, but less than 20,000 pounds.

Designates Lowest Rate

TERRITORIAL DESIGNATIONS:

- C Central
- E Eastern
- MW Middlewestern
- S Southern
- SW Southwestern

MARKETPLACE RATE COMPARISON

FROM					RATE IN DOLLARS AND CENTS PER 100 POUNDS									
TAMPA, FL 33601	WEIGHT													
TO [IN ZIP ORDER]	ZIP	TERR	CLASS	GROUP	SMC	1	2	3	4	5	6	7	8	
PORTLAND, ME	04101	E	50	L5C	59.16	62.09	60.70	78.72	64.14	62.72	68.50	57.76	68.23	
PERCENTAGE TO SMC					0.0%	5.0%	2.6%	33.1%	8.4%	6.0%	15.8%	-2.4%	15.3%	
BUFFALO, NY	14201	E	65	M10M	28.34	28.79	29.83	45.99	30.75	30.99	32.37	28.94	30.16	
PERCENTAGE TO SMC					0.0%	1.6%	5.3%	62.3%	8.5%	9.4%	14.2%	2.1%	6.4%	
SCRANTON, PA	18501	E	85	M5C	70.50	69.71	74.66	99.47	71.16	76.90	69.95	68.71	77.87	
PERCENTAGE TO SMC					0.0%	-1.1%	5.9%	41.1%	0.9%	9.1%	-0.8%	-2.5%	10.5%	
DOVER, DE	19901	E	70	M1M	43.74	44.11	45.64	64.58	47.18	55.38	44.73	42.81	48.33	
PERCENTAGE TO SMC					0.0%	0.8%	4.3%	47.6%	7.9%	26.6%	2.3%	-2.1%	10.5%	
AIKEN, SC	29801	S	100	M5C	51.72	60.37	52.56	61.36	64.57	52.64	53.38	54.08	52.41	
PERCENTAGE TO SMC					0.0%	16.7%	1.6%	18.6%	24.8%	1.8%	3.2%	4.6%	1.3%	
DUBLIN, GA	31021	S	55	M2M	20.50	22.73	20.15	18.58	22.08	20.67	24.70	20.77	20.57	
PERCENTAGE TO SMC					0.0%	10.9%	-1.7%	-9.4%	7.7%	0.8%	20.5%	1.3%	0.3%	
JACKSON, MS	39201	S	77.5	L5C	52.29	64.94	52.03	68.76	62.81	53.23	62.01	58.83	56.18	
PERCENTAGE TO SMC					0.0%	24.2%	-0.5%	31.5%	20.1%	1.8%	18.6%	12.5%	7.4%	
ELIZABETHTOWN, KY	42701	S	92.5	M1M	51.16	58.26	54.21	76.18	61.39	52.12	52.74	51.88	51.86	
PERCENTAGE TO SMC					0.0%	13.9%	6.0%	48.9%	20.0%	1.9%	3.1%	1.4%	1.4%	
AKRON, OH	44301	C	60	M10M	20.77	20.69	21.15	37.51	21.84	21.95	24.12	21.07	20.87	
PERCENTAGE TO SMC					0.0%	-0.4%	1.8%	80.6%	5.2%	5.7%	16.1%	1.4%	0.5%	
SOUTH BEND, IN	46601	C	100	L5C	94.42	98.74	101.23	139.96	101.67	95.01	98.88	93.77	95.71	
PERCENTAGE TO SMC					0.0%	4.6%	7.2%	48.2%	7.7%	0.6%	4.7%	-0.7%	1.4%	
ALPENA, MI	49707	C	77.5	M1M	58.62	64.76	65.26	90.00	69.51	60.36	62.53	59.94	76.92	
PERCENTAGE TO SMC					0.0%	10.5%	11.3%	53.5%	18.6%	3.0%	6.7%	2.3%	31.2%	
AMES, IA	50010	MW	92.5	M10M	35.90	39.99	38.31	70.94	40.59	48.72	44.63	40.65	38.58	
PERCENTAGE TO SMC					0.0%	11.4%	6.7%	97.6%	13.1%	35.7%	24.3%	13.2%	7.5%	
ABERDEEN, SD	57401	MW	60	M5M	35.56	35.43	43.33	64.37	37.87	46.97	36.66	41.98	45.33	
PERCENTAGE TO SMC					0.0%	-0.4%	21.9%	81.0%	6.5%	32.1%	3.1%	18.1%	27.5%	
PEORIA, IL	61601	C	85	M2M	48.03	48.63	52.00	77.60	49.30	48.33	49.08	47.46	48.67	
PERCENTAGE TO SMC					0.0%	1.2%	8.3%	61.6%	2.6%	0.6%	2.2%	-1.2%	1.3%	
ROLLA, MO	65401	MW	70	M2M	38.41	41.91	40.60	59.97	45.74	38.66	40.29	42.12	42.42	
PERCENTAGE TO SMC					0.0%	9.1%	5.7%	56.1%	19.1%	0.7%	4.9%	9.7%	10.4%	
WICHITA, KS	67201	MW	65	M5C	58.55	59.57	60.75	83.37	63.06	58.36	61.57	62.40	62.31	
PERCENTAGE TO SMC					0.0%	1.7%	3.8%	42.4%	7.7%	-0.3%	5.2%	6.6%	6.4%	
ALEXANDRIA, LA	71301	SW	77.5	M5M	28.51	27.58	30.94	37.95	34.10	31.82	28.63	33.35	30.34	
PERCENTAGE TO SMC					0.0%	-3.3%	8.5%	33.1%	19.6%	11.6%	0.4%	17.0%	6.4%	
FORT SMITH, AR	72901	SW	50	M10M	19.47	19.83	19.36	24.47	23.11	20.54	23.11	19.96	21.28	
PERCENTAGE TO SMC					0.0%	1.8%	-0.6%	25.7%	18.7%	5.5%	18.7%	2.5%	9.3%	
ABILENE, TX	79601	SW	60	L5C	60.29	63.27	66.66	70.92	64.80	60.08	73.71	63.46	69.55	
PERCENTAGE TO SMC					0.0%	4.9%	10.6%	17.6%	7.5%	-0.3%	22.3%	5.3%	15.4%	
PUEBLO, CO	81001	MW	50	M5M	31.17	32.02	37.27	44.59	32.01	41.16	31.33	34.03	39.73	
PERCENTAGE TO SMC					0.0%	2.7%	19.6%	43.1%	2.7%	32.1%	0.5%	9.2%	27.5%	
ROSWELL, NM	88201	SW	55	M5C	58.27	58.42	67.23	62.32	66.14	62.77	63.05	68.20	76.04	
PERCENTAGE TO SMC					0.0%	0.3%	15.4%	7.0%	13.5%	7.7%	8.2%	17.0%	30.5%	

EXPLANATION OF WEIGHTS:

L5C ... Applies on shipments weighing less than 500 pounds.
M5C ... Applies on shipments weighing 500 pounds or more, but less than 1,000 pounds.
M1M ... Applies on shipments weighing 1,000 pounds or more, but less than 2,000 pounds.
M2M ... Applies on shipments weighing 2,000 pounds or more, but less than 5,000 pounds.
M5M ... Applies on shipments weighing 5,000 pounds or more, but less than 10,000 pounds.
M10M ... Applies on shipments weighing 10,000 pounds or more, but less than 20,000 pounds.

Designates Lowest Rate

TERRITORIAL DESIGNATIONS:

C Central
E Eastern
MW Middlewestern
S Southern
SW Southwestern

APPENDIX B

The individual carriers referred to are:

ABF Freight Systems, Inc., rates from ABF QRATE, Release 4.30 (ABF 504-T),
Effective September 13, 1999, www.abfs.com;

American Freightways, Inc., rates from AFRATE , Release 4 (ARFW 5000),
Effective October 1, 1999, www.arfw.com;

Consolidated Freightways Corporation, CFWY 555, Effective September 1, 1999;

Con-Way Transportation Services, Inc., rates from CON-WAY EXPRESS RATER,
Release 4.0, (CNWY 599), Effective October 4, 1999, www.con-way.com;

Overnite Transportation Company, rates from OVNT RATE EDGE, Release 1.2,
Effective October 1, 1999; www.ovnt.com;

Roadway Express, Inc., rates from E Z RATE, RDWY 507, Effective September 12, 1999,
www.roadway.com;

USF (including USF Dugan, USF Holland and USF Red Star) (USF 502), Effective October 4,
1999; and

Yellow Freight System, Inc. (YFSY 500), Effective September 1, 1999.

III.

**Reply Statement
Of
Daniel M. Acker
Vice President of Operations**

**Reply Statement of
Daniel M. Acker**

My name is Daniel M. Acker. I am presently employed as the Vice President of Operations of Southern Motor Carrier Rate Conference, Inc. (SMC) located at 500 Westpark Drive, Suite 300, P.O. Box 2040, Peachtree City, GA 30269. Previously I was SMC's Vice President of Planning and Analysis. In all, I have been employed by SMC for 23 years. My professional qualifications include being a registered practitioner before the Interstate Commerce Commission, now the Surface Transportation Board, and a Certified Public Accountant. My formal education includes the degree of Bachelor of Business Administration with a major in accounting, and the degree of Master of Professional Accountancy granted me by Georgia State University in 1972 and 1974, respectively. I previously submitted an Opening Statement in this proceeding.

Each industry has pricing typical to that industry. The consumer food industry typically offers the consumer coupons (discounts) to buy their product. The automotive industry has the "Sticker Price" from which the dealer and the prospective purchaser negotiate a sales price which may include rebates (discounts) from the manufacturer. Merchandisers often have a "Manufacturers Suggested Retail Price" and their "price" which is less. Furniture companies have "Inventory Reduction Sales" and other sales which are nothing more than discounts for a specified product or time period.

In reading the Comments of the Transportation Consumer Protection Council, Inc. (TCPC) and the National Small Shipments Traffic Conference, Inc. (NASSTRAC), it is quite apparent that they do not understand the pricing of the Less Than Truckload Motor Carrier Industry. Their overly simplistic, one solution, i.e. an across-the-board reduction

of the class rates cures all problems, merely highlights their misconceptions. Further, the inclusion by various Parties of numerous issues that are unrelated to this proceeding merely muddies the water and makes addressing the true issues more difficult. Such positions do not serve the needs of the shipping public, the Surface Transportation Board, or the Less Than Truckload Motor Carrier Industry.

The pricing mechanism for services in the Less Than Truckload Motor Carrier Industry that has evolved since the Motor Carrier Act of 1980 is the use of a base rate coupled with a discount. Prior to 1980 discounts, as we know them today were not allowed. Yet, for those situations that warranted prices lower than Class Rates there were Commodity and Commodity Column Rates which were the method by which legal discounts were then effectuated.

