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LAW OFFICE OF JOHN R. BAGILEO
GEORGETOWN PLACE
SUITE 300
1101 30TH STREET, N.W.
WASHINGTON, D.C. 20007

JOHN R. BAGILEO
DIRECT: (202) 298-4760

TELEPHONE: (202) 944-3734
FACSIMILE: (202) 944-8611
E-MAIL: jrb@bagileolaw.com

March 2, 2005

Vernon A. Williams
Secretary
Surface Transportation Board
The Mercury Building
1925 K Street, NW #700
Washington, DC 20423

Re: STB Ex Parte No. 656
Motor Carrier Bureaus—Periodic Review Proceeding

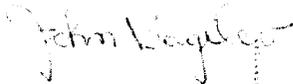
Dear Secretary Williams:

Enclosed please find the original and ten copies of the Comments of Southern Motor Carriers Rate Conference, Inc. (SMC) in response to the Surface Transportation Board's Decision served in the above-styled proceeding on December 13, 2004. Also enclosed is an IBM-compatible CD and floppy disk in Microsoft Word.

SMC is the applicant in Section 5a Application No. 46.

Thank you for your assistance in this matter.

Sincerely,



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

ENTERED
Office of Proceedings

MAR 2 2005

Part of
Public Record

Enclosures

ORIGINAL

Before The
Surface Transportation Board

STB Ex Parte No. 656

Motor Carrier Bureaus—Periodic Review Proceeding

Comments Of
Southern Motor Carriers Rate Conference, Inc.
Section 5a Application No. 46

ENTERED
Office of Proceedings
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Public Record

John R. Bagileo
Law Office of John R. Bagileo
1101 30th Street, NW #300
Washington, DC 20007
Phone: (202) 944-3736
FAX: (202) 944-8611

Counsel for Southern Motor Carriers
Rate Conference, Inc.

Due and Dated: March 2, 2005

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President and Chief Executive Officer
Southern Motor Carriers Rate Conference, Inc.

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Vice President of Operations
Southern Motor Carriers Rate Conference, Inc.

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I.
Statement
Of
Jack E. Middleton
President and CEO of
Southern Motor Carriers Rate Conference, Inc.

I.
Statement
Of
Jack E. Middleton
President and CEO of
Southern Motor Carriers Rate Conference, Inc.

My name is Jack E. Middleton. I am the President and Chief Executive Officer of Southern Motor Carriers Rate Conference, Inc. (SMC). SMC is located at 500 Westpark Drive, Suite 300, Peachtree City, Georgia 30269. I have been directed by SMC's Board of Directors, on behalf of SMC's 130 member motor carriers, to submit this statement responding to the Surface Transportation Board's (STB or Board) December 13, 2004 Decision. SMC respectfully requests that its collective ratemaking agreement, Section 5a Agreement No. 46, which renewal was approved by the STB's Decision served on October 16, 2003, in the consolidated rate bureau proceeding in STB Section 5a Application No. 118 (Sub-No. 2), et al., EC-MAC Motor Carriers Service Association, Inc., Et Al., continue to be approved by the Board. Further, my statement will address SMC's implementation of the STB's requirements for: (1) the furnishing of a "truth-in-rates notice" when collectively-established rates are quoted; and (2) the prohibition against the use of collectively-made class rates as a basis for a loss-of-discount penalty for the late payment of rates.

Truth-In-Rates Notice

In its Decision served on November 20, 2001 in the consolidated rate bureau proceeding, the Board established two requirements governing continued approval of rate bureau agreements. First, when bureau-member carriers list or quote collectively-made class rates, the carrier must provide a potential shipper a "truth-in-rates" notice disclosing that the rates were collectively-established and that discounts are available. Further, the range of discounts offered by carriers in the rate bureau must be identified. And, second, as a condition of rate bureau membership, member carriers cannot apply a loss-of-discount penalty for late payment that references or is linked in anyway to a bureau-set class rate.

In its Decision served in the consolidated rate bureau proceeding on March 27, 2003, the STB, on reconsideration, with minor modifications affirmed its prior Decision requiring carriers to furnish a “truth-in-rates” notice, and a prohibition barring use of a loss-of-discount penalty for late payment, as conditions for continued approval of a motor carrier rate bureau agreement. It further explained that “the point of the notice is simply that all shippers should be informed that discounts of varying sizes may be available, so that they may explore (and potentially influence) whether any discount they have been offered is appropriate.” (Footnote omitted) (2003 Decision, at p. 7) Additionally, the STB affirmed its requirement that the bureaus obtain from each member a confirmation that the carrier will not apply a loss-of-discount provision based on collectively-established class rates as a penalty for late payments. The Decision directed that the identified range-of-discount information be provided by the rate bureaus to the STB and parties of record by May 27, 2003. Revised agreements conforming to the Decision’s other requirements were to be submitted to the Board by July 25, 2003.

As required by that Decision, SMC submitted its range-of-discount information which was based on the survey of its member carriers participating in SMC’s class tariffs. The range was from a low of 20 percent to a high of 84 percent, which was offered by one carrier member. On July 25, 2003, SMC submitted its amended Section 5a Agreement incorporating, with modification, the STB’s truth-in-rates notice and the certification requirement for membership.

In its Decision served on October 16, 2003, the Board, in STB Section 5a Application No. 118 (Sub-No. 2), et al., EC-MAC Motor Carriers Service Association, Inc., Et Al., approved SMC’s Section 5a Agreement as being fully in compliance with the Board’s instructions concerning truth-in-rates and loss-of-discount. (Decision, p. 3) SMC, thereafter, and on its own initiative, undertook a course of action designed to fully inform its members, associate members, and the general public as to the truth-in-rates notice.

