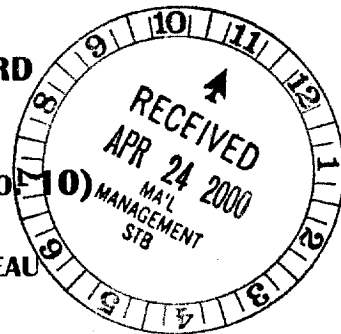


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**BEFORE THE
SURFACE TRANSPORTATION BOARD**

SECTION 5A APPLICATION NO. 1 (SUB-NO. 10)

**HOUSEHOLD GOODS CARRIERS' BUREAU
COMMITTEE - AGREEMENT**



**COMMENTS OF THE
HOUSEHOLD GOODS CARRIERS' BUREAU COMMITTEE**

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DATED: APRIL 24, 2000



**HOUSEHOLD GOODS
CARRIERS' BUREAU
COMMITTEE**

BEFORE THE
SURFACE TRANSPORTATION BOARD

SECTION 5a APPLICATION NO. 1 (SUB-NO. 10)

HOUSEHOLD GOODS CARRIERS' BUREAU
COMMITTEE -- AGREEMENT

COMMENTS OF
HOUSEHOLD GOODS CARRIERS' BUREAU COMMITTEE

These Comments are filed on behalf of the Household Goods Carriers' Bureau Committee (HGCBC or Committee) and its member carriers in response to the February 4, 2000, Board decision, served February 11, 2000, in this proceeding. As required by that decision, the principal issue to be addressed is ". . . whether any immunity granted to HGB ought to be conditioned on reductions in benchmark rates to prevailing levels of market based rates" (February 4 Decision). The Board suggests that the concerns it expressed in EC-MAC Motor Carriers Service Association, Inc., et al., Sec. 5a Application No. 118 (Amendment No. 1), et al., served December 18, 1998, and February 11, 2000, may be relevant in this proceeding. Presumably, those concerns center on whether shippers utilizing the services of household goods carriers are paying charges in excess of market based charges by virtue of HGCBC carrier maintenance of a so-called benchmark rate level.

Included in these Comments are verified statements prepared by Joseph M. Harrison, Secretary of the HGCBC, Joseph A. Habib, a Transportation Consultant and Dr. Donald I. Hertzmark, a consulting economist. Each statement addresses specific aspects of HGCBC collective ratemaking and the pricing of services performed for the shipping public. Those statements do not require restatement here. However, an overview makes it clear that the role played by collective ratemaking in the moving industry is vital to the unbridled price competition enjoyed by consumers and all other shippers, private and government, who utilize the services of interstate movers. In no small measure the success of this system lies in broad acceptance of the industry's benchmark rate level as an appropriate facilitator of price competition.

The specific shipment charges that are the product of the HGCBC benchmark rate level are, in fact, market based rates or charges. Regardless of the category of traffic involved, (consumer, national account or civilian or military government) shipment charges are the result of a highly competitive market. All major van lines and independent and small carriers compete with one another predicated upon many of the factors the Interstate Commerce Commission determined affect charges carriers offer for the service they are required to perform, e.g., perception of competition for the move, level of competitive pressure, peak or off-peak time of shipment, availability of capacity, special service requirements, fit of the movement with

carrier's existing operations, to name several. See Georgia-Pacific Corp.--Pet. for Declar. Order, 9 I.C.C. 103, 159 (1992). Additional factors recited in Georgia-Pacific which are important to a personal effects shipper are pickup and delivery deadlines, carrier reliability, condition of equipment and availability, carrier treatment of claims, customer relations, and availability of competing services. Id., 160.

The appended statements make the same point, i.e., the charges carriers determine are appropriate to meet shipper requirements are dictated by very specific and unique operating circumstances. It would therefore be inappropriate to assume that a uniform percentage reduction in a benchmark rate level would cause carriers to assess shipment charges that are lower than those being assessed today. Practical operating factors such as those enumerated in Georgia-Pacific and in the appended statements result in shipment charges. The same result would not be accomplished by a level of rates arbitrarily set by government fiat.

Mr. Harrison's statement provides the background necessary to fully understand the importance of collective ratemaking to the moving industry and, more importantly, to its customers.

HGCBC tariffs and their benchmark rate levels apply for the account of 1,935 interstate carriers, virtually the entire regulated moving industry. No significant carrier of these goods

operates outside of the HGCBC process. This has been the case for nearly 50 years.

HGCBC benchmark rates are the basis for (1) carrier estimates of shipping charges furnished to consumer (C.O.D.) shippers; (2) the assessment of final charges for consumer shippers; (3) transportation charge quotations and final charges for national account shippers that elect not to enter into contracts for the transportation of their employees; (4) national account shippers that have entered into contractual arrangements with household goods carriers; (5) third party broker representatives of primarily national account shippers; (6) civilian government traffic, whether controlled by individual agencies or the General Services Administration; (7) Department of Defense movements using a number of test programs in addition to its longstanding current program.

As matters now stand, contractual arrangements of every description are tied to and dependent upon the existing HGCBC benchmark rate level. The disruption that could result from prescription of a different benchmark level would seriously impact these important relationships with no countervailing benefit to the public.

In reviewing Mr. Harrison's statement, particular attention should also be paid to the following additional important points: (1) the moving industry's dependence on joint-line carrier service and the degree to which collective tariffs facilitate that service; (2) individual carrier statements (V.S.

Harrison, Attachment No. 3) explaining their reliance on collective ratemaking from several vantages, viz.:

- (a) Consumers find it easy to compare estimates from several carriers since they are based on the same tariff - it is an "apples to apples" comparison.
- (b) The collective tariff does not restrict competition. The number of individually filed carrier exceptions disputes the notion that collective ratemaking has reduced competition.
- (c) A joint tariff and common service rules expand the territorial coverage offered by small companies beyond what they could provide individually.
- (d) The uniform tariff enables small movers to compete with large carriers.
- (e) The uniform, Nationwide tariff facilitates service to all areas of the Country.
- (f) Joint service is "prearrangement with fellow carriers". As many as four carriers may be involved in a single move.
- (g) National accounts use the uniform tariff as a benchmark to compare carrier charges and services.

- (h) Some National accounts utilize the services of up to 150 carriers, and they want and need the uniform tariff to ensure comparability and competitiveness among their carriers.
- (i) The fastest growing segment of the National Account moving market is the Third Party Relocation companies that act as brokers of moving services. Every move handled by the Relocation companies is subject to the terms and conditions of the industry's standardized tariff.
- (j) Competition for owner-operators is fierce. Having a common basis for charges allows drivers to compare carrier compensation when deciding who they will contract with.
- (k) A uniform tariff assists with the migration of industry personnel and owner-operators - they can go from one carrier to another and understand pricing, rules, regulations, etc.
- (l) Computer programs for rating, driver pay, shipment estimates, etc. are based on the uniform tariff. Carriers only need to enter miles, weight, services, etc. to rate a shipment.

Mr. Habib's statement gives shipment data substance to the assertion HGCBC carrier discounting below the benchmark rate

level is not detrimental to the public interest. His analysis of HGCBC shipment data confirms that consumer shippers fare as well as large national account shippers in the charges they bear. The discounts they receive, like those commanded by national account shippers are, on average, 21 percent in the under 30 percent discount group. They do as well in the over 30 percent group, 54 percent versus 57 percent.

Importantly, carrier pricing is influenced by a number of practical operating contingencies -- shipment weight, direction of movement, availability of other shipments, competition, etc., all of which are ordinary, everyday considerations evaluated by carriers and owner-operators when determining their service capabilities. From the standpoint of the public, it is clear that available HGCBC pricing data establishes that no class of shippers (most notably consumer shippers) are bearing the brunt of discriminatory pricing practices. Of course, there is no suggestion that this is the case. If there were, the Act is clear, rates for the transportation of household goods must be reasonable. 49 U.S.C. § 13701(a). This requirement is imposed whether the rates are collectively or individually formulated. We submit that the Board's authority to ensure the reasonableness of household goods carrier rates stems from the authority conferred by Section 13701(a), and not from the authority to approve collective ratemaking agreements. 49 U.S.C. § 13703(a) and (c). In the case of HGCBC carriers, Mr. Habib's analysis of industry

operating results, producing an operating ratio of 97 percent, confirms that the industry is not enjoying unreasonable profits resulting from its application of discounts below the HGCBC benchmark rate level.

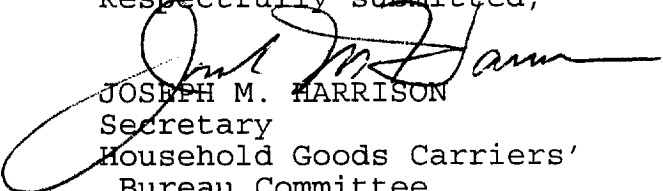
The statement prepared by Dr. Hertzmark provides a measure of clarity that seems to be missing in the Board's analysis of the effects of benchmark pricing and particularly on the question of whether it results in non-competitive conduct.

Clearly, benchmark pricing is not anti-competitive. In fact, it facilitates price comparisons. In the moving industry it gives shippers the ability to make so-called "apples to apples" comparisons of competing carriers' offers to perform service. This is an invaluable tool not only from the standpoint of price, but also from the standpoint of commonly applied tariff provisions. Carriers are free to offer prices they believe cover their costs and attract traffic. Shippers are free to negotiate final charges and decide which carrier they will select, all within the context of the benchmark rate level. There is nothing sinister about this process.

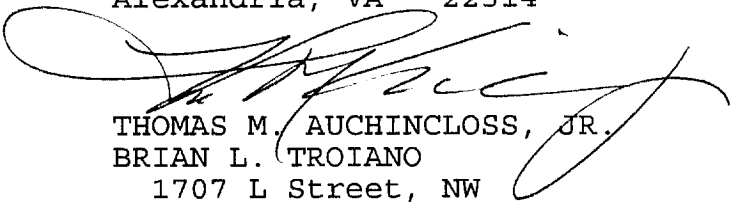
CONCLUSION

For the foregoing reasons, Household Goods Carriers' Bureau Committee Agreement No. 1 should be approved without further proceedings.

Respectfully submitted,



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DATED: APRIL 24, 2000

VERIFIED STATEMENT
OF
JOSEPH M. HARRISON

My name is Joseph M. Harrison. I am the Secretary of the Household Goods Carriers' Bureau (HGCBC or Committee), an autonomous standing Committee of the American Moving and Storage Association (AMSA) with offices at 1611 Duke Street, Alexandria, VA, 22314. I am also the President of the American Moving and Storage Association.

I have been the Secretary of the Committee (formerly the Household Goods Carriers' Bureau) for the past 19 years and President of AMSA for the past 9 years. As Secretary of the Committee I am responsible for its administrative operations as they relate to Household Goods Carriers' Bureau Committee Rate Agreement No. 1.

Prior to my employment by AMSA and its predecessor associations, I was President of the Bulk Carrier Conference, a tank truck carrier rate bureau. I was also formerly employed by the National Classification Committee of the National Motor Freight Traffic Association as a member of the National Classification Board and Chief of the Board's Research Section. In all, I have 37 years' experience with motor carrier associations. During that time I have worked with representatives of motor carriers, shippers, receivers, regulatory agencies and Congress regarding all phases of motor carrier operations, regulatory requirements and pricing of motor carrier transportation services. I hold a B.S. Degree in Business Administration from Southeastern University.

BACKGROUND

This statement is intended to provide the Surface Transportation Board (STB) with a detailed description of the activities conducted under the HGCBC Agreement and the importance of the Agreement to household goods carriers, parties to the Agreement, and their customers (consumers, national account shippers and civilian and military government personnel).

AMSA is the national trade association of the moving and storage industry. Its membership consists of 3,477 household goods carriers, agents of van lines, freight forwarders and suppliers who are engaged in all facets of the moving and storage business from van lines and their affiliated agents to independent carriers, small local movers, and hundreds of movers domiciled around the world. The organizational structure that resulted in the consolidation of AMSA¹ and the Household Goods Carriers' Bureau was approved by the former Interstate Commerce Commission in Section 5a Application No. 1, (Amendment No. 9), Household Goods Carriers' Bureau, Inc., Agreement, decided June 25, 1993.

Carrier Participation and Tariff Applicability

Currently, 1,935 DOT FMSA certificated interstate household goods carriers are parties to the HGCBC Agreement. For nearly 50 years the number of signatories to the Agreement has remained fairly constant, usually in the range of 1,800 to 2,000 carriers notwithstanding numerous deregulatory amendments to the

¹ Formerly the American Movers Conference.

Interstate Commerce Act, i.e., Motor Carrier Act of 1980,
Household Goods Transportation Act of 1980, Trucking Industry
Regulatory Reform Act of 1994, and ICC Termination Act of 1995.

In 1952, the year subsequent to initial approval of the Agreement, 2,197 carriers were signatories. This record attests to the importance of collective ratemaking to the moving industry and its customers with nearly 100 percent carrier participation in the activities conducted under the HGCBC Agreement.

HGCBC publishes and maintains 12 household goods Agency Tariffs. Attachment No. 1 is a listing of those tariffs. In addition to the household goods tariffs, the Committee publishes and maintains three Mileage Guides with 1,934 household goods carrier participants and 5,500 other carrier participants (rail, motor, passenger, pipeline).