Class rates, then and now, reflect the regional characteristics of freight movement, which include both geographic and demographic factors, and the differential in costs within or between regions or territories.

Commodity Rates are rates which are specific rates published to apply on a specific commodity or group of related commodities between specific origin and destination points and, generally, via specific routes.

Commodity Column Rates are Commodity Rates that are published to apply between a specific point and specific destinations and are broader in their application to commodities than are Commodity Rates. They are less restrictive than Commodity rates, but more restrictive than Class Rates.

Typically, due to the type of freight a single shipper would have, shippers would not participate concurrently in Class, Commodity, and Commodity Column rates.

Carriers, on the other hand, could and did participate in Class, Commodity, and Commodity Column rates on a shipper by shipper basis.

The significance of these types of tariffs is the level of detail and number of specific situations that Commodity and Commodity Column rates represented prior to and in the early 1980s.

As previously indicated in my Opening Statement, in 1982, there were a total of 40 Class, Commodity, and Commodity Column Tariffs published by SMC which along with their associated tariffs represented approximately 32,000 tariff pages. By 1999, those 40 Class, Commodity, and Commodity Column Tariffs had been reduced to four tariffs with approximately 4,400 pages of tariff matter. This equates to a tenfold decrease in the number of tariffs with an 86% reduction in tariff pages.

The reason these tariffs could be eliminated was the LTL Carriers actions, pursuant to the Motor Carrier Act of 1980, of converting their Commodity and Commodity Column Tariffs to baseline Class rates with a discount. The streamlining of the freight pricing and bidding process, as approved by the ICC, enabled the transportation community to reduce labor costs and the supplies and expenses associated with the former tariff system, while improving the implementation of computer-based pricing. Numerous pages of tariffs could now be reduced to a few since the baseline Class rates could be referenced and a discount published for the specific shipper account.

The TCPC states in their Response to Rate Bureau Objections that: "Additionally, it appears disingenuous to argue that a general rate reduction would cause such a calamitous disruption to shippers and carriers when the Rate Bureaus have no problem in

implementing general rate increases on a regular basis. Why should it be any more difficult to reduce class rates rather than to increase them?"

This statement betrays The Transportation Consumer Protection Council, Inc.'s unwillingness to acknowledge the realities of pricing in the LTL Motor Carrier Industry. If a benchmark scale of rates is used as the basis for freight charges, and that baseline increases, those contracts that are in place will typically limit or eliminate any increase in rates the shipper will pay until the anniversary date of the contract. Generally, any decrease in base rates otherwise relied upon in the marketplace could have an immediate negative impact on the profitability of the industry and its ability to provide service. The shipping public will end up being the ultimate victim of any such game.

The operating ratio, which is the ratio of expenses to revenue before interest and taxes, is an industry standard of profitability. Based on the latest information obtainable the operating ratio of the SMC group of carriers was 95.2 for 1999. This means that for every dollar of revenue earned only 4.8 cents is available for paying taxes, interest and return on investment to the stockholders or owners of motor carriers. This is hardly the windfall profit that The Transportation Consumer Protection Council, Inc. and others seem to think the current class rates are providing to the LTL motor carriers.

TCPC stated that for the period 1980 to 1991 that the SMC rates had increased 170%, while the Producer Price Index had increased approximately 38%. This comparison, like many others, appears on the surface to be an authoritative statement of fact regarding an alleged disproportionate increase in SMC class rates. However, it does not provide any meaningful information. As SMC has pointed out throughout this proceeding the net rates actually paid by the shipper are comprised of the class rate less

the applicable discount. TCPC has chosen only to show one half of the equation, namely, the increase in revenues, and then compared that change to the increase in the Producer Price Index. As demonstrated below, that comparison is totally erroneous.

On the subject of the alleged increase in rates from 1980 to 1991 referenced by TCPC, lets use the 170% increase referenced by TCPC in the following example which properly portrays the actual increase in rates paid by the shipping public. For purposes of this example start with a shipment that assumes freight charges of \$100.00 in 1980. To complete the picture I have expanded the example to include the increases in cost experienced by the SMC Carriers. If the SMC rates increased 170% while the Producer Price Index had increased only 38%, and the Producer Price Index was a reliable measure (which it is not) of the rate of increase in the freight rates, the carriers should have improved their operating ratio, based on TCPC example, by a whopping 132% (170% - 38%) from 1980 to 1991.

EXAMPLE:

<u>Item</u>	<u>Revenue</u>	<u>Expense</u>
Class Rate Freight Charges in 1980	\$100.00	
Class Rate Freight Expense in 1980		\$95.52
Operating Ratio in 1980		95.52%
Discount	0.00	
Increase in Freight rates 1980 to 1991 (Decimal Equivalent)	1.7000	
Increase in SMC Carrier Expenses 1980 to 1991 (Decimal Equivalent)		.5982
Increase in Freight Charges 1980 to 1991	\$170.00	

Increase in SMC Carrier Expenses 1980 to		\$57.14
Add: Class Rate Freight Charges in 1980	\$100.00	
Add: SMC Class Rate Expenses in 1980		\$95.52
Class Rate Freight Charges in 1991	\$270.00	
SMC Class Rate Expenses in 1991		\$152.66
SMC Carriers Discount Percentage from the 1991 Monthly Discount Survey Forms	39.02	
Discount Dollars	-\$105.35	
Net Revenue (Class Rates less Discount)	\$164.65	
Percentage Increase in Net Rates from 1980 to 1991	64.65%	
Percentage Increase in Expenses from 1980 to 1991	-59.82%	59.82%
Percentage Revenues have Exceeded Expenses for the period 1980 to 1991	4.83%	

As can be seen by this simple straightforward example, Class rates less a discount are still in balance with the market. The increase in rates (less discounts) does in fact follow the trend in increased costs of operation encountered by the SMC carriers. During the referenced 11-year period, the carriers' revenue increases have exceeded the increase in their expenses by only 4.83%, a meager .44% per year or less than one half of one percent for those 11 years. That 4.83% increase in revenue is the only amount the carriers had available to service debt, pay investors for the use of their capital and reinvest in new more efficient, modern equipment. It is easy to understand why motor carrier stocks are not in great demand, and why the Dow Jones Transportation Average has dropped 14.25% in the last 12 months.

The SMC Carriers 1991 Monthly Discount Survey Forms, used in this example, are the same forms as shown in my Exhibit 1, page 3 of my April 11, 2000 statement and utilized in SMC General Rate Increases which were reviewed, approved and allowed to become effective by the Interstate Commerce Commission, the predecessor of the Surface Transportation Board.

TCPC quoted an additional source for the increase in the Producers Price Index from 1980 to 1996. For the sake of brevity I have not included an analysis of this timeframe since the same trends explained for the period 1980 to 1991 merely continue into 1996. Utilization of the Producer Price Index as suggested by TCPC for that time period is equally in error.

To further support the fact that the SMC carriers did not enjoy any windfall profits during the 1980 to 1991 time period chosen by TCPC, utilizing public records I summarized the operating ratio of the SMC carrier group from 1980 to 1991. This summary is shown below:

<u>Year</u>	<u>Operating Ratio</u>
1980	95.52%
1981	96.89%
1982	98.59%
1983	95.09%
1984	95.63%
1985	96.48%
1986	93.72%
1987	97.09%

1988	95.35%
1989	96.69%
1990	94.63%
1991	95.61%
Total all Years	95.98%

As can be seen from the above operating ratios the SMC carriers have had a very austere existence devoid of any excess profitability. In fact, the operating ratio of the SMC group of carriers was 95.2 for 1999. Therefore, the trend of minimal profits has continued to current times. It is recognized in the LTL motor carrier industry that an average operating ratio (OR) of 93%, i.e. the ratio of expenses to revenues, is necessary to yield rates of return on motor carrier investment that would maintain financial stability and provide the capacity required to render continuing services to the public. This OR, which has been used as a standard by both the transportation community and industry regulators, is based on Dr. Irwin H. Silberman's research study, Sum of Money, and was recognized and long accepted by the ICC as an appropriate standard. Dr. Silberman's study focused on the OR necessary to maintain or achieve operational efficiencies within the LTL industry. He concluded that operating at a 93% OR would maintain the integrity and long-term viability of the industry.

Even with their increased efficiencies and economies of operation over the years, SMC carriers generally experience operating ratios in excess of 93%, evidencing that their revenues under discounted class rates are not producing windfall profits, as some have wrongly asserted. Competition will eliminate windfall profits in this and most other industries.

TCPC stated that for the period 1980 to 1991 the Producer Price Index (PPI) had increased approximately 38%. This is an interesting statistic. Unfortunately, it has absolutely no relevance in this proceeding. In addition to further explaining why the PPI has no relevance, I will also explain why the Consumer Price Index (CPI), sometimes also referenced as an indicator, suffers from the same afflictions as the PPI.

APPLICABILITY OF USING GENERAL INDEXES FOR DETERMINATION OF INCREASES IN MOTOR CARRIER OPERATING EXPENSES AND REVENUES.

In the current atmosphere of quick fix solutions and point and click computers, what appears on the surface as a logical approach may not accomplish the perceived goal. This is especially true with motor carrier costs. Motor carrier costs involve numerous inputs that are unique to the motor carrier industry and the actual carrier involved. These costs can be broken down into two major categories, namely, labor and labor-related costs and non-labor costs. The trucking industry is a labor-intensive industry. Most of the industry's productivity increases have been effectuated by improvements in technology and the design of more efficient, lighter and larger capacity equipment.

Exhibit 1 identifies the percentages of those motor carrier expenses as they relate to the SMC carriers. As can be seen, labor accounts for approximately 64% of the total expenses of the SMC carriers, while non-labor expenses account for the balance of 36%.

The use of indexes to approximate the increase in expenses in the motor carrier industry is not new. In fact, it is an acceptable alternative to actual expense increases **IF, AND ONLY IF, THE PROPER INDEX IS USED TO UPDATE THE APPROPRIATE EXPENSE.** This is such a well understood and accepted concept that

in the past representatives of the shipping public and the motor carrier industry met and agreed upon the indices that would be used to update specific motor carrier non-labor expenses. These accepted index sources were used in numerous general rate increase filings before the Interstate Commerce Commission, and are shown in Exhibit 2 which was previously filed as an exhibit in a SMC general rate increase proceeding.

Before proceeding any further, the indexes proposed by TCPC and various groups to be used in determining the reasonable annual increases in motor carrier rates should be reviewed. Two indexes designed and maintained by the government have been proposed as legitimate measures of the future allowable increases in motor carrier rates. Those two indexes are the Consumer Price Index and the Producer Price Index.