At my direction, in October 2003, general information regarding the truth-in-rates requirement was incorporated in SMC's 2004 product catalog. In SMC Catalog 2004, Technology Tools For Transportation, at page 5, which document is sent to about 5,000 customers and potential customers in the transportation community, the following was stated:

Industry Pricing Requirements

The Truth-in-Rates (TIR) requirement established in 2003 by the Surface Transportation Board (STB) has created an opportunity for awareness that benefits shippers of all types and sizes. Simply stated, TIR requires that carriers participating in "bureau rates," which includes the CzarLite and SMC tariffs, notify their shipper-customers of the range of discounts provided under these rates. This notification ensures that shippers of all degrees of sophistication are aware of prevailing carrier-shipper pricing practices. The natural consequence of this awareness is that these consumers of transportation services will be motivated to "shop around" for the pricing and service levels that best meet their requirements.

The best agreements between shippers and their carriers are formed from a base of solid information and cooperation. While providing the TIR notice may prompt a shipper to shop around, the carrier that provides this information along with a meaningful dialog on how to interpret it can command more respect than carriers unwilling or not required to supply it. Ultimately, the carrier that communicates fully while combining competitive pricing with the corresponding levels of required transit time and information services will win the bid.

To comply with TIR, SMC provides all licensed users of CZAR-Lite with information regarding market basket range of discounts along with information on how to interpret and understand these discounts. The TIR information is updated on an annual basis and it is a standard practice to include it in the distribution of all CZAR-Lite technology and data products.

That information has been provided in the 2005 catalog, as well, and will be continued in all subsequent editions of that publication.

While the STB indicated that when a carrier utilizes CZAR-Lite as the basis for its pricing, the shipper is to be informed regarding the breadth of discounting off class rates available from motor carriers that collectively set class rates (March 27, 2003 Decision, p. 8, fn. 9), the Board did not require any specific action by SMC. Nevertheless, SMC decided that it could facilitate the propagation of the TIR notice through CZAR-Lite, thereby ensuring compliance with the requirement and the intent of the STB's Decision. Therefore, shortly after the STB's Decision served on March 27, 2003, affirming, on reconsideration, the truth-in-rates notice requirement, SMC included with each CZAR-Lite software purchase the following information with each disc sent to a customer:

Truth-In-Rates Notice

The Surface Transportation Board (STB) implemented the Truth-In-Rates requirement on October 16, 2003. TIR promotes the public interest and ensures that shippers of all sizes obtain the valuable information required to make an informed LTL pricing decision. Specifically, TIR requires that when a carrier lists or otherwise gives a rate quote referencing a collectively set rate established in SMC's tariffs 500 or 585 series, shippers are provided with the range of discounts available from member

carriers on SMC collectively set rates, and that this information is provided to the shippers that use them. We support this openness and sharing of information and also caution shippers that literal interpretation of discount ranges requires an in-depth review.

Discounts in general are provided by carriers to shippers after an interview process in which the carrier determines how the shipper's product mix, freight density, shipping patterns, pick up and delivery locations and other characteristics align with the carrier's operation, freight mix and cost characteristics. These shipment characteristics combine with a carrier's costs to determine a customer specific package of pricing including discounts, FAK groupings and other charges. Under these individual negotiations a specific carrier-shipper pricing level is agreed upon.

Based on the SMC member carrier's survey and SMC tariffs, the lowest discount provided to shippers over the past year was twenty percent (20%). The maximum discount reported for consideration in 2003 was eighty-four percent (84%) offered by one SMC member carrier. The highest discount varies by carrier, the type and quantity of shipments handled, and by year. To determine the highest current discount offered by an SMC bureau member on collectively set rates, please go to www.smc3.com/TIR.

For additional information regarding Truth-In-Rates, please contact your LTL motor carrier or SMC Customer Support: 800.845.809 or customersupport@smc3.com.

Commencing with the issuance of the 2004 CZAR-Lite disc, that TIR notice, updated to reflect the 2004 range of discounts, was included with the CZAR-Lite

products purchased by some 3,500 customers. Attachment A is an actual copy of the TIR Notice which is sent with each CZAR-Lite Disc sent to a customer. Moreover, to ensure that all involved with the CZAR-Lite products are aware of TIR, that notice and additional information was embedded in the CZAR-Lite disc. A copy of the information embedded in the disc is found in Attachment B to my statement. As will be noted, also provided to assist the transportation community are questions and answers about TIR which resulted from carrier inquiries to SMC regarding that requirement.

SMC also added information concerning TIR at various sites on its website. Appended as Attachment C are copies of its description of TIR in conjunction with CZAR-Lite, as well as a cross reference to questions raised by carriers with reference to TIR and SMC's response to those inquiries. Moreover, TIR is discussed with reference to the less-than-truckload pricing process, and to the TIR role in industry pricing requirements.

SMC's newsletter, the Quarterly Review, which is distributed to some 5,000 members and customers, has included several articles referring to TIR and the certification requirements. In the July and November 2003 issues, I referenced the status of the Section 5a proceeding and generally described the STB's truth-in-rates notice and the prohibition against the use of collectively-made class rates in loss-of-discount provisions. Moreover, in conjunction with each General Rate Increase SMC publishes and distributes a White Paper describing the basis for the rate action taken to more than 2,500 member carriers, associate members, shipper associations and the STB. In the August 2003 and May 2004 releases, reference was made to the TIR, and provided information regarding that requirement. So too, in the July 2003 issue of Traffic World, SMC placed an article in that publication entitled CZAR-Lite and Truth-In-Rates.