Apart from the tariffs applicable to 1st proviso personal effects traffic (Tariff Series 400 and 415), HGCBC also maintains tariffs applicable to articles which, because of their unusual nature or value, require specialized handling and equipment usually employed in moving household goods, i.e., 3rd proviso traffic, Tariff Series 303 (exhibits and displays) and Tariff Series 300 (electronic equipment, etc.). HGCBC carriers also transport office and institutional moves generally described as 2nd proviso traffic which is rated under Tariff Series 400 or moves in contract carriage. However, the preponderance of 2nd proviso traffic is local or intrastate in nature.

Interstate revenue earned by the industry is derived primarily from 1st proviso traffic (80.7%), with 2nd proviso accounting for .09% and 3rd proviso (18.4%).² Because of the commercial nature of 2nd and 3rd provisos traffic, a significant portion of this traffic is rated under individual carrier tariffs or moves in contract carriage. However, data is not available that differentiates between these governing forms. Therefore, the primary emphasis of this statement will be on the dominant interstate service performed by HGCBC carriers--the interstate transportation of personal effects traffic.

Tariff Series 400 is the principal tariff governing the transportation of personal effects shipments for the private sector and the Department of Defense.³ STB HGB Tariff Series 415 is the principal tariff governing the transportation of civilian government employee personal effects shipments. The categories of shippers who rely on the services performed by HGCBC carriers under these tariffs are:

1. Private Transferees (customers that pay their own transportation costs, usually on a C.O.D. basis);
2. National Accounts (corporations that pay their employees' relocation costs, including transportation);

² According to the 1998 financial results of 17 major household goods carriers.

³ As discussed at a later point, DOD traffic moves under a modified version of Tariff 400 or, in various DOD test programs under Tariff 400 as it applies to all private sector and other government traffic.

3. Civilian Government Agencies (all non-military federal agencies);

4. Military Services (all branches of the military). Nearly 100 percent of the shipments tendered by each category of these customers are rated and transported pursuant to HGCBC tariffs.

Private Sector and Government Reliance on HGCBC Tariffs

Data extrapolated from carrier annual reports for the year 1997 indicates that the industry transported roughly 583,000 Private Transferee (C.O.D.) shipments moved under Tariff 400, and its exceptions tariff. National Account customers tendered 590,000 shipments moving in common or contract carriage under Tariff 400. Civilian Government moves numbered 22,000 under HGCBC Tariff 415. Over 177,000 military shipments were transported by HGCBC carriers. A more accurate count of DOD shipments is not available because a separate tariff developed by the military and patterned after the HGCBC Tariff for its existing Personal Property Program does not permit the accumulation of accurate shipment data.

The military has also applied Tariff 400 in four different test programs it is conducting to improve and streamline its personal property procurement system. A cornerstone of these tests is implementation of commercial practices, i.e., to the extent the military believes commercial practices fit well with their requirements, they will be adopted. Thus, in the case of HGCBC Tariff 400, the military is well aware

of its application to virtually all traffic moving in the private sector and, therefore, recognizes it as the appropriate pricing standard for its traffic. Therefore, all military tests require application of HGCBC Tariff 400 for the rating and billing of all affected shipments. Attachment No. 2 describes how Tariff 400 is being applied by the Department of Defense in those programs, viz.: (1) Full Service Moving Project; (2) Service Member Arranged Move Program; (3) Personal Property Re-engineering Program; (4) Hunter Army Airfield Test, and its long standing current program.

The General Services Administration Centralized Household Goods Traffic Management Program (CHAMP), is the civilian government-wide household goods transportation procurement system for the relocation of government employees, including Surface Transportation Board employees. CHAMP also references HGCBC Tariff 415 as the mechanism for rating and billing all civilian government household goods shipments. Like the DOD programs, it employs a baseline rate structure with carrier offers expressed as discounts below that level.

The widespread acceptance of collectively maintained HGCBC Tariffs by the industry's customer base underscores the uniqueness of household goods carrier transportation and the importance of collective ratemaking. It is apparent that important sectors of the private and government marketplace, charged with the responsibility of procuring moving services, know and understand the need for and utility of collectively

maintained HGCBC tariffs. Frankly, in my experience I have learned that government and corporate accounts do not want to deal with a myriad of different pricing mechanisms such as those that would replace HGCBC tariffs if antitrust immunity did not exist. They want a reasonable, logical and uniform pricing system they can rely on for any given shipment, regardless of origin, destination, weight, packing requirements, storage requirements, shipment value, size and location of house, apartment, high rise and other factors unique to each relocating household. HGCBC Tariffs that are the result of the HGCBC Rate Agreement provide what these customers want and need.

While the Private Transferee (C.O.D.) customer is generally not familiar with the details of HGCBC tariffs, standard rules, accessorial provisions and rates and charges provide a degree of protection and stability for these somewhat vulnerable consumers that could not be obtained from an individual carrier tariff system. As required by the Interstate Commerce Act, household goods carrier tariffs must be published, available for inspection upon request and carriers are bound by their provisions.⁴ The standard rules and rate provisions contained in HGCBC tariffs ensure that consumers receive accurate pricing estimates, including standard packing and storage rates, other origin or destination accessorial services and standard liability coverage.

⁴ 49 U.S.C. § 13702(c).

THE SCOPE OF HGCBC COLLECTIVE RATEMAKING

The HGCBC Committee has continuously and regularly exercised the authority conferred by its approved Agreement attesting to the importance of the collective system. The Committee or its Rates and Tariffs Subcommittee hold regular meetings at which docket proposals are considered and acted upon. In the past these proposals have included rate/tariff restructures, general rate adjustments, classification changes, fuel related adjustments, and mileage guide reissues. Between 1988 and the present, 281 general application proposals were docketed and 172 were approved, while 6,045 independent actions were noticed and published for the accounts of individual carriers. This level of activity confirms the importance of the collective system while also demonstrating unrestrained exercise of the carriers' right to individually establish or adjust rates and tariff provisions to suit their particular service requirements.

In addition to collective rate adjustments responding to industry conditions, the Committee's collective ratemaking authority has allowed HGCBC carriers to make significant strides in tariff simplification. As a result of several tariff restructures over the last several years, Tariff 400 has been streamlined in format and content to reduce its size and make it more functionally efficient and user-friendly.

The first phase of the HGCBC tariff simplification program was completed in 1990, with a nationwide restructure of

linehaul transportation rates and packing and unpacking rates. Five linehaul transportation rate sections were consolidated into a single rate table applicable throughout North America. In addition, the restructured rates eliminated breakpoint rate calculations.⁵ These steps greatly facilitated computerization of the linehaul and packing and unpacking sections of the tariff.

The 1990 restructure also involved the first step in a restructure of accessorial rates and charges by consolidating 15 packing and unpacking schedules into 8 schedules. Reducing the number of schedules tariff users must refer to simplified the rating and billing of shipments and the post shipment auditing performed by shippers and carriers.

The next phase of the simplification process was completed in 1992.⁶ Carriers implemented a service area and cost schedule concept, significantly simplifying the manner in which accessorial service charges are published. Under this restructure, each of 3,200 counties and independent cities in the United States were placed into one of 222 service areas with common service characteristics. These service areas in turn refer to only 8 accessorial rate schedules covering the entire Country thereby simplifying estimating, billing, and auditing functions. The result is publication of rates and charges for

⁵ See ICC Suspension Board Case No. 71520.

⁶ Supplement 4 to ICC HGB 400-H and 415-D were permitted to become effective in ICC Suspension Board Case No. 71585.

major accessorial items on a single tariff page for each of 8 cost schedules and a major reduction in the size of the tariff.

A restructuring of linehaul rates into a "look up" tariff format was adopted in 1996.⁷ Previously, the rate structure reflected a base charge for each weight bracket and mileage block requiring separate computations to arrive at charges. Under the restructured "look up" format, computations are not required. Rates are published as flat charges for each mileage and weight bracket with no calculations required to determine applicable charges.

Two more recent restructures further reduced the number of nationwide cost schedules for major accessorial services. In 1997, the number of schedules was reduced from 8 to 6, and in 1998, they were further reduced to 4. Consolidation of rate schedules continues to reduce the size of the tariff thereby simplifying estimating, rating, billing and auditing procedures.

These collectively formulated changes have resulted in a standard industry tariff with uniform terms in a format that serves as an accepted basis for price and service negotiations between carriers and shippers. Importantly, as the accepted industry publication, it provides an ideal standard for shippers' price and service comparisons.

The effort to simplify the principal HGCBC personal effects tariff continues. Under study by the Committee is a

⁷ STB HGB 400-L, and STB HGB 415-F, issued April 5, 1996, effective May 5, 1996.

further major revision of Tariff 400 which will further consolidate many of its provisions. The changes will result in simplification and will facilitate the use of electronic versions of the tariff.

As I previously noted, HGCBC carriers also utilize their collective ratemaking authority to publish rates on government traffic. Tariff 415 is the Government Rate Tender applicable to government civilian shipments.

HGCBC carriers routinely consider and adopt GSA proposals covering a variety of tariff changes that are necessary to accommodate the transportation requirements of government civilian traffic. Due to the volume of shipments, GSA's centralized control system, and the overall attractiveness of this traffic, GSA has been the proponent of most Tariff 415 changes. While the number of collective actions is largely limited to those occasions when GSA desires a change, the responsibility of implementing changes rests with HGCBC carriers and they do so under their immunized procedures.

Obviously, HGCBC carriers continue to make extensive use of the authority conferred by the HGCBC Rate Agreement. All of the collective actions discussed above were conducted in accordance with the procedures set forth in that Agreement. Even though tariffs are no longer filed with and reviewed by a government agency, HGCBC carriers are keenly aware that the approved procedures must continue to be strictly observed.

GOVERNMENT OVERSIGHT

As for government oversight, prior to the ICC Termination Act when tariffs were filed, the Committee's rate actions were scrutinized by the ICC. In fact, although not required to do so under the so-called MC-82 regulations, the Committee routinely submitted evidentiary justifications to the ICC in support of its general rate adjustments, tariff restructures and other authorized actions. They were reviewed, even when not protested, and allowed to become effective without suspension or investigation.⁸ Since elimination of the tariff filing requirement, the Committee continues to provide the STB with information copies of its tariffs and revisions thereto and endeavors to work with STB staff regarding inquiries concerning tariff and liability issues. Tariffs are also mailed to tariff carrier participants, hundreds of subscribers, including many state and federal government agencies. They are also available for inspection at the carriers' and Committee's offices.

The variety of tariff changes resulting from collective action that were reviewed and approved by the ICC over the years

⁸ See, e.g., Supp. 3 to ICC HGB 400-F, issued January 5, 1990, effective February 4, 1990, Suspension Board Case No. 71491; General Increase/Restructure issued August 15, 1990, effective October 1, 1990, Suspension Board Case No. 71520; Supp. 8 to ICC HGB 400-G, issued March 15, 1991, effective April 15, 1991, Suspension Board Case No. 71546; Supp. 2 to ICC HGB 400-H, issued January 16, 1992, effective March 1, 1992, Suspension Board Case No. 71581; Supp. 4 to ICC HGB 400-H, issued August 28, 1992, effective September 28, 1992, Suspension Board Case No. 71585; and Supp. 1 to ICC HGB 300-A, issued November 13, 1992, effective January 3, 1993, Suspension Board Case No. 71595.

has resulted in the development of an equitable pricing system and a rational tariff mechanism.

THE PRACTICAL IMPORTANCE
OF COLLECTIVE RATEMAKING

Apart from the obvious benefits derived from a standard price and service system, there are practical operating procedures that collective ratemaking promotes which would be difficult to otherwise accomplish. To illustrate how the collective system accommodates shippers' requirements, I will describe the handling of a typical hypothetical shipment to make my point.

The collective tariff allows a mover to provide a consumer with an accurate estimate of all charges associated with a relocation involving any two points in the United States. In this example, I will use the very distant locations of Boston, MA, to Seattle, WA, with partial delivery and storage in Chicago, IL, and storage of the balance of the shipment in Seattle before final delivery to a residence two weeks after arrival in Seattle.

The carrier or agent in Boston performs an on-site inspection of the household and prepares a transportation and storage estimate even though, at the time of the estimate, the estimator⁹ does not know what storage facilities will be used in Chicago or Seattle. Also, upon questioning the customer, the estimator can provide an accurate estimate of rates for pickup and delivery from storage in Chicago and Seattle, unpacking, and

⁹ In fact, industry experience indicates that C.O.D. shippers receive estimates from 3 to 4 carrier estimators.

all applicable accessorial charges that are the result of shipment and location characteristics such as long carry, stair carry, elevator service, appliance service, etc., as well as all other required destination services. This can be accomplished because the HGCBC tariff contains destination rates and charges for locations 3,000 miles away, even though the mover in Boston will not actually perform services in Seattle or, for that matter, in Chicago. It is important to note also that these requirements are met without direct shipper involvement in any phase of the operation other than his or her dealings with the origin estimator in Boston. The end result is a seamless system that provides consumers with reasonable, accurate pre-shipment estimates of their costs and avoids controversies when shipments are delivered and payment is required.