The CPI is calculated for two population groups: All Urban Consumers (CPI-U) and Urban Wage Earners and Clerical Workers (CPI-W). The CPI-U represents about 87 percent of the total U.S. population and is based on the expenditures of all families living in urban areas. The CPI-W is a subset of the CPI-U and is based on the expenditures of families living in urban areas who meet additional requirements related to employment: more than one-half of the family's income has to be earned from clerical or hourly-wage occupations. The CPI-W represents about 32% of the total U.S. population. There can be small differences in the movement of the two indexes over short periods of time because differences in the spending habits of the two population groups result in slightly different weighting. The long-term movements in the indexes are similar. CPI-U and CPI-W indexes are calculated using the measurement of price changes for goods and services with the same specifications and from the same retail outlets. The CPI-W is used for escalation purposes primarily in blue-collar cost-of-living adjustments

(COLA's). Because the CPI-U population coverage is more comprehensive, it is used in most other escalation agreements.

The Consumer Price Index (CPI) measures the average change in the prices paid for a fixed market basket of goods and services. Those baskets are items purchased for consumption by the two groups covered by the index: All Urban Consumers (CPI-U) and Urban Wage Earners and Clerical Workers (CPI-W). Escalation agreements often use the CPI—the most widely used measure of price change—to adjust payments for changes in prices. The most frequently used escalation applications are in the private sector collective bargaining agreements, rental contracts, insurance policies with automatic inflation protection, and alimony and child support payments.

Because the CPI is a statistical average, it may not reflect your experience or that of specific families or individuals, particularly those whose expenditure patterns differ substantially from the “average” urban consumer. Because it is not practical to obtain a census of prices for all consumer transactions in the United States, the CPI uses a carefully designed set of samples to estimate prices. These samples are the product of accepted statistical procedures to make the CPI representative of the prices paid for all goods and services purchased by urban consumers. Some of these samples include:

- Urban areas selected from all U.S. urban areas,
- Selected households within each selected urban area,
- Retail establishments from which these consumers purchased goods and services,
- Specified and unique items—goods and services purchased by these consumers, and
- Housing units selected from each urban area for the shelter component of the CPI.

As a result of the sample design, the CPI is an average of many diverse households and not a reflection of any particular one. While several factors can result in the national CPI being different from your price experience, one major factor is what you actually spend your money on. Estimates of expenditures reported in the Consumer Expenditure Survey for each consumer good or service is used to produce “expenditure weights” for the CPI. These weights give each good or service in the CPI an importance relative to all the other goods and services in the market basket. For example, an increase of 5 percent in housing costs is more important than the same increase for telephone charges, because most consumers spend more for housing than for telephone service. Similarly, if you spend more than the average person on medical care and entertainment, and prices rise sharply for these goods and services, the increase in your personal expenditures and personal price index would be larger than for the average consumer. Because the CPI is a comprehensive measure, it contains items that are included in some individual’s buying patterns and excluded from others. For example, if you are a homeowner, you are more likely to buy major appliances such as refrigerators and laundry equipment than would a renter.

The CPI divides the consumer market basket into seven major groups of goods and services. You can estimate the approximate difference in your expenditure pattern by estimating your relative expenditures for major groups of consumer goods and services. You can then compare them to the CPI groups’ relative importance factors, which are approximately the weights used in CPI estimation. For example, the approximate weights for the seven major groups in the CPI for All Urban Consumers (CPI-U) are listed below under the CPI-U.

		Relative Importance CPI-U Average
Expenditure Category		
1.	Food and beverages	17.8
2.	Housing	42.8
3.	Apparel and upkeep	6.3
4.	Transportation	17.2
5.	Medical care	5.7
6.	Entertainment	4.4
7.	Other goods and services	5.8
Total all items		100.0

If your expenditure pattern is sharply different from the CPI average, the same price changes for the same expenditure categories would result in different price change measures for the total market basket. An example of a hypothetical expenditure pattern for a consumer with high expenditures for medical care appears in the tabulation that follows.

Let's assume that there is a price increase of 5 percent for food and beverages and 10 percent for medical care costs, with no price changes for the other expenditure categories. This would result in a price index increase in the national CPI of 1.5 percent. However, it would result in an increase of 3.4 percent for the hypothetical individual's price index. The calculations for the national CPI and the hypothetical individual are shown in the following two tabulations.

National CPI-U Average

Expenditure category	Relative Importance, CPI-U Average	Relative price change	New relative expenditure
1. Food and beverages	17.8 x	1.05 =	18.7
2. Housing	42.8 x	1.00 =	42.8
3. Apparel and upkeep	6.3 x	1.00 =	6.3
4. Transportation	17.2 x	1.00 =	17.2
5. Medical care	5.7 x	1.10 =	6.3
6. Entertainment	4.4 x	1.00 =	4.4
7. Other goods & services	5.8 x	1.00 =	5.8
Total all items	100.0		101.5

Calculation of increase = $101.5/100.0 = 1.5$ percent increase.

Hypothetical Individual

Expenditure category	Relative Importance, CPI-U Average	Relative price change	New relative expenditure
1. Food and beverages	20.5 x	1.05 =	21.5
2. Housing	28.0 x	1.00 =	28.0
3. Apparel and upkeep	4.5 x	1.00 =	4.5
4. Transportation	13.5 x	1.00 =	13.5
5. Medical care	25.0 x	1.10 =	27.5
6. Entertainment	4.4 x	1.00 =	4.4
7. Other goods & services	4.0 x	1.00 =	4.0
Total all items	100.0		103.4

Calculation of increase = $103.4/100.0 = 3.4$ percent increase.

The area in which you live also can affect your price expenditures. You should not expect the national or a regional CPI to always mirror your price expenditures. It is

possible, for example, that sharp price increases in one area are offset by lower prices in other areas, resulting in a more moderate price change published for the Nation or region. Since most consumers do not have enough time to seek out the lowest price for each good or service purchased, he or she may pay more for a good or service than another consumer would in a retail outlet in another part of the metropolitan area, region or country. Another factor which might lead you to conclude that the CPI reflects your price experience is that most consumers notice price changes in those goods and services purchased most frequently by them. These items, such as food, clothing, and gasoline, have relatively large price swings because of the seasonal influences in supply and demand. Less attention is paid to many items that are purchased infrequently, which often have relatively stable prices (such as most household appliances). The CPI is used extensively to adjust incomes, lease payments, retirement benefits, food stamp and school lunch benefits, alimony, and tax brackets. Nearly all Americans are affected by the CPI because of the many ways in which it is used. Since the CPI is based on the buying habits of the "average" consumer, it may not be a perfect or even a realistic reflection of your individual price experience, but it is the most economically feasible method for providing a statistic that is the most useful in all its applications.

One additional item must be reviewed regarding the Consumer Price Index. The Relative Importance of Transportation in the Consumer Price Index is approximately 17.2%. However, what does transportation category encompass?

Transportation includes:	Percent of Transportation	Relative Importance of Transportation
Private transportation (auto)	94.5%	16.3%
New and used motor vehicles		
New vehicles		
Used cars and trucks		
Motor fuel		
Gasoline (all types)		
Motor vehicle parts and equipment		
Motor vehicle maintenance and repair		
Public transportation	5.5%	0.9%
Total Transportation	100.0%	17.2%

Exhibit 3 is provided as a means of comparing the relative importance of the CPI-U and the CPI-W within the CPI and to highlight all the expenditure categories that are not applicable to the motor carrier industry. At this juncture it is quite clear that use of the Consumer Price Index is not a reasonable or applicable in evaluating the increase in motor carrier expenses.

The Producer Price Index (PPI) is a family of indexes that measures the average change over time in the selling prices received by domestic producers of goods and services. PPIs measure price change from the perspective of the seller. This contrasts with other measures, such as the Consumer Price Index (CPI), that measure price change from the consumer's perspective. Sellers' and consumers' prices may differ due to government subsidies, sales and excise taxes, and distribution costs.

Over 10,000 PPIs for individual products and groups of products are released each month. PPIs are available for the products of virtually every industry in the mining and manufacturing sectors of the U.S. economy. The Producer Price Index data are widely used by the business community as well as government. Three major uses are:

1. As an economic indicator. The PPIs capture price movements prior to the retail level. Therefore, they may foreshadow subsequent price changes for businesses and consumers. The President, Congress and the Federal Reserve employ these data in formulating fiscal and monetary policies.
2. As a deflator of other economic series. PPIs are used to adjust other economic time series for price changes and to translate those series into inflation-free dollars. For example, constant-dollar gross domestic product data are estimated using deflators based on PPI data.
3. As the basis for contract escalation. PPI data are commonly used in escalating purchase and sales contracts. These contracts typically specify dollar amounts to be paid at some point in the future. It is often desirable to include an escalation clause that accounts for increases in component prices. For example, a long-term contract for bread may be escalated for changes in wheat prices by applying the percent change in the PPI for wheat to the contracted price for bread.

Rather than providing a detailed explanation of the PPI let me explain the differences between the CPI and PPI. While both the PPI and CPI measure price change over time for a fixed set of goods and services; they differ in two critical areas:

1. The composition of the sets of goods and services.
2. The types of prices collected for the included goods and services.

The target set of goods and services included in the PPI is the entire marketed output of U.S. producers. The set includes both goods and services purchased by other

producers as inputs to their operations or as capital investment, as well as goods and services purchased by consumers either directly from the service producer or indirectly from a retailer. Because the PPI target is the output of U.S. producers, imports are excluded. The target set of items included in the CPI is the set of goods and services purchased for consumption purposes by urban U.S. households. This set includes imports.

The price collected for an item included in the PPI is the revenue received by its producer. Sales and excise taxes are not included in the price because they do not represent revenue to the producer. The price collected for an item included in the CPI is the out-of-pocket expenditure by a consumer for the item. Sales and excise taxes are included in the price because they are necessary expenditures by the consumer for the item.

The differences between the PPI and CPI are consistent with the different uses of the two measures. A primary use of the PPI is to deflate revenue streams in order to measure real growth in output. A primary use of the CPI is to adjust income and expenditure streams for changes in the cost of living.

The composition of items in the Finished Goods Price Index differs from that of the All Items Consumer Price Index in two major respects.

1. The Finished Goods Price Index includes price changes for producers' durable equipment, which are not purchased by typical consumers and, therefore, are not included in the CPI.

2. The All Items CPI includes services which are not reflected in the Finished Goods Price Index. An additional difference is that the Finished Goods Price Index is only available at the U.S. level, while the All Items CPI is available at the regional, metropolitan area, and U.S. levels.