Regarding information on the range of discounts provided by SMC member carriers under the SMC class rates, Daniel M. Acker, SMC's Vice President of Operations, developed procedures by which a survey would be conducted of all carriers participating in the SMC class rate tariffs to determine annually the lowest and highest

level of discounts that have been provided to shippers during the study period. The range of discounts so collected is then compiled and transmitted to the STB and the parties of record in the consolidated rate bureau proceeding. The results of that survey are sent to the member motor carriers participating in SMC's class rates so that they are in compliance with the range of discounts information which must be provided by carriers to their shipper customers as required by the TIR notice. A copy of the format of the letter sent to the member carriers is appended as Attachment D. The range of discounts is also posted on SMC's website, included with and in the CZAR-Lite software, and identified in SMC's White Paper. In these ways, SMC believes it has gone well beyond the actual responsibilities imposed under the STB's decisions to ensure that SMC's member carriers are able to comply with the TIR notice, and the shipping public is advised as to the TIR requirements and the range of discounts applied by participating carriers in SMC's collectively-established class rates. This is done to ensure the implementation of the STB's finding that "all shippers should be informed that discounts of varying sizes may be available, so that they may explore (and potentially influence) whether any discount they have been offered is appropriate." (2003 Decision, p. 7)

Another factor independently facilitating the STB's intent for the TIR requirement is that SMC member carriers have continued to apply the 20 percent automatic discount from the class rates initiated on October 11, 1999 to any shipper not having a higher discount applicable to its traffic. That carrier action was taken because of the concern expressed by the STB that there could be unsophisticated or infrequent shippers which were unaware of the discounts extant in the marketplace. That SMC member carriers have continued to apply that automatic discount is verified by the range of discounts reported to the STB by SMC in 2003 and 2004. In 2003 the lowest discount provided by all the SMC member motor carriers was 20 percent, and the same was the case in 2004, and continues to be true today.

Certification Regarding Loss-Of-Discount Prohibition

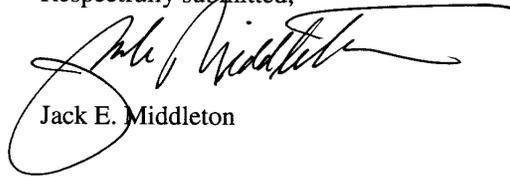
Every SMC motor carrier participating in SMC tariffs 500 and 585, which contain the collectively-established class rates, have on file with SMC the certification that the carrier does not use an SMC collectively-set class rate as a basis for a loss-of-discount, late payment penalty. On December 3, 2003, I sent a copy of the approved certification form to each SMC carrier member by express mail for execution. The executed copies are retained on file at corporate headquarters at Peachtree City. A copy of the certification form is also included in the packet sent to every carrier wishing to join SMC as a member. Membership of that carrier in SMC is not approved until the executed certification is returned to SMC. To date, SMC is not aware of any carrier member which incorporates or utilizes an SMC collectively-established class rate as a basis for a loss-of-discount, late payment penalty, and it is not aware of any allegation or complaint that such prohibited use has occurred. Each SMC carrier member meets the prescribed condition for membership in SMC.

Since the STB's Decision served on October 16, 2003, approving the renewal of SMC's Section 5a Agreement, SMC has taken steps greatly exceeding any required by the STB to publicize and implement the Truth-In-Rates Notice, and Certification regarding loss-of-discount provisions required as a condition to membership in a motor carrier ratemaking organization. SMC submits that all the identified requirements have been met, and that the public interest, as contemplated by the STB, has been fully served by such compliance by SMC and its member carriers. Every member motor carrier of SMC has on file the necessary certification as to loss-of-discount provisions, and no new carrier is admitted into membership without executing the requisite certification.

Finally, at its January 24, 2005 meeting, SMC's Board of Directors reaffirmed its desire for and the necessity of continuing antitrust immunity in conjunction with the conduct of the collective ratemaking activities approved by the STB in SMC's Section 5a Agreement. Because of the antitrust implications in the pricing activities engaged in under those procedures, SMC's motor carrier members of the General Rate Committee

would not participate in those collective actions absent antitrust immunity. Moreover, shippers desiring to participate in the open meetings at which collective ratemaking actions are discussed and agreed upon could likewise be in jeopardy in the absence of the antitrust immunity otherwise provided "other persons" under Section 13703(a)(6) of 49 U.S.C.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Jack E. Middleton", written in a cursive style. The signature is positioned above the printed name.

Jack E. Middleton

SMC³
TRUTH-IN-RATES NOTICE

The Surface Transportation Board (STB) implemented the Truth-in-Rates (TIR) requirement on October 16, 2003. TIR promotes the public interest and ensures that shippers of all sizes obtain the valuable information required to make an informed LTL pricing decision. Specifically, TIR requires that when a carrier lists or otherwise gives a rate quote referencing a collectively set rate established in SMC³'s tariffs 500 or 585 series, shippers are provided with the range of discounts available from member carriers on SMC³ collectively set rates, and that this information is provided to the shippers that use them. We support this openness and sharing of information and also caution shippers that literal interpretation of discount ranges requires an in-depth review.

Discounts in general are provided by carriers to shippers after an interview process in which the carrier determines how the shipper's product mix, freight density, shipping patterns, pick up and delivery locations and other characteristics align with the carrier's operation, freight mix and cost characteristics. These shipment characteristics combine with a carrier's costs to determine a customer specific package of pricing including discounts, FAK groupings and other charges. Under these individual negotiations a specific carrier-shipper pricing level is agreed upon.

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Based on the SMC³ member motor carriers survey and SMC³ tariffs, the lowest discount provided to shippers over the past year was twenty percent (20%). The maximum discount reported for consideration in 2004 was eighty-five percent (85%) offered by one SMC³ member carrier. The highest discount varies by carrier, the type and quantity of shipments handled, and by year. To determine the highest current discount offered by an SMC³ bureau member on collectively set rates, please go to www.smc3.com/TIR.

For additional information regarding Truth-in-Rates, please contact your LTL motor carrier or SMC³ Customer Support: 800.845.8090 or customersupport@smc3.com.