This ability to accomplish a move with as many as three carriers or agents involved (Boston, Chicago and Seattle) and one or more linehaul carriers (Boston to Chicago, Chicago to Seattle) with services performed 960 miles and 2,967 miles, respectively, from Boston, is the result of the collective tariff system that is supported by 1,934 movers. Absent the tariff, the Boston estimator would first have to obtain rates and charges for services in Chicago and Seattle from movers located in those cities. Also, the rates and services offered by different carriers may be different. For example, the terms and associated charges for in and out of storage and warehouse handling in Chicago and Seattle would more than likely be different. Other

accessorial services, e.g., long carry, stair carry, elevator service, etc., could also be described and priced differently if multiple tariffs applied, and rate levels may change more frequently than an estimator in Boston is aware of. Pricing according to Tariff 400 however is concerned primarily with the discount offered below the benchmark rate level.

The unknown particulars of each unique move and the services to be rendered by a network of service providers (van lines, independent carriers, agents and owner-operators) at reasonable costs to the public are precisely why the collective tariff has maintained its utility to both carriers and their customers for nearly 50 years. When estimates are finalized, consumers can verify rates and obtain tariff provisions by requesting copies from the carrier. And, if disputes arise concerning services or charges, they are more easily resolved by reference to a common tariff.

A BROADER VIEW OF HHG CARRIER JOINTLINE ACTIVITY

To put the importance of the collectively formulated tariff as the facilitator of joint-line carrier service in the moving industry into a more factual perspective, I will describe the results of certain data collected over the years from various HGCBC studies. They provide insight into the significance of the joint-line carrier system in sustaining what I have referred to as "seamless" carrier service.

Continuing Traffic (CTS) and Marketing Studies

performed by the Committee over many years have consistently shown that 30 percent of the shipments transported by CTS carriers required the services of two or more tariff participants to perform the entire moving service ordered by the shipper customer.¹⁰ Of course, shippers, their household effects and their residences determine which services are necessary to meet their unique requirements.¹¹

It is common practice among the large van line systems to strive to perform all services required to handle the shipments they transport using the capabilities of their agents. To a large extent, they are successful in meeting that objective. However, it is fact that the CTS carrier group, which includes

¹⁰ The Committee's CTS was designed by Dr. W. Edwards Deming. For many years it formed the basis for the selection of data in support of general revenue increases. See Increased Rates, Household Goods Carriers' Bureau, 1978, 361 I.C.C. 151, 160 (1979). The most recent CTS covers the year 1997. The Study carriers are Allied Van Lines, American Red Ball Transit, Atlas Van Lines, Bekins Van Lines, Clark & Reid Company, Global Van Lines, Graebel Van Lines Mayflower Transit, North American Van Lines, Stevens Van Lines, United Van Lines, and Wheaton World Wide Moving. They accounted for approximately 60 percent of all household goods shipments (1st, 2nd and 3rd proviso) transported by Committee carriers.

¹¹ Booking; shipment survey for estimating equipment needs and packing requirements; supplying containers; packing service; appliance servicing at origin or destination; origin convenience pickups; origin pickup for storage-in-transit; extra pickup at origin; origin storage-in-transit and warehouse handling; total or partial linehaul transportation service, i.e., interchange of the shipment, which may include boats or automobiles, with another carrier(s); en route service which may require the use of another carrier's facility; extra delivery at destination; destination storage-in-transit and warehouse handling; destination delivery from storage-in-transit; unpacking; and representation for loss or damage claims settlement.

the Nation's largest van line carriers who possess the greatest physical capacity to perform a single-line service, still required joint carrier service on 30 percent of the shipments they transported. Therefore, the importance of the collective tariff in permitting carriers to perform the services necessary to meet the public's requirements is not confined to smaller carriers that rely on other carriers to expand the scope of their operations.

The vast majority of all HGCBC carriers are small movers that fall into the Class II and III revenue classifications with annual revenues of less than \$10 million. While a special study of all small carriers' reliance on joint-line service has not been performed, I can say without fear of contradiction that the roughly 1,900 small HGCBC carriers have a greater dependence on the collective tariff system to accommodate their operations and to meet their service commitments. In fact, the more willing the small operator is to book shipments to locations that are far removed from its base of operations, the more dependent it is on collective ratemaking.

HGCBC conducted a limited study of 193 small carriers that transported more than 40,000 shipments to determine the incidence of joint-line services. In my opinion, the results of that study are representative of the experience of small HGCBC carriers as a whole.

The carriers reported that each category of the services listed in footnote 8 experienced some joint carrier

participation as part of the complete service they performed with other carriers. Certain services were not frequently performed by two or more carriers simply because they are not services that are ordinarily required by shippers. These would include extra pickup at origin, affecting 1.5 percent of the joint-line shipments; en route services, 1.6 percent; and extra delivery at destination, 1.7 percent.

The services that produced the highest incidence of joint-line carrier participation were those that are expected to require the services of two or more small carriers to complete a moving service. These are linehaul transportation service, 22.4 percent of the shipments; packing service, 17.0 percent; and destination storage-in-transit, 15.0 percent.

The study also identified the extent to which joint-line service was performed on a shipment-by-shipment basis with the result being 1.6 joint services performed for each joint-line shipment.¹²

The significance of this data cannot be discounted. The moving industry is an extremely sophisticated transportation system that requires a high degree of coordination between carriers to meet public demand. The success of that coordination rests upon the industry's ability to engage in collective ratemaking and jointly maintain its tariff system.

¹² Several of the small carriers also reported extremely high incidences of joint-line shipments as a percentage of all shipments transported, e.g., 43%, 55%, 64%, 93%.

CARRIER STATEMENTS ADDRESSING THE
IMPORTANCE OF COLLECTIVE RATEMAKING

Many of the points I have addressed in this statement echo comments made by HGCBC carriers in the recent past in response to the former rate agreement renewal requirement contained in Section 13703 of the IC Act.

In late 1998, prior to the Board's extension of the effectiveness of the HGCBC Agreement to December 31, 1999, I requested HGCBC carriers to provide me with written explanations of their reliance on the collective tariff system and how it benefits the shipping public. It was my intention to transmit those statements to the Board together with the Committee's Application for Renewal. In my request for statements, I deliberately avoided furnishing the carriers with a form or "boiler plate" draft of a letter that would be suitable for inclusion in the Application. Since I fully understand the value of collective ratemaking to the moving industry and the public it serves, I was confident that HGCBC carriers could also, in their words, explain the importance of this system.

Over 100 detailed responses were received to my request. Since the issue presented by the Board's February 4, 2000, decision in this proceeding is more narrow than the issues presented by an application for renewal, I will not include the carriers' statements in these Comments since they address points beyond the scope of this proceeding. However, in reviewing those statements I have elected to extract certain of their comments as they relate to this proceeding in order to provide the Board with

carrier confirmation of the importance of collective ratemaking. Attachment No. 3 contains the comments of many HGCBC carriers and identifies the carrier and the author.

Review of Attachment No. 3 indicates that the responses I received came from the largest van line carriers to extremely small movers. In fact, every major van line in the Nation responded to my request as did many small van lines, significant independent carriers and, as noted, many of the smallest operators. I urge careful consideration of these comments in order to more fully understand the role collective ratemaking plays in the service movers provide to the public.

THE REGULATORS' ROLE

I would be remiss if I did not also comment on the role collective ratemaking plays in the government's responsibility in monitoring and enforcing consumer protection regulations, 49 C.F.R. Part 375, and various provisions of the Interstate Commerce Act.¹³

Many of the existing regulations are published in the HGCBC Tariff Series (e.g., shipment weighing procedures, liability and claim requirements, extension of credit, overcharge/duplicate payments, notification of storage status, loss and destruction in transit, etc.). HGCBC tariff participants receive copies of all tariffs issued by HGCBC and

¹³ These regulations are the subject of a major rulemaking proceeding before the Federal Motor Carrier Safety Administration, Docket No. FHWA 97-2979, Transportation of Household Goods; Consumer Protection Regulations.

are advised of the necessity of complying with their rules and regulations, including the consumer protection regulations. Many of the consumer protection regulations are also linked to the HGCBC pricing mechanism (weighing, estimating practices, liability, etc.) and appropriate references are made in the regulations to household goods carrier tariffs.

This tariff system facilitates the government's (DOT and STB) ability to monitor and verify rates, charges and tariff provisions of 1,934 movers from one source. When handling a consumer inquiry or complaint, verification of carrier compliance with various consumer protection requirements, tariff publication, rate reasonableness, liability (released rates), estimating and billing practices can be readily determined for carriers who transport over 99 percent of the household goods shipments that move in the interstate service of regulated carriers.

CONCLUSION

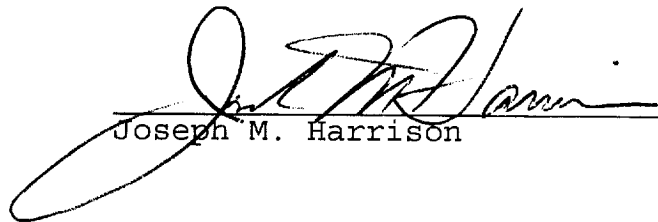
My detailed explanation of the activities engaged in by HGCBC carriers was necessary to properly emphasize the importance of collective ratemaking to the moving industry and its customers. It is an indisputable fact that the transportation of household goods in interstate commerce is inextricably tied to the HGCBC pricing mechanism. Shippers of these commodities receive price quotations and final charges that are percentage quotations off of the HGCBC rate level. This is true whether they are consumers, national account shippers who have

contractual arrangements with carriers, or government agencies. This uniform reliance on the same process attests to its practical utility. In my opinion, it would be a serious step backwards if the Board fails to recognize the important role played by the existing HGCBC rate structure.

VERIFICATION

I, Joseph M. Harrison, declare under penalty of perjury that the foregoing is true and correct. Further I certify that I am qualified and authorized to file this Verified Statement.

Executed on this 21st day of April, 2000.



Joseph M. Harrison

HOUSEHOLD GOODS CARRIERS' BUREAU COMMITTEE
TARIFF SERIES

STB HGB 101-G--Lists all HGCBC Participating Carriers and their individual geographic Scope of Operation (Operating Authority).

STB HGB 107-D--Lists all Mileage Guide Participants, including HGCBC Members; includes both common and contract carriers, freight forwarders, passenger carriers, pipelines and rail carriers who participate in each of the HGCBC governing distance publications.

STB HGB 400-M--Provides nationwide Household Goods Carriers rates and charges on all First and Second Proviso movements on a general application basis; names both linehaul transportation and additional services rates and valuation and storage-in-transit services charges.

STB HGB 104-F--Names individual carrier exceptions (independent actions) to the general application provisions published in Tariff ICC HGB 400-M.

STB HGB 415-G--Domestic Household goods (GSA and other Non-Military government application) Tender; specifies the standardized level of charges upon which GSA Requests for Offers are based).

STB HGB 300-C--Provides general application nationwide rates for Third Proviso Commodities; names linehaul transportation rates and additional services rates and charges for the movement of valuable or delicate articles which require the specialized handling and equipment operated by movers.

STB HGB 109-C--Names individual carrier exceptions (independent actions) to the general application provisions published in Tariff ICC HGB 300-C.

STB HGB 303-C--Provides general application nationwide rates on Exhibit, Display and Trade Show traffic.

STB HGB 700-D--Household goods in containers having import or export application.

STB HGB 100-F, MILEAGE GUIDE NO. 17--Governing distance tariff publication for over 7,500 carriers; specifies mileages between more than 1 million keypoint city-pairs and includes a series of maps for the construction of non-keypoint distances.

STB HGB 108-C, U.S. GOVERNMENT MILEAGE GUIDE NO. 4--Governing distance publication identified by SPLC numbers between principal

Military and Government establishments and the Key Points listed in Guide 17.

STB HGB 105-D, NATIONAL 3-DIGIT ZIP CODE MILEAGE GUIDE NO. 5--
Governing distance publication containing 320,000 mileages between all U.S. 3-Digit Zip Code areas.

DEPARTMENT OF DEFENSE PROGRAMS
UTILIZING HGCBC TARIFF 400

DOD Full Service Moving Project

The Full Service Moving Project is an Office of the Secretary of Defense Initiative. Interested carrier bidders were required to submit their Financial Info/References by April 11, 2000, and rate offers are due May 1, 2000. The program is scheduled to start in the Fall of 2000 in 10 regions in Georgia, the National Capitol Region, and North Dakota, and is expected to cover 45,000 shipments annually. All carrier rates must be bid as discounts off of STB HGB Tariff 400 baseline rates. The same percentage discount will be applicable to all destinations served by the carriers.

Navy SAM Program

In the Service Member Arranged Move (SAM) Program, Navy members select from a list of small business carriers that have entered into agreements with the Navy and provided marketing materials and quality information for review by Navy personnel. The program is currently available at a limited number of Navy bases, but is being slowly expanded. The SAM Carrier Letter of Agreement requires that carrier pricing be stated as percentage discounts off of STB HGB Tariff 400 rates.