Rather than elaborating a detailed explanation of the PPI a brief review of the items included in the PPI basket of goods will highlight the content of the PPI. They are:

PPI Expenditure Categories		Relative Importance, PPI
1.	Farm products	4.292
2.	Processed foods and feeds	11.437
3.	Textile products and apparel	0.410
4.	Hides, skins, leather and related articles	0.340
5.	Fuels and related products and power	12.457
6.	Chemicals and allied products	8.619
7.	Rubber and plastic products	3.291
8.	Lumber and wood products	2.306
9.	Pulp, paper, and allied products	9.668
10.	Metals and metal products	9.073
11.	Machinery and equipment	13.448
12.	Furniture and household durables	2.627
13.	Nonmetallic mineral products	2.234
14.	Transportation equipment	11.638
15.	Miscellaneous products	4.469
16.	Government purchases and exports	3.691
Total		100.000

Additional information on the commodities included in the PPI can be found in the attached Exhibit 4 which is a three-page summary of the 69-page listing of all of the commodities included in the PPI. This Exhibit is provided as a means of showing all the expenditure categories that are not applicable to the motor carrier industry. At this point it is quite clear that use of the Producers Price Index has even less credibility than use of

the wholly inappropriate Consumer Price Index in evaluating the increases in motor carrier expenses.

Exhibit 5 is a comparison of the rates of increase for the CPI-U, CPI-W and the PPI for the period 1980 to 1998. It is interesting to note that the CPI-U has increased 97.8 percent since 1980. This is a full 39.4 points greater than the PPI for the same time period. The CPI-W has increased 35.4 points over the PPI during the same time period. This only brings into view what the Bureau of Labor Statistics has always said: "The CPI and the PPI were designed to measure the changes in two different segments of the economy for two different purposes." Comparison of either index to motor carrier cost increases is as invalid as a comparison between the CPI and PPI.

Exhibit 1 shows that motor carrier operating costs are approximately two-thirds labor and one-third non-labor related costs. The CPI and PPI do not provide any meaningful method, methodology or data for updating motor carrier labor expenses.

As this discussion of motor carrier costs and use of the Consumer Price Index or the Producers Price Index is concluded, it is apparent that these indexes were not designed to be used in updating motor carrier labor and non-labor expenses, MUCH LESS MOTOR CARRIER RATES. The allegations that they are, or could be, a valid measure of the increase in motor carrier expenses are wholly unfounded. Application of specific indexes to specific identifiable expenses does, in fact, follow the recommendations of the Bureau of Labor Statistics. However, using the CPI or PPI does not follow the recommendations of the Bureau of Labor Statistics and is an improper and erroneous use and application of the indexes.

VULNERABLE SHIPPERS

SMC participates in select LTL Industry Trade Shows and Expositions. Having to ship our trade show materials from our corporate offices in Atlanta to Florida on Monday, April 17, 2000, I called the national LTL carrier recommended by the trade show promoter. That carrier is not a member of SMC. I was quoted a charge of \$460 for a 500-pound container of class 125 freight. This seemed high so I called the local terminal of the carrier and talked with an account representative. Being aware of the discounting practices within the LTL industry I asked for a discount. The account representative acknowledged that discounts were offered by this carrier, but because SMC did not have an account with that national carrier he stated that he was not authorized to offer any discount on my shipment. I then called a carrier member of SMC that serves these origin and destination points and paid \$123 for the same shipment after discount. If the national carrier used the SMC rates I would have been automatically granted at a minimum a 20% discount without having to ask for a discount.

It is obvious that the SMC approach to discounts (automatic) protects the vulnerable shipper better than the non-bureau marketplace.

ALLEGED LOSS OF MANDATORY DISCOUNT DUE TO APPLICATION OF A LOWER DISCOUNT.

Several Parties have alleged that the mandatory 20% discount in SMC tariffs may merely be a subterfuge because any other discount published which is less than 20% would negate its application. I have reviewed the SMC tariffs and there is not any carrier

in SMC tariffs that has a discount published lower than 20%. Thus, that allegation is totally without merit based on the actual SMC tariff provisions.

LOSS OF DISCOUNT DUE TO NON-PAYMENT OF FREIGHT CHARGES

Some Parties have alleged that shippers will be subject to loss of discounts if freight bills are not paid on time. SMC TARIFFS DO NOT HAVE ANY GENERAL PROVISIONS REGARDING LOSS OF DISCOUNTS FOR NON-PAYMENT OF FREIGHT CHARGES. Each SMC member carrier has the legal right to announce independent actions applying for their own account. This right is a matter of law. There are seven (7) carriers in SMC that have exercised their right of independent action in this matter. SMC is precluded from putting any restrictions on, or modifying in any way, a member carrier's independent action. This also is a matter of law. Accordingly, those independently announced loss of discount tariff provisions are legal provisions in the carriers' tariffs. Moreover, that allegation is not germane to this proceeding and is merely being raised by certain Parties in obfuscation of the real issues that are under consideration here.

ERRORS IN THE CLASSIFICATION

Protestants have alleged that the SMC Class Rates should be reduced due to the possibility of errors in the classification being magnified by the levels of rates. The "Classification" is managed by the National Motor Freight Classification (NMFC) an organization completely apart from SMC. The NMFC is involved in a separate proceeding with the STB, and discussion of alleged "errors in the classification" should

be addressed in the NMFC proceeding. SMC does not engage in classification activities and it does not have any Exceptions to Class Rates published in any of its tariffs. Any purported and unsubstantiated manipulation of the classification that would affect class rates is not possible within the tariffs published by SMC.

MARKET BASED CLUSTER OF RATES

Several Parties allege that it would “not be difficult to accomplish” the “market based” class rate utilizing the methodology in the Georgia Pacific Corporation—Petition for Declaratory Order—Certain Rates and Practices of Oneida Motor Freight, Inc., 9 I.C.C.2d 103 (1992).

In the Georgia-Pacific case there was some discussion on determining the “market level” by obtaining a “cluster” of rates from other carriers that could or might have been available to provide the service. As indicated in my Opening Statement, the details of the 226 shipments that were involved in that case were as follows:

ORIGIN:

All 226 shipments originated at Gilman, VT

DESTINATIONS:

1. 173 Shipments to Plattsburgh, NY
2. 20 Shipments to Johnson City, TN
3. 14 Shipments to Baltimore, MD
4. 4 Shipments to Ashaway, RI
5. 2 Shipments to Port Elizabeth, NJ
6. 10 Shipments to various singular points
7. 3 Shipments—destination was not determined

Of the 223 shipments where the destinations were known there was only one origin and 15 destinations. With only 16 points involved the “cluster” approach of determining the “market level” of the rate could be a manageable approach.

By contrast, as was also indicated in my Opening Statement, in SMC Class Tariff 585 there are 114,720 unique possible origin and destination Zip Code pairs, resulting in 77,100 unique rate basis numbers, and 32,724 Rates which yield 12,490,200 possible combinations. In turn each of these combinations would be subject to the discount level published by the carriers using these rates, thereby drastically increasing the total possible combinations. With well over 12 million possible combinations of origins, destinations, and rates the “cluster” approach of determining the “market level” of rates with discounts is not a feasible or manageable approach for determining a “market level” of rates.

One of the advantages of the current method of base rates and associated discounts is that it allows carriers to tailor their pricing to the needs of a shipper, the direction of movement and the geographical markets they choose to serve. With only 300 carriers establishing individual discounts, the total potential combinations would be 3,667,060,000 origins, destinations, and rates. An attempt to produce a statistically valid sample would involve virtually an impossible sampling procedure and incur an unreasonable expense in its compilation. Any average reduction in the overall rate level will be wrong billions of times more than it will be correct.

Also, as previously discussed in my Opening Statement, in an effort to quantify the experience of the SMC Carriers we conducted a survey to determine the range of negotiated discounts that are offered to the shipping public. Based on our survey, the

range of discounts offered on discounted SMC Class Rated traffic ranged from 21.2% on the low side to 73.3% on the high side. This may seem like a wide variation. However, do not fail to consider that the traffic that previously moved in 35 Commodity and Commodity Column tariffs now moves under Class Rates subject to discounts. This range of discounts is the result of 20 years of carrier vs. carrier competition and carrier to shipper rate negotiation. The shipper has the final say, in that, they control the carrier who will move their freight. In the current competitive marketplace shippers can, and do, move their transportation purchases from carrier to carrier.

SMC Class rate scales were designed based on the cost characteristics developed in the ICC regional cost studies. The costs in those studies emanated from large multi-carrier studies performed by the ICC staff based on the procedures formulated and quantified in Highway Form A and the Simplified Highway Form B. Those studies were for years the foundation that the ICC used as a basis for many of its ratemaking decisions. They reflected a wide variety of operating conditions and services and allowed recognition of such characteristics as weight of load, length of haul, density of the commodity, pickup and delivery services, platform services, and interchange of equipment or cargo. Those studies utilized the financial data from the study carriers that was maintained in accordance with the ICC Uniform System of Accounts. Thus, the calculated costs were the actual costs of the included study carriers, and the SMC Class rate scales were designed to provide rates based on the cost curves as they relate to weight, distance and classification. This methodology insured that the trends in the SMC Class rate scales were correct based on weight, distance and classification.

In short, rates increase as distance increases due to higher, linehaul, expenses; rates decrease (on a per hundredweight basis) as weight increases due to the change in the ratio of the fixed and variable components of freight handling; and class rates increase as class ratings increase due to the lighter and less dense freight consuming more of the linehaul vehicles' space capacity. Any statistical process would also have to take these trends into consideration. Application of the Georgia-Pacific "cluster" approach, including discounts, would create a rate scale that would bear no resemblance to reality since different rates would receive different reductions. The "simplistic" application of one average discount to the complete class rate scale would insure that the resultant rates would be wrong billions of times more than they would be correct.

UNDERCHARGES

TCPC alleges that the level of Class Rates was the cause of the "undercharge debacle." The facts of the matter provide the true cause of the undercharge crisis. Based on the filed rate doctrine the legal and lawful rate was the rate filed in the bureau or carrier tariff. In the frenzy of daily transportation activity the carriers did not file the proper tariffs and the shippers did not request a copy of the tariff changes. Once the carrier closed its doors the employees that negotiated the discounted rates with the shipper were gone, and the only proof of the price were the unfiled discounted rates. This situation could have occurred regardless of the level of rates or discounts because the real issue was the failure to file the applicable tariff rates as was required by law.

OVERCHARGES

TCPC alleges that “the Rate Bureaus know that the class rates are at least 35% too high.” If the rates were, in fact, “35% too high” a carrier would enjoy a 35% profit margin on all class rates. Based on TCPC’s theory, if a carrier had a 95% operating ratio (ratio of expense to revenue) today, and the class rates were reduced 35% to their so-called, “proper level” as defined by TCPC, the carriers’ operating ratio would be 130%. Thus, for every \$100 in revenue earned the carrier would expend \$130 in expenses—hardly a workable or logical solution. Manifestly, TCPC’s allegation is without merit.