Technology Tools
for Transportation®

PI 8490-L
5/04

CzarLite™ Software Rating Screen

CzarLite July 2004

File Options View Help

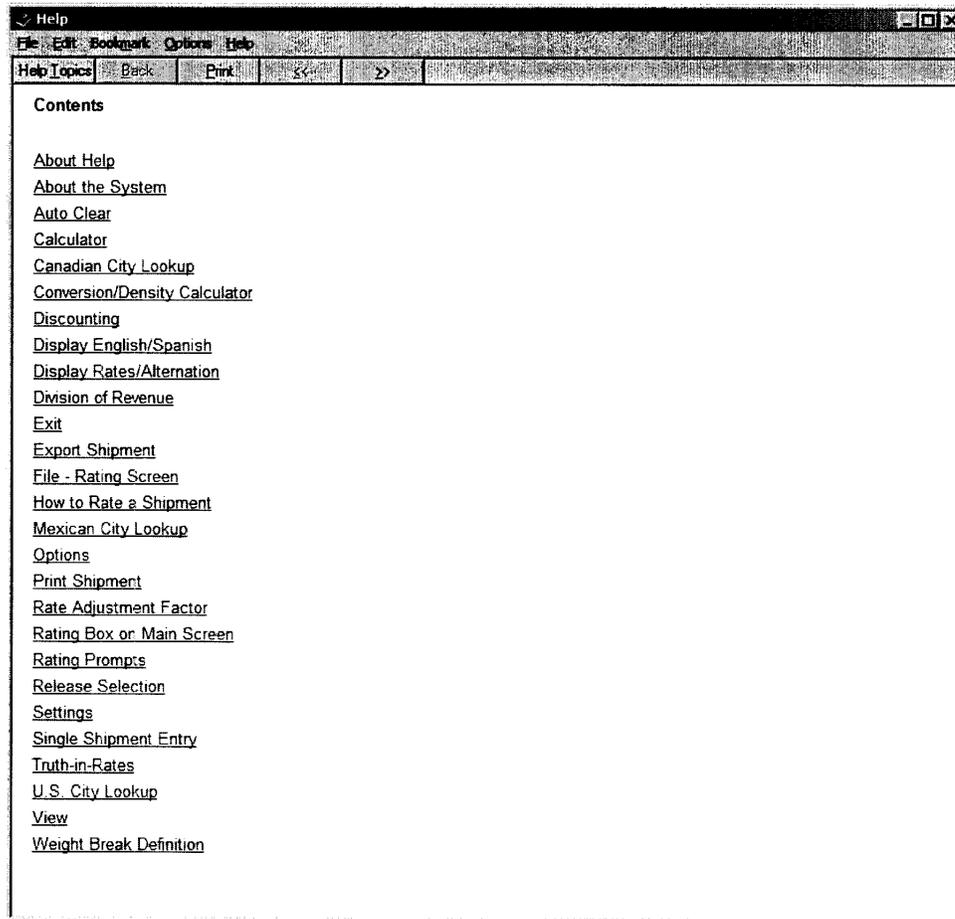
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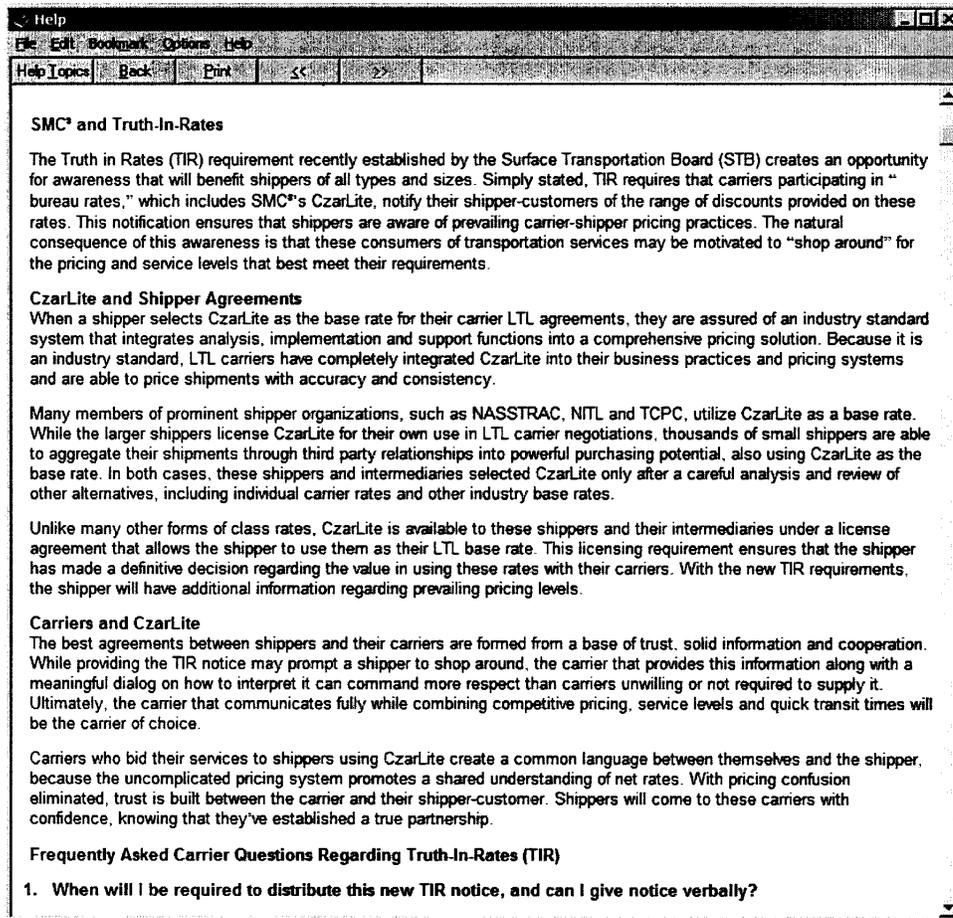
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Click on "Help" and then "Contents"