Military Traffic Management Command Re-Engineering Pilot Program

MTMC's test program involves South Carolina, North Carolina, and Florida and covers 1/2 of all outbound military shipments from bases in those states, roughly 9,000 a year. The Re-Engineering contract is also based on HGB Tariff 400 rates. MTMC requested HGCBC publish an appendix to the Tariff to include certain provisions specific to the Pilot Program.

Hunter Army Airfield, Savannah, GA

The Hunter Army Airfield Program is a Department of the Army test that was bid in 1996. It covered all shipments (approximately 1,300 annually) outbound from this base. Rates are also based on HGB Tariff 400, expressed as discounts off of the baseline rate level.

Current MTMC Program

The current MTMC Program covers all military personnel shipments that are not embraced by one of the referred-to test programs. It is estimated that 600,000 personal effects and

unaccompanied baggage shipments moving throughout the world are subject to the Program. Elaborate regulations have been prescribed by MTMC covering all aspects of the required transportation. Domestic household goods shipments are transported pursuant to a modified version of Tariff 400 which MTMC developed with carrier rate offers stated as percentages of the Tariff baseline rates.

INDIVIDUAL CARRIER COMMENTS ON VARIOUS ASPECTS
OF THE IMPORTANCE OF COLLECTIVE RATEMAKING

- * "The collective tariff system promotes carrier to carrier arrangements thereby extending the scope of their service areas, while maintaining a fair and reasonable cost to the shipping public.

"The accuracy, simplicity and uniformity of the collective tariff system allows for a benchmark the public, the independent contract driver, and other carrier associates may use when comparing a carrier's service or benefits to another."

Ronald K. McDonald
Senior Vice President
Affiliated Transportation
Systems, Inc.
Lawton, OK
November 25, 1998

- * "The collective tariff system promotes competition within the industry by permitting all carriers, regardless of size, to compete for traffic, which is good for small businesses across the country.

"As most carriers conduct business within a limited geographic scope, it is necessary to interline with other carriers to provide the interstate service required by consumers. Without the national tariff system, an agency could probably only provide service within its area. When a consumer is seeking estimates for interstate service, thereby limiting the consumer's choice, especially in less populated areas."

Robert Charles Albert III
President
Albert Moving & Storage
Wichita Falls, TX
December 1, 1998

- * "With the same base tariff utilized by the industry, competitive prices offered by the various carriers can be easily evaluated by the customer. Since one base tariff applies for all carriers, the customer can compare prices offered by each carrier to determine which offers the best discount and lowest price.

"Without a base tariff, national account customers under contract with a carrier would have to incorporate each individual carrier's tariff in their contract instead of simply referencing tariff provisions, rules, rates, etc., contained in the collectively formulated base tariff."

Michael P. Fergus
President and CEO
Allied Van Lines, Inc.
Chicago, IL
December 3, 1998

* "First and foremost consumers must have the ability to make comparisons between moving companies for like services. Unlike freight, a person moving their household goods may require or choose many additional services. In order to accurately compare and ensure that they are receiving the services they choose within the price they are quoted, consistency in the basis of pricing is necessary. Elimination of this basis would encourage non-disclosure of charges for certain services until the consumer had no choice but to pay.

In today's market many carriers purchase transportation capacity from each other on the basis of unused space. In this manner we can continue to give our customers the best price available. However, if our ability to collectively formulate the basis for our rates and charges was eliminated and each carrier published their own rates, this would not be possible. At the time space is purchased from another carrier, the service has already been sold to the customer. Without commonality of tariffs, we would not know what that space was going to cost and ultimately utilization of capacity would diminish, increasing the cost to the customer.

"In the household goods moving industry a substantial amount of our capacity is made up of owner operators rather than employee drivers. There is today and based on projections, will continue to be a shortage of drivers in our industry. This is worsened by low unemployment, the labor-intensive nature of moving household goods, the investment necessary to buy a truck and the stagnate return on that investment. Therefore, competition for these unique individuals is fierce. Having a common basis for rates, upon which their compensation is based, allows drivers to compare

companies when choosing who they wish to contract their services to."

Katrina Blackwell
President
American Red Ball Transit Co., Inc.
Indianapolis, IN
December 15, 1998

- * "It fosters competition by allowing all carriers, large and small, to compete from tariff benchmark rates.

"An owner-operator would have difficulty having any basis for comparing Carrier's contracts and might be easily taken advantage of by a carrier."

"Estimates given C.O.D. customers might be quite difficult for the customer to understand."

Tom W. Cartwright
President
American World Forwarders, Inc.
Kansas City, MO
November 25, 1998

- * "A large portion of our business is C.O.D. customers, and the average of which get 4 to 5 estimates. The elimination of collective rate making would produce a marketplace for them that would include each carrier having a separate schedule of rates to apply, and a differing basis for those rates. In theory this process should work, but in reality it would cause confusion to the customer."

Gerry Amodio
Vice President & Treasurer
Amodio Moving, Inc.
New Britain, CT
December 7, 1998

- * "If I were to call a moving company 400 miles away to bid on say the packing portion of a move coming back to my area I can tell the agent what tariff I am using and they understand how they will be paid."

Barb Moore
Anderson Transfer
Washington, PA
December 9, 1998

* "This system enables many smaller carriers the mechanism to conduct business on a carrier-to-carrier basis with the support of an organized ratemaking and filing system. This results in the ability to make accurate and fair rate representations to our customer base, regardless of their service needs and location.

"Our industry has remained one of the most competitive within the current tariff filing mechanism while providing a very diverse and small business oriented carrier base to function on a par with the largest of national carriers.

"More importantly, it affords the consumer an efficient and controlled source for our industry to present pricing against a generally accepted format of charges similar from region to region."

Thomas T. Marshall
CEO
Andrews Moving and Storage
Brecksville, OH
December 3, 1998

* "Moving alone is a traumatic experience for the individual shipper so why should they be required to evaluate individual carrier tariffs as opposed to the uniform tariff. Likewise commercial shippers or national account shippers would also be required to evaluate individual carrier tariffs as opposed to the uniform tariff in their contract carriage negotiations."

Clayton Andrews
President
Andrews Van Lines, Inc.
Norfolk, NE
December 9, 1998

* "Storage-in-transit, plus pickup or delivery, when storage is required in cities other than those in which A. Arnold has a facility is provided by movers who participate in the industry's standardized tariff. The tariff's rules, regulations, definitions of liability, and "list" prices allow customers to receive seamless services even though more than one carrier is involved in a move.

"The tariffs produced under the terms of the Rate Agreement allow A. Arnold to compete with large van

lines for commercial account business in part because of the "comparability" factor. We can use the same tariff as much larger carriers in negotiations with accounts, allowing us to be viewed as an equal competitor. All competing carriers can be measured with the same terms and conditions being applicable.

"The fastest growing element of the National Account moving market has been the Third Party Relocation companies that act as brokers of household moving services. Every move handled by the Relocation companies (perhaps as many as 100,000 annually) is subject to the terms and conditions of the industry's standardized tariff. Use of the tariff allows customers, carriers and brokers to effectively provide consistent, quality service for transferees.

"A. Arnold also handles moves for private shippers. Private shippers typically request detailed estimates of service requirements and costs from several different movers. Because of the industry's standardized tariff, such shippers are able to accurately compare prices and services. Additionally, and equally important, such customers have the knowledge that issues of liability and carriage are also comparable."

Richard L. Russell
A. Arnold
Louisville, KY
December 1, 1998

- * "The current system allows free access for smaller and mid size carriers to compete on a level playing field with the larger carriers, promoting free enterprise and competitive pricing, which is clearly to the betterment of the consumer with a "common" baseline tariff to determine levels of profitability and the cost of doing business."

David Arpin
President
Paul Arpin Van Lines
East Greenwich, RI
December 16, 1998

- * "We believe there are clear and compelling reasons to continue the antitrust immunity that allows rates to be collectively established. Every carrier is different, but each carrier and each relocating consumer derive

benefits from collective ratemaking. Unlike freight carriers, movers handle shipments for individuals. These shipments consist of all of their worldly goods, not cartoned, replaceable commodities. Consumer protection by industry self-policing and government oversight is important to safeguard the inexperienced customer who may hire a mover only once or twice in his lifetime. A standard set of rules and regulations applicable to all shipments is a major element of such consumer protection.

"Atlas is one of the largest interstate movers. Our total revenue will exceed a half billion dollars in 1998. The nature of our business is such that we relocate entire residences from any address in the U.S. and Canada to any other address. No carrier is large enough to provide shipment preparation, transportation and storage services using only its own personnel and facilities. However, the collective tariff allows us to quote rates for services anywhere and the application of common rules and regulations assures us and our customer that the services provided will conform to our mutual expectations.

"For example, Atlas does not have an agent in Lewiston, Idaho, but Paul Arpin Van Lines and Mayflower Van Lines each have agents there. If an Atlas customer moving to Lewiston required storage in transit at destination, we would quote a price from the collective tariff and place the shipment in storage at a competitor's facility. We know that the storage services provided in accordance with the tariff rules for storage in transit will be the same services we quoted and sold to our customer. Elimination of the collective tariff system would constrict the services that could be provided to the less populous parts of the country, even by the largest movers. The effect on small carriers would be even greater."

Michael L. Shaffer
President and Chief Operating
Officer
Atlas Van Lines
Evansville, IN
December 4, 1998

* "The industry today is extremely competitive and the marketplace is the beneficiary of this competition. The tariff as we know it is the benchmark from which both the individual customer and the large corporate shipper is able to evaluate the cost of a move or many

moves. To eliminate this process would put the shipping public in the difficult position of having to evaluate different pricing models. In effect it would be comparing apples and oranges versus apples and apples.

"The industry . . . has recently come under fire with significant media coverage of consumer complaints. The collectively made tariff includes the rules and regulations of service to the consuming public. Having a uniform set of rules gives both the industry and governing bodies a basis for evaluating whether a carrier has breached his responsibility to a shipper. Enforcement can be consistent and swift."

Gerard Barrieau, Jr.
President
Barrieau Moving & Storage
Hartford, CT
December 7, 1998

* ". . . the HGCBC collectively formulates and publishes household goods tariffs that have been the standard pricing mechanism for the entire moving industry for over fifty years.

"As this is the case, a number of significant benefits to the public at large have occurred. For example, an individual who needs to move his household goods faces a wide assortment of carriers who can perform the services on his behalf. These are national carriers such as Bekins, as well as local and regional carriers that also provide services within a smaller or limited geographical area. Since the shipper would be facing a myriad of different pricing scenarios for this service, he would have to try to analyze each to determine the cost of his move. By having a single uniform tariff, the individual shipper is then able to better determine what services are appropriate for his move and to compare competing prices for those services in order to determine the best mover for his particular circumstances."

Scott Ogden
Divisional President -
Household Goods and General Counsel
Bekins Van Lines Company
Hillside, IL
December 11, 1998

- * "The Collective Tariff System promotes competition within the system and assists smaller geographic carriers to expand their operation through other carriers, instead of restricting service to each carrier's limited area."

William R. Dircks
Berger Transfer & Storage, Inc.
St. Paul, MN - November 24, 1998

- * "As a small mover, Boone's Moving & Storage is dependent upon the Household Goods Bureau tariffs to rate and bill our shipments according to industry-wide standards that are well known to our commercial shippers and understood by our consumer shippers to be the same throughout the industry. Therefore, if Boone's Moving & Storage is competing against a large van line (other than Atlas) for a shipment, we are not at a disadvantage in explaining that our services and the rules and regulations describing these services are the same as those of the large competitor. The only distinguishing factor will be the price each of us offers to the customer to perform the move. Another important aspect of Boone's participation in the Bureau tariffs lies in the fact that it allows us to expand our services well beyond our central Pennsylvania base of operations. We have no hesitancy in competing for shipments that are destined to points thousands of miles from the Altoona/Tipton area. The Bureau tariffs provide us with base-line rates for all sections of the Country which we are able to quote to consumers at reasonable discount levels with confidence that the service will be performed by destination carriers who also participate in the Bureau tariffs. These joint-line arrangements are essential to our ability to compete for long haul business."

James G. Boone
President
Boone's Moving & Storage, Inc.
Altoona, PA
December 15, 1998

- * "Can you imagine a moving and storage system where the pricing throughout the move is not controlled and may be changed even after the move is in process? Or a system where we would have to call several movers to obtain pricing for their services before we can give the customer a price? What if the other mover changes their mind or makes a mistake and the customer is forced to pay more? Customers need to be assured that

the pricing is fair and equitable and is stable throughout the moving process. The number of consumer complaints would skyrocket without the tariff to keep pricing within guidelines."

C. Fair Brooks, III
President
Brooks Transfer & Storage Co., Inc
Midlothian, VA
December 8, 1998

- * "The lack of uniform rates, rules and regulations will only serve, ultimately, to confuse the buying public and will certainly lead to outrageous tactics in which will quickly become a "cutthroat" industry."

Daniel D. Burkhardt
Treasurer
Burkhardt Bros., Inc.
Hingham, MA
December 10, 1998

- * "Consumers currently have quite an easy time comparing services and price as we all work off the same basic rates. They will face a tough time figuring out who's charging for what and what they're paying for if every mover they obtain an estimate from has a different pricing structure.