TARIFF SIMPLIFICATION

TCPC in their comments regarding “Shipper Participation in the Classification Process” states that: “Collective action retards progress, innovation and tariff simplification. Carriers should be encouraged, not discouraged, from publishing rates and classifications which are appropriate to their individual customers, commodities, product design, packaging and shipping practices.” SMC is not involved in the classification process, we are involved in publishing rates. In 1982, there was a total of 40 Class, Commodity, and Commodity Column Tariffs published by SMC which along with their associated tariffs represented approximately 32,000 pages of tariffs. In 1999 those 40 Class, Commodity, and Commodity Column Tariffs had been reduced to four tariffs with approximately 4,400 pages of tariff matter. This equates to a tenfold decrease in the number of tariffs with a corresponding 86% reduction in tariff pages. SMC carriers continue to direct the SMC staff to reorganize, streamline and simplify SMC tariffs through the its program for the elimination of obsolete rates, the conversion of tariffs

from using point names to Zip Codes to facilitate computer application of rates, and the elimination of shipper specific rate scales by the use of SMC class rate scale with a discount. These are but a few of the innovative approaches the SMC General Rate Committee carriers have voted into effect. Moreover, because of the SMC baseline of class rates SMC carriers, through discounting, are able to provide the individualized pricing which meets the needs of their customers and is tailored to their shipments.

MARKET LEVEL RATES

The National Industrial Transportation League (NITL) alludes to “market based rates” as if they are a single level of rates that all carriers used. On one hand they say “carriers routinely discount the rate bureau rates 50 – 70%,” and then suggest that “If the rate bureaus propose a system of collectively-set discounts the Board should require the rate bureaus to demonstrate affirmatively that such discount, at a level of at least 50%, are true automatic minimum discounts that cannot be circumvented by individual carriers.”

Years ago, tariffs were in the form of books some inches thick. Today NITL or any other person with Internet access can search the websites of numerous motor carriers and obtain the published rate levels. In fact, the testimony of SMC’s Mr. Ridley comparing SMC and carrier baseline class rates was obtained, almost in its entirety, from carrier websites on the Internet. Mr. Ridley’s exhibits show that the SMC bureau rates are in line with the carriers independently announced rates, and in most cases are lower than the rates published by the respective carriers.

If the market level of rates are the benchmark rates less a discount, it must be recognized that any discount established by a carrier is predicated on the transportation characteristics of that shipper's freight and the carrier's cost structure and pricing strategy. An across-the-board, collectively-set, industry average discount as proposed by NITL, will automatically and without justification increase the discounts of those shippers with a lower discount, even though such reductions are unwarranted.

Conversely, those large shippers with class rates tied to contracts based on SMC class rates could require the carriers to transport their freight at even lower rates. The recent SMC discount survey showed that the range of discounts on SMC class rates range from 21.2% to 73.3%. The imposition of an across-the-board 50% discount would automatically increase the lower discount in SMC tariffs by 28.8%. This is not logical or reasonable under the circumstances, and has no application in the free market theory of economics.

Loss of discount provisions complained of by NITL have been previously addressed and are the right of the individual carrier to set under current law.

GENERAL RATE INCREASES

SMC has always made public announcements of its proposed general rate increases. In the past, public notice was made through the media and the weekly SMC Docket Bulletin. In more recent times SMC has made the public aware of proposed General Rate Increases, General Rate Committee Meetings, and the outcome of those meetings through the Internet. SMC also notifies the STB of GRI effective dates.

A statement made by the National Small Shipments Traffic Conference, Inc. and the Health and Personal Care Distribution Conference in this proceeding is of considerable interest. They assert that: "At best, rate bureau class rates are 'constrained' by the need for rate bureau class rates to preserve some reasonable relationship to the class rates published by major individual motor carriers." Bureau class rates are the result of the SMC collective process. The observation that the Bureau rates are "constrained" is not correct because the SMC General Rate Committee sets the SMC "Bureau" level of rates. The critically important observation that The National Small Shipments Traffic Conference, Inc. and the Health and Personal Care Distribution Conference have made is that SMC class rates "preserve some reasonable relationship to the class rates published by major individual motor carriers." Mr. James Ridley, in his Appendix A has compared some 3,288 rates to their counterpart SMC class rates. These comparisons include national carriers that are not SMC bureau members. This study demonstrates what SMC has claimed throughout this proceeding. That is, the pricing methodology employed by SMC member carriers is predicated on the same exact methodology as the LTL Motor Carrier INDUSTRY currently used in the marketplace, and, indeed, has resulted in a more competitive class rate structure. They admit that SMC member carriers have not created or contrived some mystical pricing system that is so foreign to the marketplace that it must be arbitrarily reduced to bring it "into line with market rates." Major LTL Carriers that do not have any ties with any bureau price their services via baseline rates that are generally higher than the SMC rates. In a free market system, there simply is no competitive or sound reason to change the industry pricing methodology which could uniquely disadvantage the users of SMC class rates by

arbitrarily and unreasonably reducing them even lower than the prevailing baseline rates established by non-SMC carriers.

The National Small Shipments Traffic Conference, Inc. and the Health and Personal Care Distribution Conference state that: “In other words, individual carriers may increase their class rates to recover cost increases and to enhance their profits. Rate bureaus, in contrast, are allowed to increase their bureau class rates only to recover cost increases. Rate increases designed to enhance profits must be implemented by individual rate bureau member carriers acting without antitrust immunity.” The contention that rate bureaus can only recover their costs is flatly untrue. The concept of “Revenue Need” has been in the LTL Industry for decades. The ICC addressed this concept in all of its proceedings since the 1970s. If a carrier or rate bureau can only increase their rates equal to their increase in expenses as is argued, over time the operating ratio will approach 100 where revenues equal expenses, at which point there are no funds for servicing interest, return on investment or profit to reinvest into operations. I will spare the math exhibit, however volumes have been written on LTL Industry Revenue Need. Regulated or not, every industry that provides a worthwhile service or product to the economy must recover its expense increases and earn a return on investment or equity. The LTL Industry is no different regarding the revenue needed for its continued operations.

In response to the STB’s concerns expressed in its December 18, 1998 decision, SMC utilized the pricing expertise of its staff, a Steering Committee comprised of leading industry carriers, and a team of member carriers, and designed a pricing initiative that is intended to meet the needs of all parties. SMC approached the existing pricing environment with an industry-driven, cost-based General Rate Increase. This cost-based

approach enables carriers to recover their actual increased costs of doing business without engaging in the reactionary and convoluted discounting which has characterized recent industry pricing practices. It utilizes the financial reports of the SMC member carriers, comprehensive labor surveys from those carriers, and numerous sources of detailed information for determining the cost increases in labor and non-labor expenses.

The purpose of the price increase is to maintain a healthy economic operating environment for carriers. It is recognized that an average operating ratio (OR) of 93%, i.e. the ratio of expenses to revenues, is necessary to yield rates of return on motor carrier investment that would maintain financial stability and provide the capacity required to render continuing services to the public.

Rather than utilize the inappropriate CPI or PPI indexes, a more accurate and responsive index is currently being used by SMC to determine transportation expenses. Using a model driven by the specific cost characteristics of carrier operations and the services they provide is the foundation of SMC's initiative and its response to the STB's concerns.

SMC's Carrier Cost Index (CCI), unlike the CPI and PPI, utilizes the relative weights of both labor and non-labor motor carrier expenses. These actual expenses are updated with detailed labor surveys from the SMC membership. In addition, select individual indexes from the CPI and PPI are used to calculate the actual non-labor cost increases on the SMC Carrier Group.

The SMC staff actions are directed by the General Rate Committee. In the last General Rate increase the Carrier Cost Index, based on the Carrier's actual experience,

indicated a cost increase of nearly ½ of 1% above the overall 3.5% increase in revenues actually put into effect by the General Rate Committee.

SUMMARY OF POSITIONS ON REDUCTIONS OF THE CLASS RATE SCALE

Shippers and the LTL Motor Carrier Industry are guided by the needs of their Industry and sound business principals. Counsel for the National Small Shipments Traffic Conference, Inc. and the Health and Personal Care Distribution Conference has summed up their basic position in a very concise manner. He states that: "Today's trucking industry is characterized by intense competition, generally reasonable rates, generally excellent service, and a level of responsiveness to customers that is far in excess of what railroads and water carriers manage to provide. In the 20 years since 1980, more efficient carriers and more efficient shippers, working together, have produced a more efficient distribution system benefiting the entire American economy." He continues: "If each carrier established its own unitary rate structure, the comparability of competing carriers' rate quotations might be compromised. It is easier for a shipper to compare two carriers' discount percentage bids off the same class rates than to compare two carriers' 500 page rate tariffs, in which each may have some rates that are higher and some rates that are lower than competitors' rates."

He further states that: "There are ways to deal with these problems, but another important factor for purposes of this proceeding is that we are not writing on a clean slate. Much time and effort have gone into adjusting to the status quo. Many deals have been struck, and contracts executed, in the context of motor carrier ratemaking based on discounting of class rates. Simply reducing class rates could necessitate amendments to

thousands of contracts to address pricing impacts that were unanticipated by one or both parties.”

Those comments for the shippers represented by those organizations mirror the position of the LTL Industry on rolling class rates back to any level. It will not do anything that the shipping public or the motor carrier industry feels would be beneficial to shippers or carriers, and, as SMC has shown, is wholly unjustified.

BASELINE CLASS RATES VS DISCOUNTED CLASS RATES

Since discounting began after the Motor Carrier Act of 1980, SMC class rates have been used as the baseline rates for the SMC Carriers. A baseline of rates is the standard against which all SMC rates can be measured. There has been extensive discussion in my testimony as to how discounts off a baseline of class rates has allowed the carriers to substantially reduce the number of tariffs and tariff pages from pre-1980 levels. Due to this evolution of reducing tariffs and tariff pages a subtle change has occurred that is not apparent to the untrained eye. While the baseline of class rates remains intact, and the relationships between distance, weight and class are undisturbed, comparisons to a discounted rate or a discounted line of rates for a shipper no longer apply. The reason for this is that the discount(s) create a level of rates for a specific shipper that takes into account the unique traffic that shipper tenders to the carrier. Thus, when a carrier offers a shipper a discount off class rates it recognizes that the discount only covers a portion of the class rate scale. Discounts offered to shippers do not encompass the complete rate scale because the shipper does not have freight to ship that would use all the distance, weight and classes encompassed in the rate scale. The actual

discount is merely a number that deflates the baseline of rates to the level needed to cover traffic that previously moved under commodity or commodity column rates, volume discounts, off the bill discounts or some other marketing/pricing approach that matched the net rate (class rate less discount) to the cost of moving that shipment.