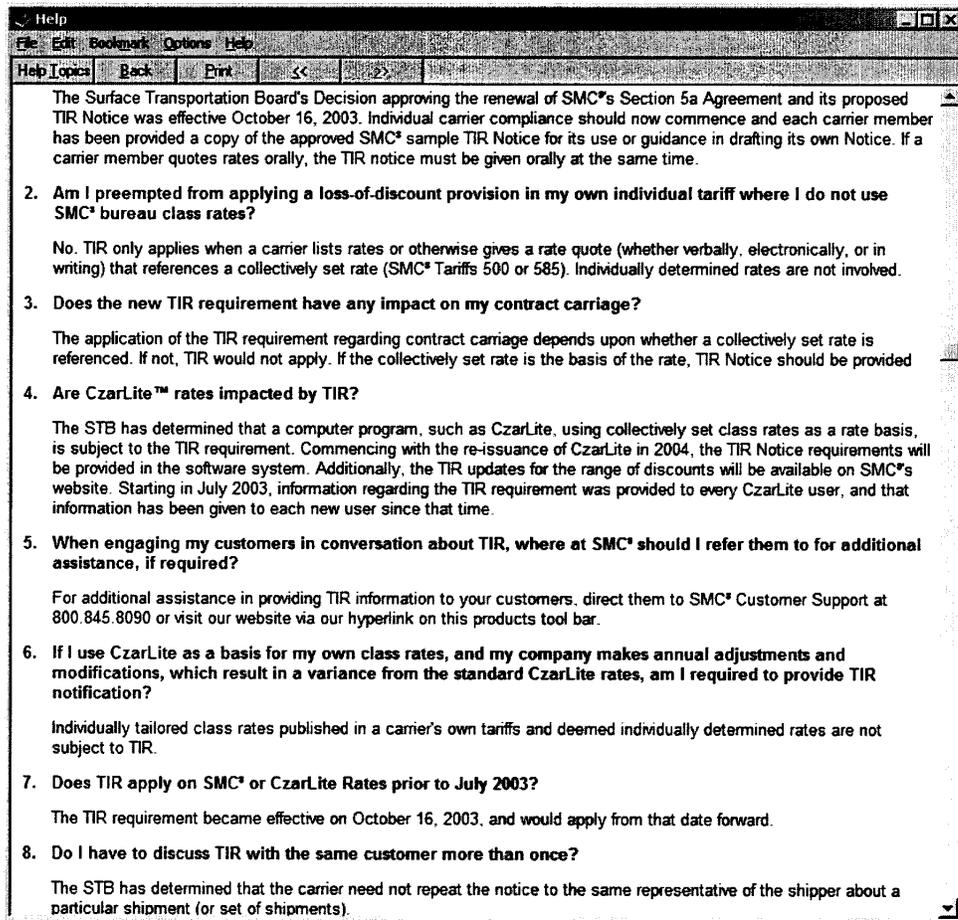
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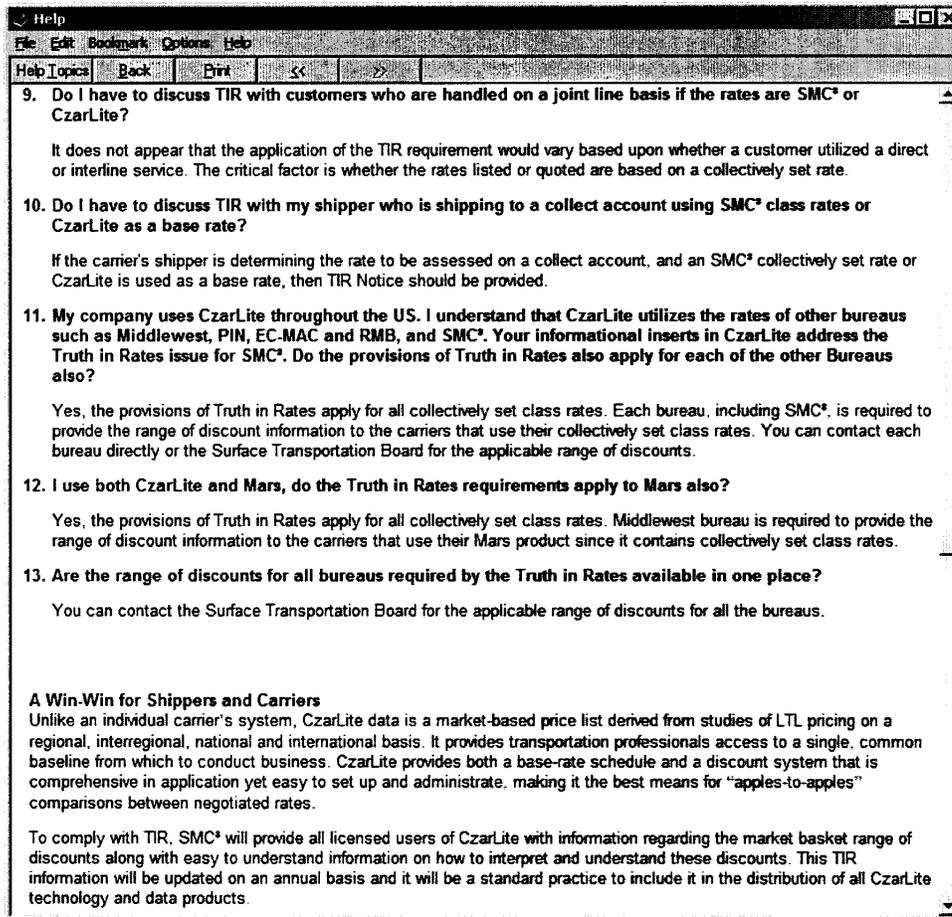
Click on [Truth-in-Rates](#)