"Tariff language may also cause great confusion for carriers and consumers alike. With the same tariff, items such as how many feet constitute a long carry, how claims are settled, etc., are all alike which provides simplicity and uniformity. Carriers and shippers alike will be forced to read a lot of fine print to see what they're getting. They will have to see if one van line charges for long carries after the first 75 feet vs. another who may charge after the first 50 feet, etc."

John D. Hamblin
President
California Movers Express
Hayward, CA
November 18, 1998

- * "As a small, family owned business that has operated for over 40 years as agents for United Van Lines, the elimination of the collective ratemaking ability would have a serious financial impact on our operation."

Sal P. Cardinale
CEO
Cardinale Moving & Storage
Castroville, CA
November 24, 1998

- * "It fosters competition by allowing all carriers, large and small, to compete from tariff benchmark rates.

"Estimates given to C.O.D. customers might be quite difficult for the customer to understand."

Jack Spencer
Vice President
Cartwright Van Lines, Inc.
Grandview, MO
December 7, 1998

- * "The uniformity in pricing structure encourages competition within the industry by allowing all carriers, large and small, to compete for traffic. It also permits smaller carriers to extend the geographic range of their operation through arrangements with other carriers. Without a national tariff system, competition would be limited to the handling of traffic that can be served within the area of each carrier's system or limited geographic range. This of course would also significantly effect the service provided to less populated areas of the country."

Don Castine
President
F.L. Castine, Inc.
Athol, MA
December 1, 1998

- * "The small carriers who use larger carriers to expand their coverage will no longer be able to do so. Dispatching is done on a quick decision making process and the additional burden of checking a variety of

prices prior to accepting tonnage is not desirable.
Currently we only check discounts."

Bonnie Brunelle
President
Central Van Lines, Inc.
Queensbury, NY
December 13, 1998

- * "In my conversations with individuals who are not thoroughly familiar with the moving industry, it appears the greatest misunderstanding concerning collectively formulated tariffs is the perception that they restrict competition, when, in fact, the opposite is true. The tariff forms a benchmark in which all shippers, sophisticated in the moving industry or not, can easily compare the pricing of all carriers allowing them to negotiate their best deal. I think a review of industry wide financial data and a review of the number of individually filed carrier exceptions would clearly dispute the notion that collective ratemaking has reduced competition in this industry.

"At Clark & Reid we have noticed that our national account and third party relocation shippers, the industry's most sophisticated, have been reluctant to entertain more customized and simplified pricing alternatives to HGCBC Tariff 400. We recently had a large national account shipper reject a simplified rate structure and request that their pricing be based on Tariff 400. Some of these shippers utilize the services of up to 150 carriers, and they want and need the Tariff 400 benchmark to insure comparability and competitiveness among their carriers.

"It is also important to remember that the industry's tariffs are much more than a collection of rates. Possibly of more importance to the shipping public than rates, are the standardized rules and regulations included in the tariff. Without documented standard rules and regulations one can only imagine the difficult task of comparing competing carrier estimates.

"As a nationwide carrier with one location, the benefit to us of collectively filed rates is the ability to prepare a timely and accurate estimate for services in which we rely on other movers to perform for our customers. When we move someone from Boston, MA to Dallas, TX, requiring storage in another mover's facility or any other destination accessorial service,

we can prepare an estimate for storage and delivery charges with certainty. If we did not have the ability to either use other movers in remote areas or accurately price their services in advance, we could not operate as a nationwide carrier. In fact, very few would, which would severely limit competition to the detriment of the shipping public."

Donald G. Martin, Jr.
President
Clark & Reid Company, Inc.
Billerica, MA
December 2, 1998

- * "Consumers would suffer tremendously due to not having the consistency of standard tariff filings. Due to the complexity of most relocation quotations, customers will have an extremely difficult time making informed decisions. These quotations are not as simple as comparing quotations for a new television set or even an automobile. Additionally, relocation affects people's lives in a more significant way and to compound this matter by increasing the complexity of the bid process will create an undue strain on the consumer."

Todd W. Bennett
General Manager
Classic Van Lines
Portland, OR
December 10, 1998

- * "This would effect the ability of industry salespeople to make accurate estimates and the ability of the C.O.D. customer to make a rational judgement in deciding a mover. A single tariff system allows everyone to compare 'apples to apples'.

"The collective system has a pricing and uniform rules and regulations that is a benchmark that is used by all of industry to compete for commercial traffic directly with the shipper or through a broker. If this system were changed the customer would have to evaluate each

individual carrier's tariff negotiations. This again would cause confusion and eliminate competition."

Donald G. Arpin, Jr.
Vice President
Coastal Moving & Storage
Savannah, GA
December 5, 1998

- * "Having uniformity of rules, terms, and conditions protects the consumer from unscrupulous companies, while allowing for complete freedom to shop for the best price.

"Without anti-trust immunity large corporations and relocation companies with a lot of buying power could whipsaw smaller moving companies like ours to accept liability and tariff rules that would be detrimental to the industry.

"Having a uniform base tariff that is discounted is good for the consumer. It also helps the smaller moving companies and the thousands of independent owner drivers to be competitive with the conglomerates."

Paul A. Corrigan
Chairman
Corrigan Moving Systems
Farmington Hills, MI
November 24, 1998

- * "Our present tariff system is a pricing and uniform rules and regulations benchmark that is used by the industry to compete for commercial business. These rates are considered to be fair and reasonable rates for the specific areas listed, based on market and labor studies across the country. Any carrier who desires to decrease or increase these benchmark rates may do so by filing exceptions through the Household Goods Carriers' Bureau Committee Rate Agreement. Rates are not 'fixed' for any carrier and rules and regulations are in compliance with Department of Transportation rules and regulations.

"The effect of elimination of the collective tariff system on estimating procedures will be very confusing for the salesperson as well as the consumer. The average C.O.D. customer who requests three estimates now receives three estimates with essentially the same rates but differences due to discounts given, weight or

mileage computations, and tariff exceptions for accessorial services such as packing, additional transportation charge, etc. When the customer questions these differences, they are easily explained.

"Attracting and retaining owner-operators will be a challenging experience for both parties without a national tariff system. It will be difficult for an owner operator to determine the most lucrative compensation agreement when dealing with multiple tariffs. Also, rules and regulations could differ from carrier to carrier."

William L. Brakefield, III
Executive Vice President
Covan World-Wide Moving, Inc.
Midland City, AL
December 9, 1998

- * "Estimates given to COD shippers would no longer be able to be fairly compared. Private transferees in essence would not be able to compare apples to apples, but instead would be left to try to compare apples to oranges with each carrier, or even individual small moving company, providing an estimate based on their own individual tariff. I believe there would be no easy way to effectively police the actions of any fly by night company that may decide to do moving this week and be out of business next week. Collective rate making makes all carriers adhere to published standards and uniform rules and regulations, and without it, there would be no benchmark for all to follow."

Tracie Ford
Executive Vice President
Earle's Moving & Storage Co., Inc.
Annapolis, MD
December 1, 1998

- * "The geographic distribution of shipments is such that the smaller carriers can handle the short haul shipments and at the same time, extend the scope of their operation by interline agreement with the larger carriers. A uniform tariff system gives the carrier a

basis from which to be competitive, and allows the shipper to make a reasonable comparison of rates."

Grady Wilson, Sr.
President
Ferriss Warehouse & Storage Co.,
Pensacola, FL
December 4, 1998

- * "The elimination of the collective system would also allow carriers to set prices according to traffic flows which would force the less populated areas of the country to pay much higher cost for the same services. Without uniform pricing, rules and regulations these shippers would be subject to the carrier's will. I am certain the reaction of this segment of the population to this treatment would not be favorable."

Dennis Tolson
Vice President
Vincent Fister, Inc.
Lexington, KY
December 3, 1998

- * "The collective tariff system which has been in existence for the last several decades provides competition within the industry by permitting small and large carriers to compete for traffic. It provides a standard format for carriers to apply in competing for moves and benefits our customers (the moving public - C.O.D., military, other government agencies and national accounts) by allowing them to be able to compare carrier pricing on an "apples to apples" basis. The uniform rules and regulations and pricing provide a benchmark that is used by both industry and customers to compete. Our national accounts especially use the tariff not only to compare prices for services but also to audit bills for accuracy. The loss of this system would be chaotic. As a small independent carrier this would make it more difficult to compete for this traffic."

J. Eugene Fogarty, Jr.
President
Fogarty Van Lines
Tampa, FL
December 11, 1998

- * "The collective tariff system allows each carrier to recruit and retain owner/operator as service providers. This specialized work force relies on a tariff standardization to determine earnings and cost of operations. The owner/operator is aware that the standard tariff applies to all carriers, so his contractual relationship is affected by only non-tariff issues. The agency network used by van lines relies on the owner/operator to provide quality service. The ability to serve the public is greatly determined by retention of quality owner/operators."

Frank C. Pulley
Secretary
Global Van Lines, Inc.
Orange, CA
December 15, 1998

- * "... for the individual shipper of household goods, paying for all of his or her own charges and selecting a mover, the existence of a standard tariff is greatly beneficial. The tariff contains explicit terms outlining standard procedures and charges. With this point of reference, even an inexperienced buyer can compare competitive quotations from several sources and have one set of benchmark.

"Each day more American corporations, in an effort to be ever more efficient and competitive worldwide, have chosen to fully integrate their relocation procedures. They issue requests for bids and specify, as a reference, the tariff of the Household Goods Carriers Bureau. Please realize that these corporate buyers are located throughout the United States and have moves that occur to and from all points. They absolutely need a frame of reference. In many instances they engage outside auditors to review the charges for their shipments. Imagine the complexity of having an outside auditor search for individual rates of every mover in America when presented with a bill for corporate relocation. Again, the need for points of reference, the need for documentation of scope and services performed for a given price, and the need for specific verbiage to apply when unusual and unforeseen events occur during a move - all of these factors are essential to accurate auditing and are presently

available through the Household Goods Carrier Bureau
Tariff."

David W. Graebel
Chairman of the Board, CEO
Graebel Companies, Inc.
Aurora, CO - - November 24, 1998

- * "National Account customers desire carriers having one tariff to quote their contracts off of as this allows the customer to have a standard 'base' tariff in which they can easily compare competitive offers.

". . . elimination of the collective system would cause prices to rise 'significantly' in less populated areas of the country where competition is limited within the moving industry. These communities have long enjoyed the benefits of our industry having a collective tariff, and they would suffer greatly if they became subject to just the effects of local competition rather than national competition."

Herb Conklin
President
Greenmount Moving & Storage, Inc.
Bowie, MD
December 7, 1998

- * "In addition to industry benefits from collective ratemaking, there are also enormous benefits for the moving public through the current system. We consistently hear from customers who are unsure how to price moving service because they move so few times in their lives and are unfamiliar with industry pricing. The collective ratemaking and the uniform tariff system allows the moving customer to have a base market price from which to accurately estimate and price their moving services. In addition, with the collective ratemaking system allowing smaller carriers such as ours to compete in the interstate market, the moving customer has greater options in choosing a mover to perform their interstate move, consequently providing a higher quality of service for the whole industry."

Douglas Harrison
President
Harco Moving, Inc.
Fridley, MN
December 3, 1998

- * "It would be very detrimental to our customers and our ability to operate our business if we lost the ability to collectively establish rates. Collective rate making has allowed a complex business to operate successfully throughout the United States and it has allowed maximum competitiveness, along with the stability of organized rules and regulations that apply equally and fairly.

"Hilldrup provides services to individual customers (C.O.D. shippers) and we price these services anywhere in the United States. We are able to provide competitive pricing throughout the United States by using collectively established tariffs that accurately price our various services in all forty-eight states. This system of establishing benchmark pricing allows for a diversity of costs and operating conditions to be taken into consideration and also provides the industry to discount from these prices as competitive situations dictate. We can quote a move from Santa Fe, New Mexico to Washington, D.C. and have the ability to compete with other carriers on the basis of price and the customer is favorably impacted by being able to compare prices from a commonly established baseline tariff.

"Everyone benefits from a standard set of rules and regulations, as well as a baseline tariff that could easily be compared between competing carrier pricing methods."

Charles G. McDaniel
President
Hilldrup Moving & Storage
Stafford, VA
November 19, 1998

- * "The tariff system permits all carriers to operate on a standard formate, which enhances the competitive ability of a small carrier in relation to larger ones.

Carriers that operate regionally, in a designated geographical area or in a trade lane have the opportunity to serve a broader market with the tariff system. Through mutual agreement with other carriers, a small carrier can provide quality service at a competitive price. It is often the regional or smaller carrier that serves the public in more remote or non-metropolitan areas of the country. These carriers rely on the collective system to price their services accordingly.

"The collective tariff system allows each carrier to recruit and retain owner/operators as service providers. This specialized work force relies on a tariff standardization to determine earnings and cost of operations. The owner/operator is aware that the standard tariff applies to all carriers, so his contractual relationship is affected by only non-tariff issues. The agency network used by van lines relies on the owner/operators to provide quality service. The ability to serve the public is greatly determined by retention of quality owner/operators."