The only valid approach to comparing class rates, like to like, is on a general level, that is to compare baseline rates against baseline rates. Any other comparison is not valid! No two shippers are exactly alike. Thus, discount levels off of a baseline of rates represent the differences in the cost of servicing that particular account by a particular carrier. Due to operational differences between carriers, another carrier may offer a higher or lower discount to achieve the same or a similar operating ratio.

Examples of these cost differentials are numerous.

Residential deliveries are very expensive due to weight restrictions on residential streets, the lack of facilities for the off-loading of a truck and the inability of the resident to move the shipment from the street to the garage, basement or into the house. Small businesses often have similar problems. On a delivery I assisted in making when I was employed with Georgia Highway Express the driver and I had to return three times to the same company with a Cash-On-Delivery (COD) shipment because the owner did not have the cash on hand. When he had the cash, on the third trip, the driver and I had to unload a 550-pound, twelve-foot roll of carpet from a 40-foot trailer without a loading dock, and move the roll into his building by hand. The cost of delivering this shipment was substantially more than if it had been unloaded on a loading dock with a forklift. As I mentioned elsewhere in my testimony freight transportation is still a labor-intensive industry (64% of total expense). The number of shipments picked up and or delivered

each day, shipper load and consignee unload, loose freight or freight on pallets, and numerous other differentials in freight handling all affect the cost of moving a shipment. Carriers charge for the services rendered, and charge at reasonable rates. If they enjoyed windfall profits the operating ratio of SMC carriers would not have been 95.2 percent in 1999, it would have been much better.

Several shipper associations have offered many percentages that they “felt” were reasonable percentages for reduction of the current class rate scales. Unfortunately, not one of them has done any research into what range of discounts are offered in today’s marketplace. That indicates to me a twofold problem regarding their understanding of the real issues in this proceeding. First, they do not acknowledge the actual and substantial differentials in the cost of moving freight. And secondly, they do not appreciate the distortion and inequities in carrier revenues which an overly simplistic, across-the-board reduction in class rates would cause.

To demonstrate these distortions and the inequities which would be created I prepared the following example analyzing shipments moving under today’s SMC class rates less discounts vs. moving those same shipments under the current SMC class rate scale reduced 45%.

Shipments moving between Atlanta, GA and Charlotte, NC.

Weight of Shipment (Lbs.)	1500	Calculation of Undiscounted Charges:
Rate Basis Number	262	
Class	70	15 CWT Times 2,283 = \$342.45
Rate	2283	

CURRENT SMC BASE LINE CLASS RATE SCALE

Customer	Undiscounted Charges	Discount Percent	Discount Dollars	Discounted Charges	Shipment Cost	Operating Ratio
1	\$342.45	20%	\$ 68.49	\$273.96	\$260.81	95.20%
2	\$342.45	25%	\$ 85.61	\$256.84	\$244.51	95.20%
3	\$342.45	30%	\$102.74	\$239.72	\$228.21	95.20%
4	\$342.45	35%	\$119.86	\$222.59	\$211.91	95.20%
5	\$342.45	40%	\$136.98	\$205.47	\$195.61	95.20%
6	\$342.45	45%	\$154.10	\$188.35	\$179.31	95.20%
7	\$342.45	50%	\$171.23	\$171.23	\$163.01	95.20%
8	\$342.45	55%	\$188.35	\$154.10	\$146.71	95.20%
9	\$342.45	60%	\$205.47	\$136.98	\$130.40	95.20%
10	\$342.45	65%	\$222.59	\$119.86	\$114.10	95.20%
11	\$342.45	70%	\$239.72	\$102.73	\$ 97.80	95.20%
Total	\$3,766.95	45%	\$1,695.13	\$2,071.82	\$1,972.38	95.20%

CURRENT SMC BASE LINE CLASS RATE SCALE REDUCED 45%

Customer	Undiscounted Charges (45% Discount)	Discount Percent	Discount Dollars	Discounted Charges	Shipment Cost	Operating Ratio	Revenue Lost to Rollback
1	\$188.35	20%	\$ 37.67	\$150.68	\$260.81	173.09%	(\$123.28)
2	\$188.35	25%	\$ 47.09	\$141.26	\$244.51	173.09%	(\$115.58)
3	\$188.35	30%	\$ 56.50	\$131.84	\$228.21	173.09%	(\$107.87)
4	\$188.35	35%	\$ 65.92	\$122.43	\$211.91	173.09%	(\$100.17)
5	\$188.35	40%	\$ 75.34	\$113.01	\$195.61	173.09%	(\$92.46)
6	\$188.35	45%	\$ 84.76	\$103.59	\$179.31	173.09%	(\$84.76)
7	\$188.35	50%	\$ 94.17	\$ 94.17	\$163.01	173.09%	(\$77.05)
8	\$188.35	55%	\$103.59	\$ 84.76	\$146.71	173.09%	(\$69.35)
9	\$188.35	60%	\$113.01	\$ 75.34	\$130.40	173.09%	(\$61.64)
10	\$188.35	65%	\$122.43	\$ 65.92	\$114.10	173.09%	(\$53.94)
11	\$188.35	70%	\$131.84	\$ 56.50	\$ 97.80	173.09%	(\$46.23)
Total	\$2,071.82	45%	\$932.32	\$1,139.50	\$1,972.38	173.09%	(\$932.32)

Let me explain the basis of this example. The example assumes 11 shipments moving from Atlanta, GA to Charlotte, NC which is within SMC territory. The recent discount survey conducted by SMC documented that the current range of discounts for the SMC carriers ran from a low of 21.2% to a high of 73.3%. I started at the mandatory discount in SMC tariffs of 20% and stepped the discount up in 5% increments to 70%. For explanatory purposes I assumed the 1999 SMC operating ratio of 95.2%.

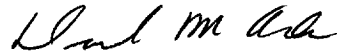
It should be noted that the shipper associations' suggested reduction percentages based on an industry average discount found in a prior ICC proceeding or were offered without any authoritative support for their figures. SMC has conducted a survey as explained above that defines the current discount environment, one that is represented by a range of discount levels, not one level as the shipper associations have assumed, but not even researched.

In the current SMC BASELINE RATE SCALE portion of the exhibit each shipment is shown, as are the applicable discount percentage and dollars, the net revenue, cost and operating ratio.

In the second part of the example (CURRENT SMC BASELINE RATE SCALE REDUCED 45%), I have rolled the rates back 45% across-the-board. Following line by line you can see the reduction in revenue that would occur if this unjustifiable rollback is permitted to be imposed on SMC carriers. With the thousands of contracts in place based on SMC class rates the overall impact of reducing the class rate scale is nothing more than nailing the coffin shut on the SMC carriers. If the class rate scale rollback occurred the operating ratio of an SMC carrier would move from a marginally profitable 95.2% operating ratio (4.8 cents on the dollar for payment of interest taxes and return on

capital), to an operating ratio of 173.09%, a loss of 73.09 cents on the dollar before interest and taxes with no return on capital. This can and, in some cases, would result in bankruptcy, with the employees and investors of the carrier, as well as the shipper customers, being the real losers with no winners.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Daniel M. Acker".

Daniel M. Acker

**MOTOR CARRIER LABOR AND NON-LABOR
OPERATING EXPENSES**

TYPE OF EXPENSE	% OF EXPENSE
Salaries and Wages	
Salaries Officers and Supervisors	9.63
Drivers and Helpers	23.05
Owner Operator Drivers	0.11
Vehicle Repair and Service	1.76
Cargo Handlers	9.11
Clerical and Administrative	3.60
Other Labor	1.49
Fringe Benefits	
Pension and Retirement Plans	0.80
Health, Welfare and Pension	6.56
Other Fringe Benefits	8.08
Total Labor	64.19
Non-Labor Expenses	
Fuel, Oil, Lubricants and Coolants	3.73
Vehicle Parts	1.36
Vehicle Maintenance - Outside Repair	1.02
Tires and Tubes	0.86
Other Operating Supplies and Expenses	2.06
General Supplies and Expense	4.40
Operating Taxes and Licenses	3.68
Pl and Pd Insurance	1.17
Cargo Loss and Damage	1.20
Other Insurance	0.17
Utilities	1.54
Building and Structure Depreciation	0.69
Revenue Equipment Depreciation	2.67
Other Equipment/Property Depreciation	0.84
Amortization	0.03
Vehicle Rents	4.50
Purchased Transportation Other Carriers	3.45
Equipment Rents - Credit	-0.28
Building and Office Equipment Rents	1.38
Disposition of Operating Assets - Net	0.00
Miscellaneous Expense	1.34
Total Non-Labor	35.81
Total Expense	100.00

NON-LABOR EXPENSE ACCOUNT WEIGHTS AND INDEX SOURCES

ACCOUNT		PERCENT OF NON-LABOR	SOURCE OF INDEX
4510-4520	Fuel & Oil for motor vehicles	10.99	ICC Fuel Index
4530	Vehicle parts	3.96	PPI 1412
4540	Vehicle maintenance/outside vendors	3.15	CPI Auto Maint. & Repair
4550	Tires and tubes	2.86	PPI 07120105
4590	Other operating supplies & expenses	5.79	1/
4610-4630	Office supplies, tariffs and advertising	2.42	2/
4640-4650	Commissions and Fees	2.60	Compounded Gen. Rate Inc. - TL
4660-4690	Officers, employees and other general expenses	7.70	1/
4710	Gas, diesel fuel & oil taxes (Federal)	3.16	ICC Fuel Index
4730	Vehicle license & registr. - Usage (Federal)	0.49	Unity
4740	Other taxes (Federal)	0.00	Unity
4750	Real estate & personal property taxes	1.25	CPI Homeowners Costs
4760	Fuel & oil taxes (State & other)	3.03	ICC Fuel Index
4770-4780	Vehicle license & fees - Ownership (State & other)	2.27	ATA Registration Index
4790	Other taxes (State & other)	0.19	ATA Registration Index
4810	Public liability & property damage insurance	2.89	CPI Auto Insurance
4820	Cargo loss & damage insurance	3.04	PPI Fin. Goods w/o Food
4830,-40-90	Other insurance	1.11	CPI Auto Insurance
5110	Communication expenses	2.99	CPI Telephone Services
5120	Utilities expenses	1.38	3/
5310,5370	Buildings, structures & improvements	1.66	Commerce C30 E.N.R.-Bldgs.
5320	Revenue equipment	7.37	PPI 141106
5330-60,80	All other equipment & property	2.01	4/
5390	Amortization	0.00	-----
5410	Vehicle rents with driver	7.06	Compounded Gen. Rate Inc. - TL
5420	Vehicle rents with driver - vehicle portion only	0.82	Compounded Gen. Rate Inc. - TL
5430	Vehicle rents without driver	3.82	PPI 141106
5440	Other purchased transportation - Motor carriers	5.92	Compounded Gen. Rate Inc. - All
5450	Other purchased transportation - Railroads	3.09	PPI RR Frt. Index/TOFC
5460-70	Other purchased transportation - Other	0.00	-----
5480	Allowances to shippers	0.00	-----
5490	Equipment rents - Credit	-0.04	PPI 141106
5500	Building and office equipment rents	4.63	Commerce C30 E.N.R.-Bldgs.
5700	Gains/losses on disp. of operating assets	-0.06	PPI 141106
5900	Miscellaneous expenses	2.45	5/
TOTAL		100.00	

- 1/ - Weighted average of CPI - Food Away from Home, CPI - Lodging While Out of Town, CPI - (Housing) Maint. & Repairs, CPI - Auto Fees and CPI Physicians Services; based on carrier survey.
- 2/ - Weighted average of PPI 09130134 and 091506 and CPI - Postage; based on carrier survey.
- 3/ - Weighted average of PPI 0531, 0542 and 05730201 and CPI - Water and Sewerage Maintenance; based on carrier survey.
- 4/ - Weighted average of PPI 1144, PPI 122 and PPI 141101; based on carrier survey.
- 5/ - Weighted average, legal services (SIC 81) and accounting index (SIC 893); Table C-2 of BLS Employment and Earnings.