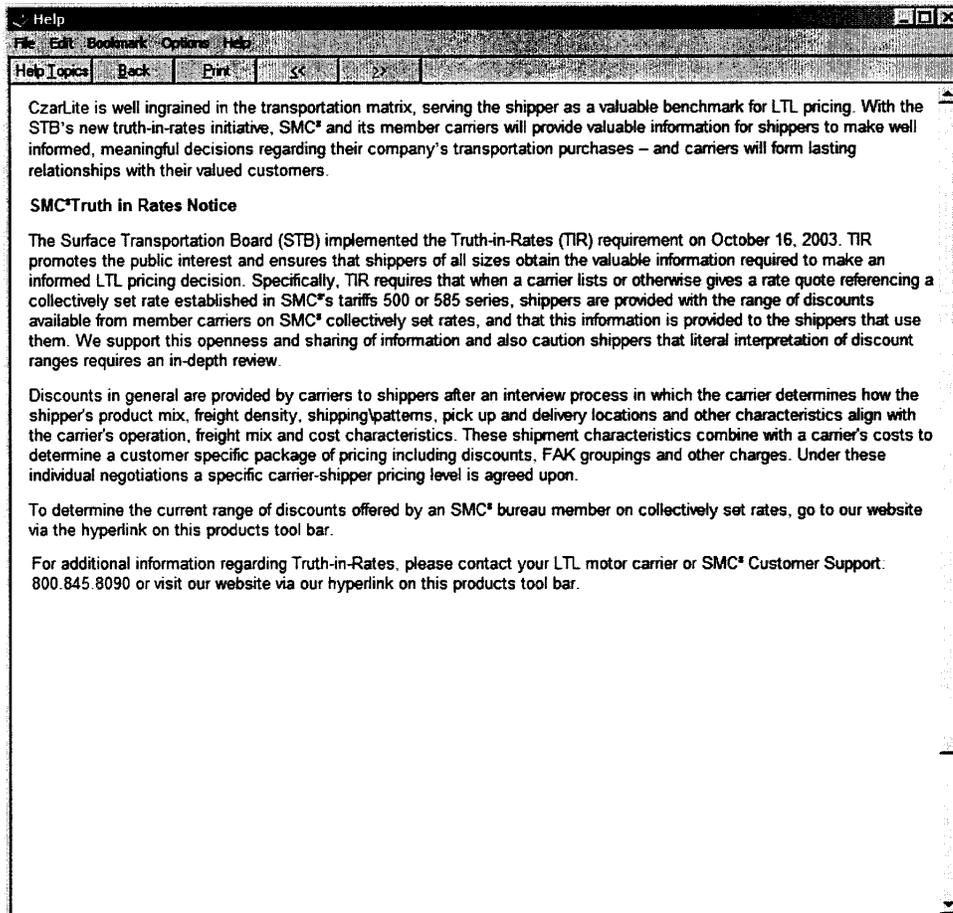
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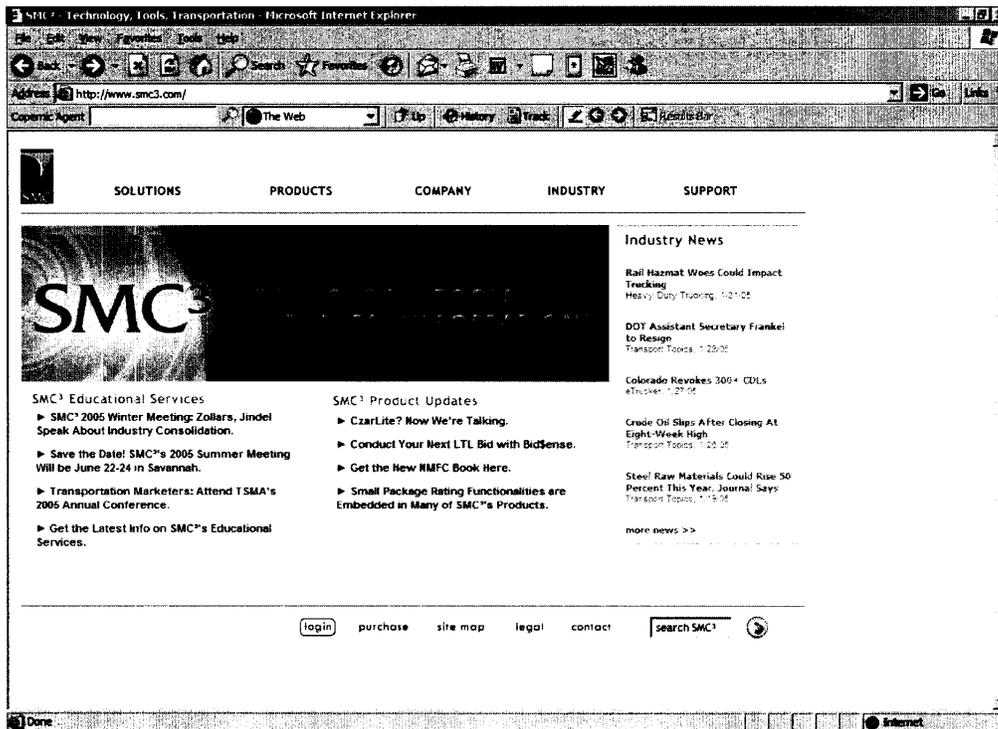
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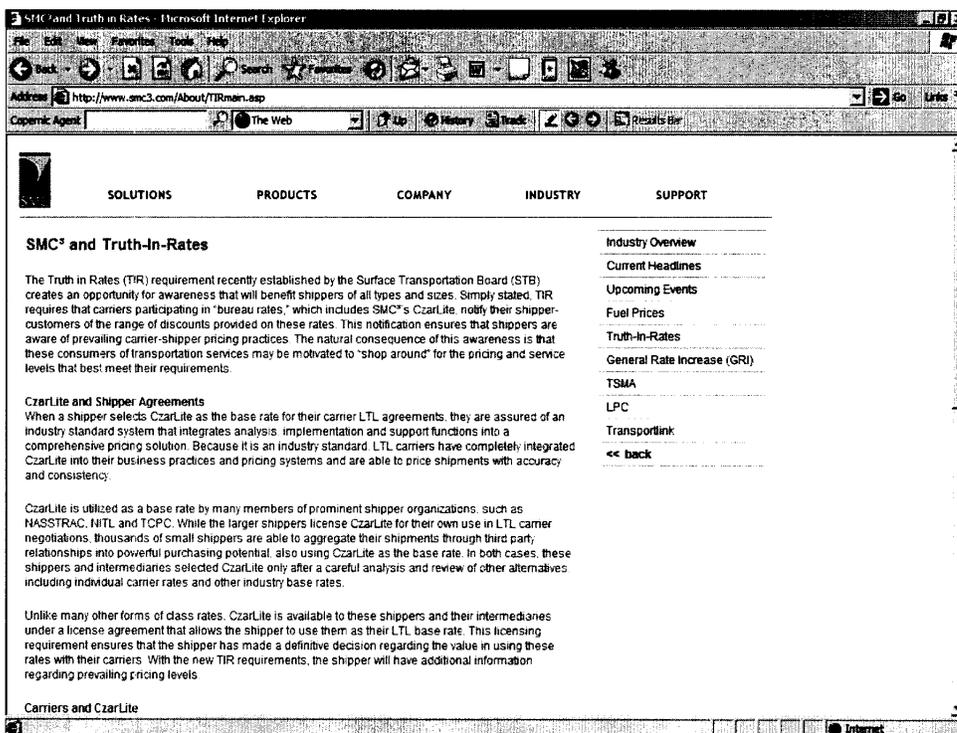