Arthur E. Morrisette, Jr.
President
Interstate Van Lines, Inc.
Springfield, VA
December 10, 1998

- * "Without the ability to compare every carrier's price on the same level the consumer loses the ability to make an educated decision as to what carrier/company to use. The consumer's decision would be based solely on an arbitrary number, the end price.

"If companies are competing in the same market on different tariffs, smaller companies will create cost efficiencies by cutting quality in order to compete better on price. A national tariff system provides the customer safeguards against this practice, therefore assuring the best quality move at the most competitive price.

Michael Jekel
Jekel Moving & Storage Co.
Grand Rapids, MI
November 19, 1998

- * "As a small carrier, we are sometimes limited to which states we can service, due to distance and profitability. Therefore, when we are unable to service a particular state for a customer, we rely on the cooperation of other certified carriers to provide the necessary services. The tariff provides pricing for services in other areas that we may not always be able to handle and gives us the peace-of-mind that our customers will not be charged an exorbitant fee for these services.

"The customers need the collective tariff system to ensure fair and equal pricing for their moves, a very

traumatic time in their lives when they do not need any unnecessary hassles."

Patrick J. Mahon
Jim Mahon's Moving & Trucking
Leonia, NJ
December 9, 1998

- * "The moving industry, as you may know, is structured in a unique manner, with hundreds of independently owned 'agent' affiliates actually providing the moving services which are coordinated by the major van lines. As many as four of these agents, often located in different parts of the country, can be involved in various aspects of a single move, beginning with the actual sale and concluding with the provision of delivery services at destination. Accordingly, these agents must have the ability to efficiently interact with one another-- in the ratemaking area as well as other functional areas. Collective ratemaking supports the delivery of quality service to the customer by extending the scope of one agent's operations via arrangements with other agents. Elimination of this agreement would jeopardize the very reason why van lines were formed in the first place--to permit the efficient and cost-effective long-distance relocation of household goods, a function which rarely can be handled by a single agent. The system makes possible the servicing of shipments to all areas of the nation, some of them 'remote' and difficult to cost-effectively access. Elimination of the collective approach could jeopardize service to these hard-to-reach regions.

"An objective analysis of the collective ratemaking system would, in our view, confirm that it is in the best interest of the shipping public, because it accommodates the cooperative operational needs of the industry as well as the virtually infinite combination of points of origin and destination which household goods movers are asked and expected to serve."

John J. Temporiti
President & COO
Mayflower Transit, Inc.
Fenton, MO
December 5, 1998

- * "Without a collective tariff series, estimates provided to shippers could reflect such varying prices, the consumer may not know if they are receiving equivalent

or accurate estimates. With the myriad of prices, a carrier could more easily 'low-ball' an estimate, and then hit the shipper with hidden costs and extras. The more this happens, the industry as a whole will suffer. Although this does occur at times with the collective tariff, all that can be done to prevent it only helps the industry. By utilizing a collective tariff, a consumer can be more informed when selecting a carrier and reviewing their estimates."

John V. Moyer, Vice President
Gary L. Moyer, Vice President
Moyer & Sons Moving & Storage
Clarksburg, MD
December 1, 1998

- * "The provisions of Tariff 400 have unequivocally served the public interest while furthering the image and integrity of the Moving and Storage Industry. The uniform tariffs that all legitimate carriers adhere to have been recognized by the general public as a confidence builder during a time of uneasiness, apprehension and concern. This factor alone has stimulated business and encouraged 'do- it - yourselfers' to call on reputable established carriers. Additionally, by standardizing the rate structures it eliminates the multitude of individual varied rate structures which would deluge STB offices and most certainly cause confusion, controversy, and conflict."

John S. Dry
Vice President
Sales & Marketing
P.J. Murphy Moving &
Storage Co., Inc.
Bridgeport, CT
December 5, 1998

- * "There is no doubt that the consumer benefits in the marketplace with each carrier utilizing the same tariff as the means by which charges will be developed. Once the consumer has his first quotation estimate he is fairly familiar (especially on binding estimates) as to what the total charges will be for the move. Those same shippers will typically secure two additional estimates, again from carriers participating under the same tariff. Then it is a simple matter to determine which carrier offers the best value. But we must ask, what assurances will the consumer have once the benchmark of a standard tariff is taken out of the

picture? What we readily foresee is a general increase of anxiety to the consumer, and we expect that your agency and that of the carrier can anticipate a significant increase in phone and written complaints for resolution due to the many questions that will surely remain in the mind of the consumer.

"Consumers may also be faced with carriers offering what appears to be similar services in relation to the current industry standard tariff, but finding all-too-late that the tariff items are significantly different in terms of application. Can we expect that the customer could possibly take the opportunity to familiarize himself with all the nuances that might exist in the various estimate quotes that he obtains? Again, we have opened the door to misunderstanding. Potential misunderstandings such as these will confront the carrier in the corporate sector as well."

Maureen Beal
Chairman of the Board
National Van Lines, Inc.
Broadview, IL
December 10, 1998

- * "Having one rate structure allows individual shippers (the general public) and the national accounts, large and small, to do rate comparisons based on the same rules, regulations and pricing structure.

"Since household goods relocations pricing is based on many different variables such as origin and destination, packing, labor, mileage, long carry, stair carry, storage, etc., shippers would not be able to determine if the mover's price was all inclusive and competitive.

"The shipper would not be able to verify the rates a mover is charging or get a competitive price from another mover because of all the variables involved in the pricing structure."

David W. Marx
President
New World Van Lines
Chicago, IL
November 30, 1998

* Personal effects shipments are non-repetitive and can originate and terminate in major cities or the tiniest village--literally at any point at which a dwelling is located. The single uniform tariff allows small companies such as NVS who cannot maintain facilities across the Country to offer a seamless move anywhere in the Country through a web of interrelationships with other companies. The ability to do so depends on the existing tariff system which is joined by other carriers that collectively offer the same services at any point in the Country. Thus, if we are requested to provide service on a shipment requiring temporary storage at some faraway location and our affiliated van line does not have an agent at that location, we can nevertheless pick up the 400 tariff and advise the customer what the origin, linehaul, and destination charges will be, even though we may never have had a move to that point in the past and we have no affiliation with the destination mover.

"An industry tariff such as the 400 tariff provides a standardized benchmark and allows customers to make a meaningful comparison of charges. Along these lines, I would note that NVS also performs transportation services for the Federal Government, both civilian and military. All civilian government federal agencies use the Committee's collectively formulated Government Tariff 415-G. This tariff is similar to Commercial Tariff 400-M, but contains special provisions for civilian government moves that are managed by the General Services Administration.

"The military uses Commercial Tariff 400-M for several procurement tests that they are conducting throughout the Country which includes a significant number of shipments. They use their own base household goods tariff for all other moves. Of course the military's base tariff is similar to the Committee's interstate commercial tariff since it was copied from Tariff 400. The military clearly sees the need to maintain a rate and tariff structure that is similar to the industry's commercial and civilian government rate and tariff structure and, as I mentioned, they are now looking to get out of the tariff business and simply use the Committee's commercial tariff for the procurement of household goods services.

"The collective ratemaking process has also produced a mechanism that allows carriers to attract qualified owner-operators because they understand that their compensation will be based on reasonable tariff provisions. The standardized tariff also gives owner-

operators a basis upon which to compare carriers and their compensation packages."

David Nilson
President
Nilson Van & Storage
Columbia, SC
December 7, 1998

- * "Non-uniform tariffs would also create a situation that is very difficult to attract and maintain owner-operators. They will not want to operate in an environment where line-haul rates continue to change with each and every different company. These owner-operators will not be able to forecast their projected income.

"The effect of elimination of the collective system as a pricing and uniform rules and regulations benchmark used by this industry will lead to a significant increase in public distrust with the moving industry. Non-regulated companies would be given a free run to compete for work with companies that have much higher standards. These companies will charge the consumer lower prices, but the standard of work will be so low that the industry as a whole will suffer from their substandard work."

Roy W. Ploss, President
Donald W. Ploss, Vice-
President
Margaret J. Ploss, Secretary/
Treasurer
Norman Bros. Inc. Moving
and Storage
Newburgh, NY
December 7, 1998

- * "Perhaps the greatest benefit of the collective ratemaking authority is the ability of carriers to establish uniform rules and regulations for the transportation of household goods. This uniformity helps to ensure a higher quality level with respect to those household goods services and helps ensure consumers that the carriers seeking to handle their possessions will be subject to the same rules and requirements. This aids the consumer in comparing the services of competing carriers and the charges associated with those services. In addition to assisting the consumer in making effective and informed

decisions in choosing a carrier, it also enhances consumer protection by providing a benchmark against which all carriers can be judged with respect to their rates and service offerings. This is particularly true in the area of estimating. Without uniform rates, rules and regulations as a starting point, it would be very difficult for a consumer to effectively assess the service offerings and the cost of those services from the carriers providing estimates.

"I believe that national account purchasers also benefit from collectively established tariffs; again because of the uniformity they provide with respect to services. As evidence of this fact, most national account customers of North American require that we incorporate by reference the collectively set tariff rates and provisions as the basis for pricing household goods shipments in their transportation agreements."

Gregory S. Maiers
Executive Vice President
and General Manager
Relocation Services Division
North American Van Lines
Fort Wayne, IN
December 14, 1998

* "If collective ratemaking was eliminated for movers, hundreds - perhaps even thousands - of tariffs would come into play, making it virtually impossible for customers to compare the offerings of various van lines . . . and making it difficult to determine if charges are being accurately applied. Consumer reaction to such confusing practices would be swift and severe.

"Today's collective ratemaking system does, in fact, support the interests of the shipping public. It's demise would be detrimental to all involved - customers, van lines, van line agents, and, in our case, the relocation management industry."

Michael Schaetzle
Chief Operating Officer
Pinnacle Group Associates,
Inc.
Lisle, IL
December 8, 1998

- * "We need a standardized tariff that results from the Collective Rate Making Process to make sure we continue pricing integrity in our industry."

Carl Seaton
President
Seaton Van Lines, Inc.
Olathe, KS
December 11, 1998

- * "Our customers both private and corporate desire a pricing system that allows an 'apples for apples' price and service comparison between all competing carriers. This is evidenced by repeated requests from the moving public that moving estimates and contract carriage agreements be priced using identical tariffs. The moving public would seem very intolerant of a pricing system that would allow, even encourage as many tariffs as there are carriers.

"Carriers doing business with other carriers require a pricing system developed by a collective ratemaking process. The absence of a collectively filed tariff would result in literally hundreds if not thousands of individually filed tariffs. A system comprised of individually filed tariffs would make pricing services provided by other carriers a burdensome, if not impossible task, for both the public and the carrier."

Robert E. Lee
President
South Hills Movers
Bethel Park, PA
December 5, 1998

- * "It is quite evident that one collective tariff permits a competitive structure for carriers, a clearer picture to COD shippers in evaluating estimates, a constructive element for the commercial shipper and a cost effective means allowing the smaller carriers to compete.

"Non-uniform tariffs would sincerely cripple the owner-operator system and destroy the ability to attract or retain these personnel."

Connie S. Sherensky
President
StarTrans International, Inc.
Burgettstown, PA
December 7, 1998

- * "A tariff is long, complicated, and ultimately works toward rationality. That is, it attempts to account for all the factors in the moving process on the basis of cost plus fair profit. The many possible details involved in a move is best covered by the concentrated effort possible under a shared system. For example, a 'long carry' is over seventy-five feet in Florida as well as New Hampshire. It's the same dictionary.

"The collective tariff is actually a hybrid which works. The published rates provide a rational basis for competition as well as an apples to apples opportunity for consumer comparison. The competition enters into the picture when the carrier discounts the published tariff."

Michael Stamm
President
Starving Artists Movers
Concord, NH
October 19, 1998

- * "Currently, the COD customer is a significant part of the market segment of the industry and, yet, is a very uniformed buyer of moving services, since they move infrequently. Therefore, if they were to be forced to choose between a variety of tariffs with a variety of pricing structures and rules, they would be at a substantial disadvantage to make objective purchasing decisions. It could also result in unscrupulous movers taking advantage of COD customers.

"The industry is comprised of agents representing van lines in local markets, as well as owner/operators that provide the power and the labor for long distance moves. A uniform tariff allows the industry to attract and retain owner/operators that are used to a uniform system. When carriers interchange tonnage, it also makes it easier to do so, as the rules and revenue distribution are based on uniform underlying tariffs.

"We believe very strongly that a uniform tariff standard is vital to the moving and storage industry so that all sizes of carriers can compete for all types of customers (COD, national account, military and other government). Uniform rules and regulations embodied in these tariffs have been tested over time and developed on a basis which provides for the mutual benefit of all

customers and carriers. They also have been tested by common law, therefore clarifying interpretations."

Morrison M. Stevens, Jr.
President
Stevens Worldwide Van Lines
Saginaw, MI
December 15, 1998

- * "Non-uniform tariffs would have a great effect on the ability of our company to attract and retain owner-operators.

"The elimination of the collective system would effect the pricing and uniform rules and regulations benchmark that is used by the industry to compete for commercial traffic whether directly with the shipper or through an intermediary(broker)."