UNADJUSTED RELATIVE IMPORTANCE OF EXPENDITURE CATEGORIES FOR THE CPI-U AND CPI-W		
Expenditure category (1982-84=100, unless otherwise noted)	CPI-U (6) Unadjusted Relative Importance December 1998	CPI-W (7) Unadjusted Relative Importance December 1998
All items	100.000	100.000
Food and beverages	16.408	18.011
Food	15.422	16.966
Food at home	9.691	10.832
Cereals and bakery products	1.544	1.689
Meats, poultry, fish, and eggs	2.569	3.055
Dairy and related products (1)	1.088	1.193
Fruits and vegetables	1.440	1.492
Nonalcoholic beverages and beverage materials	1.049	1.184
Other food at home	2.002	2.220
Sugar and sweets	0.377	0.420
Fats and oils	0.309	0.354
Other foods	1.316	1.446
Food away from home (1)	5.730	6.133
Alcoholic beverages	0.986	1.045
Housing	39.828	36.685
Shelter	30.283	27.496
Rent of primary residence (3)	7.007	8.500
Lodging away from home (2) (3)	2.376	1.379
Owners' equivalent rent of primary residence (3) (4)	20.529	17.296
Tenants' and household insurance (1) (2)	0.371	0.320
Fuels and utilities	4.735	4.850
Fuels	3.801	3.928
Fuel oil and other fuels	0.227	0.201
Gas (piped) and electricity (3)	3.574	3.727
Household furnishings and operations	4.810	4.339
Apparel	4.831	5.199
Men's and boys' apparel	1.358	1.474
Women's and girls' apparel	1.939	1.948
Infants' and toddlers' apparel (1)	0.272	0.344
Footwear	0.876	1.057
Transportation	16.999	19.166
Private transportation	15.653	18.109
New and used motor vehicles (2)	7.843	9.250
New vehicles	4.983	5.224
Used cars and trucks (1)	1.914	3.216
Motor fuel	2.493	3.066
Gasoline (all types)	2.476	3.045
Motor vehicle parts and equipment	0.549	0.682
Motor vehicle maintenance and repair	1.624	1.690
Public transportation (1)	1.346	1.056

UNADJUSTED RELATIVE IMPORTANCE OF EXPENDITURE CATEGORIES FOR THE CPI-U AND CPI-W		
Expenditure category (1982-84=100, unless otherwise noted)	CPI-U (6) Unadjusted Relative Importance December 1998	CPI-W (7) Unadjusted Relative Importance December 1998
Medical care	5.713	4.672
Medical care commodities	1.252	0.926
Medical care services	4.461	3.746
Professional services (3)	2.854	2.415
Hospital and related services (3)	1.354	1.114
Recreation (2)	6.120	5.925
Video and audio (1) (2)	1.748	1.951
Education and communication (2)	5.478	5.361
Education (2)	2.694	2.478
Educational books and supplies	0.203	0.200
Tuition, other school fees, and childcare	2.492	2.278
Communication (1) (2)	2.783	2.883
Information and information processing (1) (2)	2.580	2.733
Telephone services (1) (2)	2.327	2.519
Information and information processing other than telephone services (1) (5)	0.253	0.213
Personal computers and peripheral equipment (1) (2)	0.148	0.120
Other goods and services	4.624	4.981
Tobacco and smoking products	1.159	1.694
Personal care (1)	3.465	3.287
Personal care products (1)	0.742	0.838
Personal care services (1)	0.973	0.975
Miscellaneous personal services	1.491	1.253
Footnotes:		
1 Not seasonally adjusted.		
2 Indexes on a December 1997=100 base.		
3 This index series was calculated using a Laspeyres estimator. All other item stratum index series converted to a geometric means estimator in January, 1999.		
4 Indexes on a December 1982=100 base.		
5 Indexes on a December 1988=100 base.		
6 Source - Table 1. Consumer Price Index for All Urban Consumers (CPI-U): U. S. City Average by expenditure category and commodity and service group		
7 Source - Table 4. Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W): U. S. City Average, by expenditure category and commodity and service group.		
NOTE: Index applies to a month as a whole, not to any specific date.		

Relative Importance of Commodities Included in the Producer Price Index December 1998			
Commodity		Relative Importance	
All commodities		100.000	100.000
Farm products, processed foods and feeds			15.729
01	Farm products	4.292	4.292
011	Fruits & melons, fresh/dry vegs. & nuts		0.059
012	Grains		0.662
013	Slaughter livestock		1.040
014	Slaughter poultry		0.432
015	Plant and animal fibers		0.138
016	Fluid milk		0.735
017	Chicken eggs		0.136
018	Hay, hayseeds and oilseeds		0.467
019	Other farm products		0.089
02	Processed foods and feeds	11.437	11.437
021	Cereal and bakery products		1.342
022	Meats, poultry, and fish		2.547
023	Dairy products		1.627
024	Processed fruits and vegetables		0.716
025	Sugar and confectionery		0.752
026	Beverages and beverage materials		1.812
027	Fats and oils		0.390
028	Miscellaneous processed foods		1.472
029	Prepared animal feeds		0.767
03	Textile products and apparel	0.410	0.410
031	Synthetic fibers		0.358
032	Processed yarns and threads		0.363
033	Gray fabrics		0.356
034	Finished fabrics		0.575
038	Apparel & other fabricated textile prods		2.297
039	Miscellaneous textile products/services		0.150
04	Hides, skins, leather, and related products	0.340	0.340
041	Hides and skins		0.047
042	Leather		0.091
043	Footwear		0.111
044	Other leather and related products		0.092
05	Fuels and related products and power	12.457	12.457
051	Coal		0.718
052	Coke oven products		0.051
053	Gas fuels		1.666
054	Electric power		5.968
055	Utility natural gas		1.170
056	Crude petroleum (domestic production)		0.512
0561	Crude petroleum (domestic production)		0.512
057	Petroleum products, refined		2.282
058	Petroleum and coal products, n.e.c.		0.090

Relative Importance of Commodities Included in the Producer Price Index December 1998			
Commodity		Relative Importance	
06	Chemicals and allied products	8.619	8.619
061	Industrial chemicals		2.288
062	Paints and allied products		0.679
063	Drugs and pharmaceuticals		2.177
064	Fats and oils, inedible		0.043
065	Agricultural chemicals and chemical products		0.602
066	Plastic resins and materials		0.894
067	Other chemicals and allied products		1.937
07	Rubber and plastic products	3.291	3.291
071	Rubber and rubber products		0.087
072	Plastic products		2.421
08	Lumber and wood products	2.306	2.306
081	Lumber		0.641
082	Millwork		0.655
083	Plywood		0.227
084	Other wood products		0.183
085	Logs, bolts, timber and pulpwood		0.430
086	Prefabricated wood buildings & components		0.076
087	Treated wood and contract wood preserving		0.093
09	Pulp, paper, and allied products	9.668	9.668
091	Pulp, paper, and prod., ex. bldg. paper		4.085
092	Building paper & building board mill prods.		0.126
093	Publications, printed matter & printing mat'l		5.457
10	Metals and metal products	9.073	9.073
101	Iron and steel		2.274
102	Nonferrous metals		2.144
103	Metal containers		0.341
104	Hardware		0.373
105	Plumbing fixtures and brass fittings		0.129
106	Heating equipment		0.146
107	Fabricated structural metal products		1.456
108	Miscellaneous metal products		1.869
109	Metal treatment services		0.342
11	Machinery and equipment	13.448	13.448
111	Agricultural machinery and equipment		0.310
112	Construction machinery and equipment		0.403
113	Metalworking machinery and equipment		0.955
113A	Metalworking machinery n. e. c.		0.047
113B	Rolling mill machinery		0.017
114	General purpose machinery and equipment		2.041
115	Electronic computers and computer equipment		0.592
116	Special industry machinery and equipment		0.090
117	Electrical machinery and equipment		5.968
118	Miscellaneous instruments		0.827
119	Miscellaneous machinery		1.452

Relative Importance of Commodities Included in the Producer Price Index December 1998			
Commodity		Relative Importance	
12	Furniture and household durables	2.627	2.627
121	Household furniture		0.628
122	Commercial furniture		0.635
123	Floor coverings		0.327
124	Household appliances		0.475
125	Home electronic equipment		0.193
126	Other household durable goods		0.369
13	Nonmetallic mineral products	2.234	2.234
131	Glass		0.280
132	Concrete ingredients and related products		0.415
133	Concrete products		0.609
134	Clay construction products ex. refractories		0.057
135	Refractories		0.062
136	Asphalt felts and coatings		0.105
137	Gypsum products		0.098
138	Glass containers		0.135
139	Other nonmetallic minerals		0.473
14	Transportation equipment	11.638	11.638
141	Motor vehicles and equipment		6.965
142	Aircraft and aircraft equipment		3.909
143	Ships and boats		0.478
144	Railroad equipment		0.126
147	Full tracked armored vehicles		0.072
149	Transportation equipment, n.e.c.		0.089
15	Miscellaneous products	4.469	4.469
151	Toys, sporting goods, small arms, etc.		0.422
152	Tobacco products, incl. stemmed & redried		1.276
153	Notions		0.024
154	Photographic equipment and supplies		0.508
1541	Photographic equipment		0.127
155	Mobile homes		0.159
156	Medical, surgical & personal aid devices		0.847
157	Industrial safety equipment		0.044
158	Mining services		0.459
159	Other miscellaneous products		0.731
159A	Miscellaneous products, n.e.c.		0.278
Government purchases and Exports		3.691	

EXHIBIT 5

**COMPARISON OF THE RATES OF INCREASE FOR THE CONSUMER
PRICE INDEX (URBAN AND WORKERS) AND THE PRODUCER PRICE
INDEX OF INDUSTRIAL COMMODITIES.**