On the Internet, got to SMC's Website at www.SMC3.com. The following Web Page will appear:



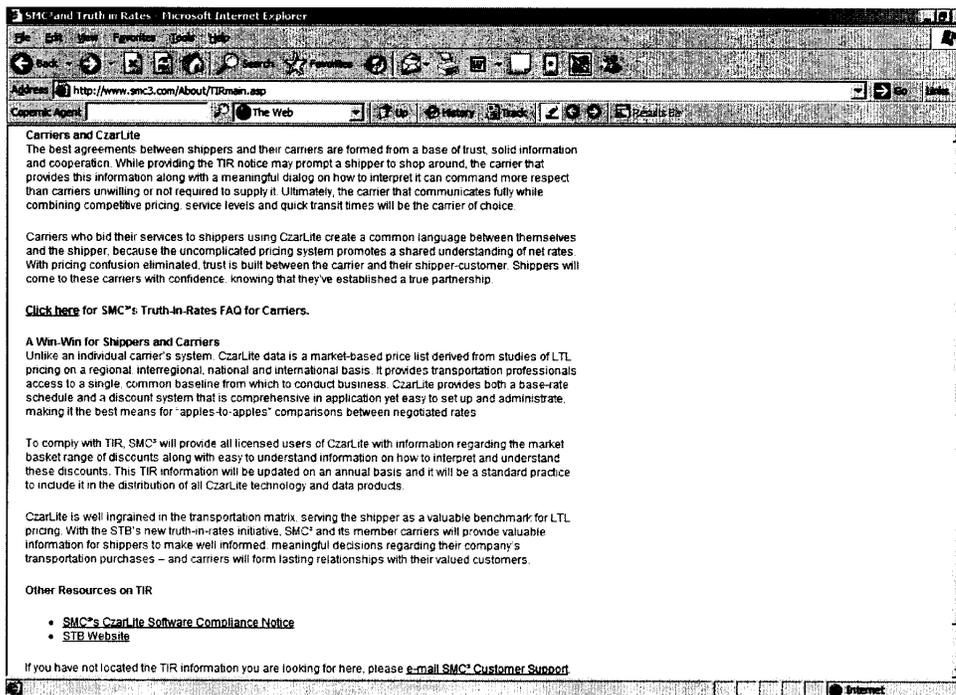
Click on "Industry"

The following explanation of the "Truth-In-Rates" requirements will appear:



Continued on next page

Continued explanation of “Truth-In-Rates” requirements



There are three “click” options on this Web Page:

- 1) Click Here takes you to the Frequently Asked Questions (FAQ) for Carriers. These FAQ's are on pages 5, 6 and 7 of this attachment.
- 2) SMC's CzarLite Software Compliance Notice is on page 8 of this attachment.
- 3) STB Website takes you directly to the STB Web Site at www.stb.dot.gov

SMC and Truth in Rates - Microsoft Internet Explorer

Address: http://www.smc3.com/About/TIRCarrierFAQ.asp

Navigation: SOLUTIONS PRODUCTS COMPANY INDUSTRY SUPPORT

SMC Responses to Frequently Asked Carrier Questions Regarding Truth-In-Rates (TIR)

- When will I be required to distribute this new TIR notice, and can I give notice verbally?**

The Surface Transportation Board's Decision approving the renewal of SMC's Section 5a Agreement and its proposed TIR Notice was effective October 15, 2003. Individual carrier compliance should now commence and each carrier member has been provided a copy of the approved SMC sample TIR Notice for its use or guidance in drafting its own Notice. If a carrier member quotes rates orally, the TIR notice must be given orally at the same time.
- Am I preempted from applying a loss-of-discount provision in my own individual tariff where I do not use SMC bureau class rates?**