Terry Stieferman
President
Stieferman Bros. Van &
Storage
St. Louis, MO
December 9, 1998

- * "Without the uniformity of rules, regulations and pricing structures that now exist, the efficiencies and operational characteristics of our industry will be decimated to the detriment of the shipping public, whether they be C.O.D., individuals, small businesses or major corporations."

Harvey H. Lowthian
Owner
Suhr Transport
Billings, MT
November 19, 1998

- * "The Collective tariff system promotes competition and allows smaller, privately held companies, like ours, to compete for traffic.

". . . we would have no benchmark against which to evaluate our pricing and rules and regulations. Customer confusion regarding rules, regulations and pricing would be rampant. Estimates would be a source of frustration and confusion to the public.

"The moving public deserves uniform rules and regulations, service to and from all areas of the country, even though less populated, and estimates that can be compared. With collective ratemaking the public is assured of uniformity and accuracy."

Joan R. Gavin
President
Trans-American Storage, Inc.
Chicago, IL
December 3, 1998

- * "The collective ratemaking system has, for decades, supported -- not impeded -- competition among household goods carriers while, at the same time, facilitating service to all sections of the country, including those which are less populated and, hence, more difficult to service. The system enables van lines to establish rates with their own affiliated agents -- the actual service providers. The tariff system assists the carrier/agents in operating beyond a limited geographical area through arrangements with other carrier/agents. Without a national tariff system such as that currently in place, competition would be restricted to the handling of traffic that can be served within the area of each carrier/agent's system or limited geographic scope."

Patrick J. Larch, Jr.
President and
Chief Operating Officer
United Van Lines
Fenton, MO
December 4, 1998

- * "The collective tariff system promotes competition within the industry by permitting all carriers, large and small, to compete for traffic. Absent a national tariff system, larger carriers would quickly gain competitive advantage driving others out of business ultimately at the expense of industry capacity and increased pricing to the consumer.

"The tariff system assists carriers that conduct limited geographic operations to extend the scope of those operations through arrangements with other carriers. This increases business opportunities to limited geographic carriers and affords a broader range of competitive choice to the consumer.

"Under the collective tariff system, all industry salespeople must adhere to strict, standardized and clearly defined estimating policy and procedure.

"Currently, C.O.D. customers are protected by the benefits of accuracy guidelines and standard pricing methodologies.

"The collective tariff system is used by the industry as a pricing and uniform rules and regulations benchmark to compete for commercial traffic both directly with the shipper and through intermediary brokers."

H. Randolph Barbee, Jr.
CEO
Victory Van Corporation
Alexandria, VA
December 10, 1998

- * "Collective rate-making benefits the general public by allowing rules and rate bases to be standardized and, thereby, simplifies the consumers' selection process.

"The existence of our current tariff system expands the service options available to the general public and includes the service options provided by smaller moving companies. The common set of rules and rates facilitates the arrangement of services between carriers and agents with authority and helps to expand the geographic coverage for more carriers because of the use of partners. This allows smaller companies and agents to participate in providing a service which otherwise would not be present if the collective rate-making process, as we currently know it, was disbanded.

"While the collective rate-making process is not a perfect system, it does provide stability, certainty and comparability to the consuming public, while at the same time requiring all carriers, whether big or small, to operate off of the basic tariff."

Stephen F. Burns
Chairman of the Board
Wheaton Van Lines, Inc.
Indianapolis, IN
December 10, 1998

* "After almost 25 years in the moving industry, I could write volumes on how the dissolution of this anti-trust protection would not only harm the industry but the customers we serve. I would not like to be a customer that would have to wade through numerous movers to find the best price and service. This just opens the door for unscrupulous movers to take even more advantage of an unsuspecting public."

Dan Henrich
Manager
J.C. Wooldridge, Inc.
Martinsville, VA
December 10, 1998

VERIFIED STATEMENT
OF
JOSEPH A. HABIB

My name is Joseph A. Habib. I am a Transportation Consultant with offices at 43631 Preddy Court, Ashburn, VA, 20147.

I have extensive experience in the household goods transportation industry. I was formerly employed by the American Moving and Storage Association as Vice President of its Technical Services Department. I held that position and comparable positions with the AMSA predecessor organizations, the American Movers Conference and the Household Goods Carriers' Bureau, from 1973 to 1996, the year of my retirement. I continue to serve as a consultant to the Association and the Household Goods Carriers' Bureau Committee (HGCBC).

I was also employed by a major National van line as its Manager of Cost Accounting from 1971 to 1973. In that position I was responsible for the establishment of a costing program similar to that employed by the Household Goods Carriers' Bureau Committee. While employed by AMSA/HGCBC I was responsible for the accumulation of data to maintain its Continuous Traffic and Quarterly Marketing Studies and related studies for the accumulation of industry data and the development of carrier revenue-cost relationships. I have sponsored testimony related to those studies in numerous proceedings before the Interstate Commerce Commission.

From 1957 to 1971 I was employed as a Transportation Cost Analyst with several transportation consulting firms. In

that capacity I prepared exhibits and frequently testified before the ICC. Also included in this time span was a one and one-half year period with the U.S. General Accounting Office conducting audits and reviews of motor carrier freight bills related to transportation performed on behalf of the Department of Defense.

In all, I have more than 43 years' experience in the design and management of studies conducted by motor carriers and, most significantly, household goods carriers. As a result, I am thoroughly familiar with the operations conducted by household goods carriers.

I hold Bachelor's and Master's Degrees from Benjamin Franklin University and received my certificate as a Certified Public Accountant in the District of Columbia in 1959.

My assignment in this proceeding is to explain how the discounting practices followed by HGCBC carriers when setting charges for transportation performed under STB HGB Tariff 400 impact the costs incurred by shippers who require their services. Before addressing this issue, it is appropriate that I describe the physical operations conducted by household goods carriers and how those operations differ from those conducted by motor carriers of general freight.

In certain respects household goods carriers operate like less-than-truckload general freight carriers. The individual shipments they transport do not occupy the maximum weight or cubic capacities of their moving vans. A typical moving van will carry 22,000 to 24,000 pounds of household

effects while shipments tendered by national account shippers average 9,245 pounds, and those of C.O.D. shippers average 6,186 pounds. Given these averages and the maximum capacities of moving vans, household goods carriers, like LTL freight carriers, are continually striving to maximize the weight they transport in each moving van. As a general proposition, LTL carriers use their break bulk terminals to consolidate as many LTL shipments as possible moving to a destination terminal and in this way maximize the weight and cubic capacities of their over-the-road trailers.

In the moving industry, vans are, in effect, terminals in transit. While movers also strive to fully utilize trailer capacities, they do so through careful operating coordination between carrier dispatchers and owner-operators who perform the physical services required to move household goods. No fixed terminals are used and no set operating patterns between predetermined origins and destinations exist. All shipments call for the transportation of an individual homeowner's household furnishings from one residence to another residence many miles apart. (The average commercial interstate movement of household goods in the U.S. was 1,188 miles in 1997.) Household goods carrier operations have been correctly said to be like those of a vagabond. In this respect, the moving industry is quite different from the LTL motor carrier industry which operates regular schedules between established service points.

Also unlike the LTL industry, the moving industry operates a three tier system to perform its service. They are:

1. Van lines or independent carriers that operate through central facilities where critical shipment and equipment matching coordination and dispatching functions are performed.

2. Agents of van lines or small carriers that coordinate their operations with other carriers. They provide van lines or each other with interstate service capacity such as warehouses, sales offices and sales staffs, owner-operators, helpers, packers and warehousemen. They also provide interstate hauling capacity in the form of owner-operators who are placed in the service of the van line or carrier. Agents and small carriers are independent businesses that also offer services that are not conducted by van lines such as local and intrastate moving, local and permanent storage, local and intrastate packing.

3. The third tier in the system are the owner-operators. They are independent businessmen or women that own the power units used to haul trailers, most of which are owned by the agents or independent carriers.

This unique industry structure as well as shipment size, directional movement, distance to be moved, available capacity, time of the month, and the quantity of additional services required such as packing and warehousing have a profound effect on the pricing strategies followed by carriers. HGB Tariff 400 permits carriers to adjust their pricing by offering

discounts off of the prevailing rate level to accommodate the unique characteristics of any shipment tendered for service.

For example, if a unit was scheduled for movement from Washington, DC to Denver, CO, with space available for a small shipment moving in the same general direction, that shipment might command a high discount just to get it on board and fully utilize the trailer's capacity. Once a carrier and owner-operator have committed a unit to travel from one location to another, the operating costs, which are usually considered to be variable, become somewhat fixed. Any additional traffic must cover the costs of loading and unloading and a margin of profit must exist to provide the incentive necessary to accommodate the shipment(s).

There are also peak periods in every month such as the beginning, end, and, in many cases, the middle when leases commence or expire which influence the level of discount offered. In a similar vein, if an agent has idle packing crews during slack periods of the month, it could offer higher discounts to secure business, and conversely, during busy periods, lower discounts would be offered. And, if shipments are moving into a low shipment volume area where it is difficult to find outbound traffic, low or no discounts might be offered.

Agents representing different carriers bidding on the same traffic present another significant variable in the pricing scenario. What might be considered a desirable shipment by one agent may be less desirable for another depending upon each

agent's carrier's equipment capacity and movement direction. These operating conditions are factored into the estimates prepared by sales personnel. It should be understood also that the industry's sales force is operated almost exclusively by agents, and each agent's particular circumstance will significantly influence what is bid on any given shipment. The historical experience of the industry indicates that sales personnel bid (i.e., prepare estimates) on four shipments for each shipment actually booked. Thus, the specific requirements of the agent and the van line/carrier enter into the bidding process and affect the level of discount offered on each potential shipment.

In an effort to attach some quantifiable significance to the circumstances I have described, I performed an analysis of national account and C.O.D. shipments transported by 12 major van lines who participated in the Committee's 1997 Quarterly Marketing Study (QMS). The study involved 583,748 non-government personal effects shipments transported in that year.

All shipments (C.O.D. and national account) that moved at discounts of less than 30 percent received an average discount of 21 percent whether each category was considered separately or whether the groups were combined. National account shipments moving at an average discount of 21 percent produced an average shipment weight of 6,948 pounds. National account shipments that moved at discounts in excess of 30 percent (average 57 percent) weighed an average 9,331 pounds. The average length of

haul for both groups of national account shipments was not markedly different, 1,044 miles and 1,086 miles, respectively.

The less than 30 percent C.O.D. discount group of shipments (also averaging 21 percent) weighed an average 2,415 pounds, whereas the over 30 percent group (average 54 percent) produced an average shipment weight of 6,326 pounds. The average length of haul for each was also significantly different, 1,089 miles and 1,269 miles, respectively.

One obvious conclusion that can be drawn from this analysis is that small shipments moving short distances do not command the same level of discounts that heavier shipments moving longer distances receive. This is true whether the shipments are tendered by national account shippers or C.O.D. shippers.

As noted, the discounts received by C.O.D. consumer shippers did not vary significantly from those received by national account shippers (both at 21 percent in the under 30 percent category and 54 percent vs. 57 percent in the over 30 percent category). This is the case notwithstanding the general perception that national accounts have greater purchasing power because of the numbers of employee shipments they control as opposed to the individual consumer who moves infrequently and does not control the same volume of business. In my opinion, in addition to shipment origin and destination, weight, and length of haul considerations, C.O.D. shippers receive significant discounts by obtaining several estimates from different carrier agents or independent carriers, on average 3 to 4 estimates for

each C.O.D. shipment. In plain words, marketplace competition has a significant bearing on the prices at which C.O.D. shipments move.

The discount patterns I have described are repeated in other analyses I performed involving the same shipments moving outbound from 363 Standard Metropolitan Statistical Areas (SMSA), (also referred to as MSA's (Metropolitan Statistical Areas)) as reflected in the HGCBC QMS database. Each of 316 SMSAs is defined by a specific county or group of counties within a State. All counties not specifically assigned to an SMSA are assigned to an area in each State that is labeled, e.g., Non SMSA Alabama, Non SMSA Arizona, etc. All shipments originating in the Continental United States were assigned to one of the 363 areas. Analysis of this data confirms that low weight shipments received low discounts; heavier weight shipments received higher discounts. Shipments moving from sparsely populated SMSAs received low discounts and those moving from densely populated SMSA's received higher discounts.

Since the patterns I have described prevail across the database, in my opinion, this is a clear reflection of the fact that the charges being paid by all shippers of household goods are market based and the result of a highly competitive pricing environment.

Perhaps the real proof of the fact that collective ratemaking and HGCBC Tariff 400 are not producing unreasonable profits for the moving industry lies in the industry's financial

condition as measured by the operating ratio of the carriers that utilize the tariff as a pricing tool. To test this proposition, I analyzed the 1998 revenues, expenses and operating ratios of 36 major HGCBC carriers that account for approximately 85 percent of total industry revenue. The composite operating ratio for this group was 97.0 percent, with a high of 107.1 percent, and a low of 92.0 percent.

It should be obvious that with an industry operating ratio in the 97 percent range, unreasonable profits are not being exacted from the shipping public and the discounting practices employed by the moving industry using Tariff 400 as its benchmark standard has not been contrary to the public interest and, in fact, has resulted in consumer shippers receiving the same favorable discounting treatment accorded commercial shippers.