Mo\Yr	ACTUAL ANNUAL INDEXES			PERCENTAGE INCREASE		
	CPI-U	CPI-W	PPI	CPI-U	CPI-W	PPI
(1)	(2)	(3)	(4)	(5)	(6)	(7)
1980	82.4	82.9	88.0	0.0	0.6	6.8
1981	90.9	91.4	96.2	10.3	10.9	16.7
1982	96.5	96.9	100.0	17.1	17.6	21.4
1983	99.6	99.8	101.6	20.9	21.1	23.3
1984	103.9	103.3	103.8	26.1	25.4	26.0
1985	107.6	106.9	104.7	30.6	29.7	27.1
1986	109.6	108.6	103.2	33.0	31.8	25.2
1987	113.6	112.5	105.4	37.9	36.5	27.9
1988	118.3	117.0	108.0	43.6	42.0	31.1
1989	124.0	122.6	113.6	50.5	48.8	37.9
1990	130.7	129.0	119.2	58.6	56.6	44.7
1991	136.2	134.3	121.7	65.3	63.0	47.7
1992	140.3	138.2	123.2	70.3	67.7	49.5
1993	144.5	142.1	124.7	75.4	72.5	51.3
1994	148.2	145.6	125.5	79.9	76.7	52.3
1995	152.4	149.8	127.9	85.0	81.8	55.2
1996	156.9	154.1	131.3	90.4	87.0	59.3
1997	160.5	157.6	131.8	94.8	91.3	60.0
1998	163.0	159.7	130.7	97.8	93.8	58.6

IV.

Counsel's Statement

John R. Bagileo

**Legal Justification for Continuation
Of SMC's Section 5a Agreement**

The Standard Governing Continuation of SMC's Section 5a Agreement.

For some two decades a presumption has existed in the legislation governing Section 5a Agreements that such collective ratemaking activities conducted under certain prescribed requirements are in the public interest and should be approved. It is submitted that the Motor Carrier Safety Improvement Act of 1999 strengthened that presumption.

In enacting the Motor Carrier Act of 1980 Congress recognized the value of motor carrier associations conducting collective ratemaking activities under Section 5a Agreements, and stated that any Agreement meeting the prescribed conditions in then Section 14(e), i.e. former 49 U.S.C. § 10705(b)(3), is presumed to be in the public interest and should be approved. Congress also made plain its specific intent to limit the former ICC's powers in making that determination. It stated that:

In other parts of the rate bureau section of the bill, the Committee has proposed to reduce the amount of discretion that the Commission has to approve or disapprove rate bureau agreements. This reduction in Commission discretion goes hand-in-hand with the other reforms proposed in the rate bureau process. This is a clear example of Congress defining the limits which it believes the Commission should follow in reducing the discretion of the Commission to expand those limits. (H.R. Rept. No. 96-1096, 96th Cong. 2d Sess., p. 29 (1980).)

In response to that directive the Commission acknowledged that "it is apparent that a substantial change in the burden of proof associated with the approval of rate bureau agreements has been mandated by Congress." See Motor Carrier Rate Bureaus—Imp. Of P.L. 96-296, 364 I.C.C. 464, 466 (1980).

Congress continued the mandate that an existing, approved Section 5a Agreement is presumed to be consistent with the public interest in the provisions of the Interstate

Commerce Commission Termination Act of 1995. Specifically, former Section 13703(d) of 49 U.S.C. provided that while an extant Section 5a Agreement was to expire three years after the date of its approval, parties could resubmit the Agreement to the STB for renewal, and “the Board shall approve the renewal unless it finds that the renewal is not in the public interest.” Indeed, in the May 6, 1998 letter of the Honorable Nick J. Rahall, II, the ranking Democratic Member of the Subcommittee on Surface Transportation and Infrastructure, which was submitted to the STB in the pending consolidated proceedings involving motor carrier association requests for nationwide collective ratemaking authority, he strongly supported the continuation of antitrust immunity for those organizations. Congressman Rahall pointed out that, pursuant to the provisions of former Section 13703(d) of 49 U.S.C., “unless the Board affirmatively determines that there is some public interest basis for not continuing the immunity that Congress provided for in the statute, the immunity is to be renewed beyond the initial three year period.”

Congress’ endorsement of collective ratemaking activities under Section 5a Agreements was further strengthened in the recently-enacted Motor Carrier Safety Improvement Act of 1999. That Act rescinded former Section 13703(d), and related provisions, which had conditioned extant Section 5a Agreements to a renewal process three years after the date of approval upon request of the parties, absent which the Agreements would automatically expire. Whereas under former Section 13706(d) those Agreements for which renewal was sought were to be approved unless the STB found that “the renewal is not in the public interest,” an even stricter standard remains today for reviewing already-approved Section 5a Agreements. Under Section 13703(c) of 49 U.S.C. the STB’s power to review such an Agreement for the purposes of changing the

conditions or terminating it must be based on a finding that such action is “necessary to protect the public interest.” Nothing in this record would reasonably lead to any conclusion that SMC’s collective ratemaking activities have given rise to any circumstances which require STB intervention to protect the public. To the contrary, as shown in SMC’s Opening and these Reply Statements, SMC’s collective ratemaking activities plainly benefit the public interest. That conclusion is strongly supported by its prompt response to the STB’s expressed concern for shippers who did not have any discount applicable to SMC’s class rates, its initiation and implementation of a cost-based procedure for establishing general rate increases, and its documentation that SMC’s class rate scales unquestionably have a very favorable competitive impact in its ratemaking territories.

Substantial evidence is necessary to rebut the presumption that SMC’s Section 5a Agreement is in the public interest. See, e.g., Harlem Taxicab Ass’n v. Nemesh, 191 F.2d 459 (D.C. Cir. 1951); and New York Life Ins. Co. v. Gamer, 303 U.S. 161, 58 S. Ct. 500 (1938). Moreover, no record evidence contradicts the demonstrated fact that SMC’s class rate scales have facilitated highly competitive pricing in its ratemaking territories. Thus, there is no public interest consideration which requires any protection from SMC’s present collective ratemaking activities. Indeed, a substantial segment of the transportation community, including many shippers and their representatives, requested the STB to expand SMC’s collective ratemaking activities nationwide. Manifestly, no legitimate grounds have been presented for not continuing SMC’s currently-approved Section 5a Agreement.

The Reasonableness of SMC's Class Rate Scales Is Evident

Significantly, in its Decision served on December 18, 1998, in Section 5a Application No. 118 (Amendment No. 1), et al., EC-MAC Motor Carriers Service Association, Inc., Et Al., the STB acknowledged that:

In the past, the ICC would have been able to identify competitive rate levels itself by reviewing a variety of information at its disposal. As Congress sought to make the motor carrier industry more competitive, however, it reduced the Government's presence to a point where virtually no rate information is now available to us, and therefore, public input would be necessary before we could determine how the class rate structure can be amended sufficiently so the bureau agreements could pass muster. (See Decision, p. 8.)

Additionally, in its Decision served February 11, 2000, in that same proceeding the STB clarified that its decision did not find any rate to be unreasonably high, and does not foreclose any rate bureau from demonstrating that the undiscounted bureau rates do reflect the going rate levels in a competitive market. It is submitted that SMC has made that showing with respect to its class rates.

As was recognized in Georgia-Pacific Corp. Pet. For Declar. Order, 9 I.C.C.2d 796 (1993), rate comparisons are a long-accepted basis for assessing rate reasonableness. The critical question in this proceeding is which rates should SMC's class rates be compared. Initially, the STB spoke in terms of the relationship of the class rates to discounted class rates. However, for the many reasons provided in SMC's Opening and these Reply Comments, such comparisons are not of like or related rates. Initially, the class rates reflect industry average costs and the industry's general revenue needs. Conversely, the discounts applied to the class rates are the independently determined rates reflecting that carriers' pricing and competitive marketing needs-factors which, as explained by Daniel M. Acker, SMC's cost expert, are unrelated to class rate structures.

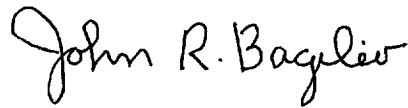
So too, the rationale of attempting to identify an average discount as being the lodestar for an adjustment to the class rates also misses the mark. Such an average merely represents the mathematical average of the individual discounting practices of the carriers taken in light of their particular pricing or marketing strategies. Again, those factors are not related to industry average costs or general revenue needs—the substance of collective ratemaking and the class rates. Also, if all of SMC's class rates are required to be reduced by a stated percentage, would that not invalidate discounted class rates below that amount by finding that only class rates reduced to the stated level are reasonable? If so, is that not the intrusion into the individual ratemaking practices of the carriers by the STB which Congress has prohibited since the Motor Carrier Act of 1980? Further, would such adjusted class rates be deemed the maximum reasonable, collectively-made class rate levels, in contradiction of the principles established in Rules Governing Publication of Exception Ratings, 1 I.C.C.2d 4 (1984).

The true and accurate comparison of SMC's class rates to assess their reasonableness and competitiveness is with other class rate scales available in SMC's ratemaking territories. That comparison will demonstrate the relationship of SMC's baseline utilized for pricing purposes with the competitive baselines of other carriers operating in those markets. Certainly, if SMC's baseline compares favorably with other such pricing mechanisms it cannot reasonably be argued or concluded that SMC's class rates impair competitive pricing, are unreasonably high, or adversely affect the public interest. In fact, that very comparison demonstrates that SMC's class rate pricing mechanism is substantially lower than those utilized by other carriers and, therefore, is a

positive factor in ensuring that shippers obtain competitive and reasonable rates in SMC's ratemaking territories.

Because of SMC's positive response to the STB's prior directives that shippers not having any discounts available be granted a rollback and SMC's implementation of a cost-based procedure for general rate increases, as well as the very reasonable relationship SMC's baseline of class rates bear to other competitive baselines, it is requested that the STB conclude that SMC's Section 5a Agreement be continued.

Respectfully submitted,

A handwritten signature in black ink that reads "John R. Bagileo". The signature is written in a cursive, flowing style.

John R. Bagileo
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Counsel for Southern Motor Carrier Rate
Conference, Inc.

Due and Dated: May 11, 2000

V.

Certificate of Service

Certificate of Service

I hereby certify that I have this 11th day of May 2000, served a true and correct copy of the foregoing Reply Comments upon all parties identified in the Surface Transportation Board's Decision served on April 21, 2000 in Section 5a Application No. 118 (Sub-No. 2), et al., EC-MAC Motor Carrier Services Association, Inc., Et Al., by first class mail, and with postage prepaid.



Jack E. Middleton
President and CEO
Southern Motor Carriers Rate Conference, Inc