VERIFICATION

I, Joseph A. Habib, declare under penalty of perjury that the foregoing is true and correct. Further I certify that I am qualified and authorized to file this Verified Statement.

Executed on this 19th day of April, 2000.



Joseph A. Habib

Verified Statement of Donald Hertzmark, Ph.D.

My name is Donald Ian Hertzmark. I reside at 2928 Ellicott Terrace, NW in Washington, DC. My educational attainments include a BS in Foreign Service from Georgetown University, Washington, DC; MA in International Economics from the State University of New York; and MS and Ph.D. from the University of Wisconsin. Since 1980 I have provided economic advice and consulting to clients throughout the world, mostly on restructuring of large energy firms, creating competitive market structures in monopolized industries and the analysis of large investment projects or programs. I have taught economics at universities in the US and abroad and am currently Adjunct Professor of Economics at Georgetown University, Washington, DC.

1 Statement of the Problem

The issue at hand is whether benchmark prices, at a level above "competitive" prices and subject to supplier discounts, represent a non-competitive allocation of resources, harming consumers and certain suppliers.

The literature of economics is rich with the theoretical and empirical examination of benchmark pricing and its effects on market efficiency and quality of service. This verified statement will address the following three issues:

1. Do benchmark prices, subject to discount, result in a misallocation of resources and excessive prices?
2. How do benchmark prices affect the degree of competition in the moving industry?
3. How does the maintenance of benchmark pricing affect the quality of service offered by the household goods carriers?

2 Resource Allocation Issues

An economically efficient allocation of resources is one in which consumers have consumed their preferred goods and services at competitive prices and could not change that consumption pattern without a net reduction in well being.

Suppliers or producers have provided that collection of goods and services such that any changes in the goods and services produced will result in a net increase in the cost of producing society's goods and services, thereby reducing well being.¹

Of course we know that no allocation of resources is perfectly efficient. However, an industry characterized by many firms, well-understood technology and relatively low financial barriers to entry is generally termed competitive by the economics profession. Household goods movers meet that definition. Moreover, there exists a fringe of firms - relocation companies, various unregulated movers, self move, etc. - which compete with the household goods movers in virtually every segment of their interstate business. Such a "competitive fringe" is found in many industries and serves to limit the ability of firms in the industry to restrict competition, raise prices or reduce quality.

If the fundamental characteristics of the household goods industry are those of a competitive business, and if there exist no artificial barriers to transactions among buyers and sellers, then the resulting allocation of resources to that industry must be efficient in the economic sense.

The only possible artificial barriers of significance in the industry today are the guideline or benchmark prices for interstate moves set by the industry's rate bureau. These prices represent the maximum price charged for a given set of transportation characteristics and are, therefore, ceiling prices for the relevant category.

The service provided by the household goods moving industry is not a uniform commodity. Rather, it is a service whose value and cost of supply depends on a variety of factors - origin, destination, day of week, time of year, advance

¹ The *MIT Dictionary of Modern Economics* (Cambridge, 1995, MIT Press, page 130) describes equilibrium as a state in which buyers and sellers are satisfied with the prices and quantities of the goods bought and sold and have no incentive to make changes. Such a situation is efficient in terms of resource allocation.

purchase, time of month, special characteristics of load, size of load, etc - and is thus similar to the day and time and purchase condition variability that affects seats on commercial airlines.

Like the moving industry, the airlines have established a ceiling price, the so-called full "Y" fare, and base discounts off that ceiling price. Some customers may pay that price, generally business customers who must fly on specific days and times and who are not sensitive about price. The rest of the passengers, the vast majority, obtain some type of discounted fare, with the "Y" fare being used as the benchmark.

Investigation into the efficiency of such a benchmark pricing system has been extensive. In a recent research paper for the National Bureau of Economic Research, the investigators found that airline pricing practices did not result in overall increases in price levels and thus did not misallocate resources. Rather, due to the heterogeneous nature of the consumers, the pricing system provided a reference point for price-sensitive consumers.²

The investigators show that the characteristics of the product consumed by the customers paying the "Y" fare - no restrictions on flight times or schedules, reroutable and refundable itineraries, no mandatory overnight stays, etc. - represent a significantly different set of characteristics from those of the customers paying lower fares. The benchmark price was not found to lead to higher fares being paid by the discount customers.³ In conclusion, the authors found that the negative economic welfare effects of such pricing methods were difficult to observe empirically and were therefore, small or nonexistent.⁴ The authors also found that the customers paying the higher

² Berry, S., Carnall, M and Spiller, P., *Airline Hubs: Costs, Markups and the Implications of Customer Heterogeneity*, National Bureau of Economic Research, Cambridge, MA, 1996, Working Paper 5561, page 4.

³ Ibid., page 27.

⁴ Ibid., page 29.

price levels received higher quality goods than did the customers paying less, a finding which accords with the heterogeneous nature of consumer demand for airline seats.

To transfer this analogy to the household goods moving industry, the existence of a guideline rate does not lead to the misallocation of resources provided there exists a competitive market capable of providing discounts to price-sensitive customers with varying characteristics. Such a competitive situation exists in the moving industry. As an aside, it should be noted that these price-sensitive customers of the airline industry represent much the same group of consumers - individuals, discretionary travelers, etc. - who some might believe to be unwilling to or incapable of negotiating price reduction with competing moving companies.

3 How Do Benchmark Prices Affect Competition?

The second major issue is whether benchmark prices give undue market power to larger firms, reducing competition. The argument in this case goes something like this: the ability to set benchmark rates provides disproportionate benefits for the larger firms, who have lower costs, thereby driving out the smaller firms. Subsequently, the remaining larger firms can raise prices and reduce quality.

This issue has also been investigated by researchers. In fact, the effect found by researchers is almost the exact opposite of the claimed impact. In general a market with many firms, where some have the power to set prices, will shelter a number of smaller firms with higher cost structures.⁵

The authors find that the successful maintenance of a price benchmark leads to prices that are higher than those that might be charged in the absence of the benchmark in the

⁵ Fershtman, C., and Pakes, A., *A Dynamic Oligopoly with Collusion and Price Wars*, National Bureau of Economic Research, Cambridge, MA, 1999, Working Paper 6936, page 32.

short run. However, if there exists market power in the firms setting the benchmark, then prices in the long run will eventually return to higher levels after each price war interlude, albeit with less competition than was the case previously.⁶

The net reduction in the number of firms affects not only the price level of the industry in the long run but also the quality of the good or service delivered (see next section). Under the umbrella provided by a benchmark price, firms with different cost structures can exist, providing vigorous competition and ensuring that discounts from the benchmark price are widely available.

The NBER investigators simulated the operation of an industry which shelters a number of firms with varying cost structures under the umbrella of a benchmark price. The authors then permit either stable operation of the price ceiling or unlimited competition among the firms. With unlimited competition, periodic price wars are found to drive many firms out of the business, resulting in a monopolistic situation for much of the time. This pattern of competition=>price war=>monopoly provides for fewer goods, of lower quality, than is the case with a benchmark price.⁷

The NBER investigators looked at the total number of firms, total supply and quality and found that without the benchmark price, the total number of firms in the business was lower, supply was less and quality was lower. The variation among industries was such that the investigators were unable to show unequivocally that a full competitive solution was better for consumers in those industries that are subject to benchmark price setting.

Indeed, the authors demonstrate that the dynamic incentives for producers, investment and entry-exit decisions, are affected significantly by the presence or absence of price

⁶ Fershtman and Pakes, op cit., page 30.

⁷ Ibid., page, 31.

benchmarks. Where these benchmarks exist, firms have incentives to remain in the business, even with lower profit levels. Consumers are found to prefer such a situation as long as the benchmark price provides for greater supply. If supply is restricted by benchmark prices, then consumer welfare will fall and the overall economic impacts will be negative.

The authors note that not all industries are appropriate for benchmark prices. Rather, in those industries where consumers are heterogeneous and the goods actually delivered are not identical, the natural tendency is to find a benchmark off which discounts or premiums can be calculated.⁸

There is no evidence that the use of benchmark prices has led to a reduction in the supply of moving services available to potential consumers or to a reduction in the number of firms supplying moving services. Instead, there is ample supply and vigorous competition at all levels of the industry and in all segments. This observation of the state of the moving industry comports with the findings from the NBER researchers that consumers observe there to be some benefit from the existence of enough firms to provide competition in the long run. The continued ability of firms to enter and exit the industry provides greater

⁸ One of the problems with setting prices where the commodity for sale varies according to time and quality and other customer-related characteristics, is that there is no mathematical formula which allows a consistent and efficient set of differentials to be established. The factors which combine to create these discounts or differentials will vary from one time to another and are difficult to systematize precisely because they may depend on the state of the economy, people's changing preferences and other factors. For many years, OPEC has tried to use mathematical formulae to set the differentials among various crude oils. After repeated efforts, they had to give up, since the value of any particular characteristic of the crude oil would change continuously.

Think, for example, of the changing value of sulphur in fuel. Sulphur at one time was valued for increasing the octane number of gasoline. Now it is considered a pollutant. The value of high sulphur crude oils will therefore change as the value of that characteristic changes.

competition than would be the case with fewer firms engaging in occasional price wars.

4 Quality of Services

The existence of a benchmark price may enhance competition on the basis of quality as well as price. In three studies, the authors found that quality was generally higher if the number of firms was greater. Where firms are numerous and where consumers can readily make comparisons of one supplier's price with that of another supplier, the firms will tend to compete on the basis of quality as well.⁹

If firms know that their consumers can readily compare prices, competing firms will make price discovery a normal part of a sales pitch that includes differentiators on the basis of care of objects, delivery date, etc.; those very factors that give rise to customer differentiation in the first place. Quality of service becomes the next determinator of consumer choice, once price discovery is simplified. The benchmark system makes consumer discovery of prices simpler than would be the case without any basis for comparison.

In the investigation of airline hubs and pricing of various customer and product characteristics, the authors found that quality of goods available was higher for those customers paying a higher price. In effect, the ability to match the desired flight times more closely, make changes in the schedule, and book at the last minute, were deemed important by customers, who demonstrated a willingness to pay a premium for such trip characteristics.¹⁰ The

⁹ Ibid., page 34.

¹⁰ Berry, et. al, op cit., page 29. In effect, the authors found that not everyone likes the type of product offered by, say, Southwest Airlines. One of the reasons for the ability of that airline to provide service at a lower cost is that the company makes little attempt to accommodate customer characteristics and wants that differ from the standard customer profile and standard product offered by the airline. Once Southwest made allowances for such differentiation, they would be moving into the same arena as the hub and

availability of desirable quality characteristics was found to be greater in the presence of airline hubs and benchmark pricing than in the absence of such hubs and pricing methods.

The other investigation, which specifically addressed the issue of price setting, found that quality of products improved for the market as a whole in the presence of price setting.¹¹ The presence of price setting permitted higher quality which in turn led to significantly greater consumer welfare (called consumer surplus in the economic literature) than when price setting was not permitted. As with the airlines, the caveat is that consumers must show some differentiation in their characteristics in order for price setting to be economically beneficial. Where consumers cannot be differentiated, then traditional perfect competition models will still yield greater overall benefits for producers and consumers.

5 Conclusion

The standard efficiency argument in favor of unlimited competition and the absence of price setting behavior has been investigated both empirically and theoretically. It has been shown that where consumers are heterogeneous to a significant degree and where firms can appeal to such quantifiable heterogeneity, that price-setting through the use of benchmark prices permits a larger number of firms, providing products of greater quality than would be the case with such consumer characteristics and fully competitive markets.

Effects on consumers in that market overall of such price-setting behavior have been found to be negligible. Resource misallocation, if any, is small.

spoke airlines, and would be subject to the same cost and pricing pressures as those carriers.

¹¹ Fershtman & Pakes, op cit., page 32.

Indeed, the ceiling cost with discounts permits all consumers to discover and negotiate prices that are appropriate to the quality characteristics that they desire.

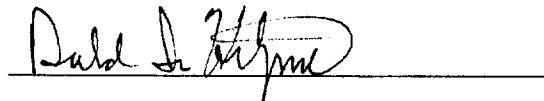
A price setting mechanism of the type used in the moving industry, provides a means of price discovery at relatively low cost that reduces the costs for both consumers and producers to initiate transactions. With base prices understood, it is not necessary to build price bids from scratch for each consumer.

In other similar industries, each characterized by vigorous competition for highly heterogeneous consumers (e.g., airlines and autos), the advent of price discovery over the internet has promoted the efficient discovery of prices while *accentuating* the stress on quality and product differentiation by suppliers. In both industries, prices are based on a discount to a benchmark price. Other highly competitive industries, computer equipment, sporting goods, records, provide similar methods of price discovery.

VERIFICATION

I, Donald Ian Hertzmark, declare under penalty of perjury that the foregoing is true and correct. Further, I certify that I am qualified and authorized to file this Verified Statement.

Executed on this 17th day of April, 2000.

A handwritten signature in dark ink, appearing to read "Donald Ian Hertzmark", is written over a horizontal line.

Donald Ian Hertzmark