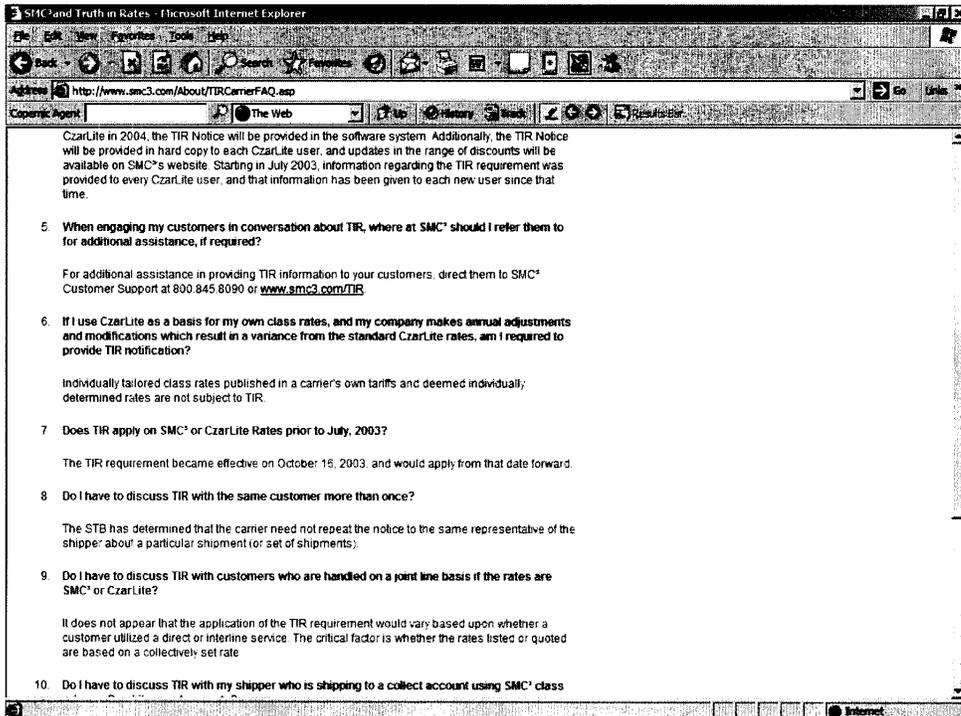
No. TIR only applies when a carrier lists rates or otherwise gives a rate quote (whether verbally, electronically, or in writing) that references a collectively set rate (SMC Tariffs 500 or 585). Individually determined rates are not involved.
- Does the new TIR requirement have any impact on my contract carriage?**

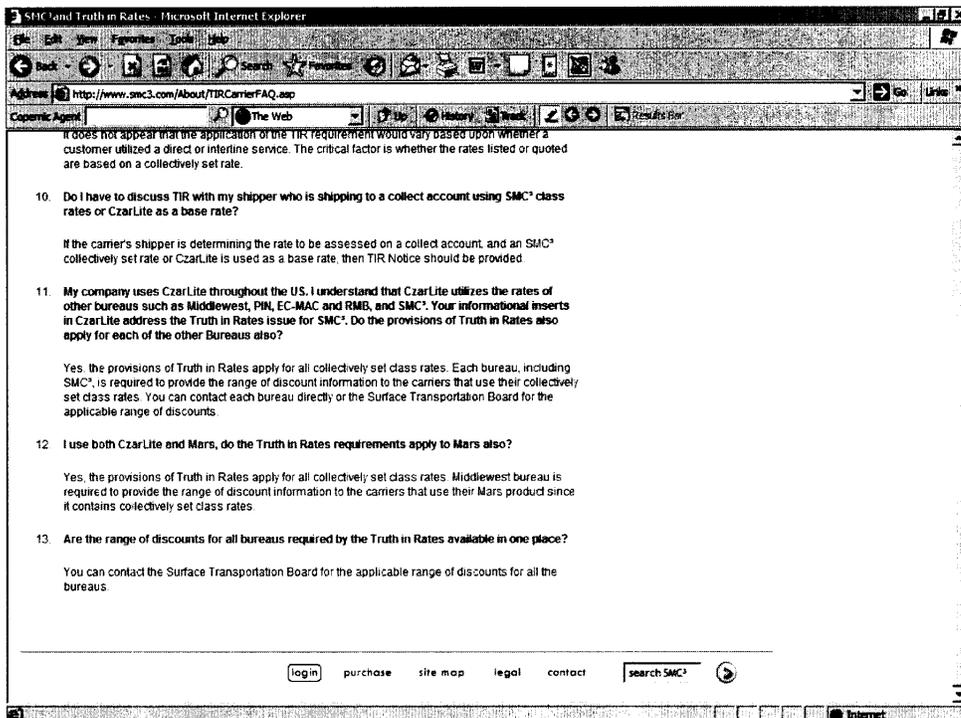
The application of the TIR requirement regarding contract carriage depends upon whether a collectively set rate is referenced. If not, TIR would not apply. If the collectively set rate is the basis of the rate, TIR Notice should be provided.
- Are CzarLite rates impacted by TIR?**

The STB has determined that a computer program, such as CzarLite, using collectively set class rates as a rate basis, is subject to the TIR requirement. Commencing with the re-issuance of CzarLite in 2004, the TIR Notice will be provided in the software system. Additionally, the TIR Notice

Right-hand sidebar links: Industry Overview, Current Headlines, Upcoming Events, Fuel Prices, Truth-In-Rates, General Rate Increase (GRI), TSMAs, LPC, Transportlink, << back

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SMC³ Truth in Rates Notice

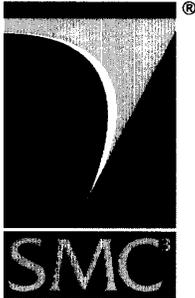
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Discounts in general are provided by carriers to shippers after an interview process in which the carrier determines how the shipper's product mix, freight density, shipping patterns, pick up and delivery locations and other characteristics align with the carrier's operation, freight mix and cost characteristics. These shipment characteristics combine with a carrier's costs to determine a customer specific package of pricing including discounts, FAK groupings and other charges. Under these individual negotiations a specific carrier-shipper pricing level is agreed upon.

Based on the SMC³ member motor carriers survey and SMC³ tariffs, the lowest discount provided to shippers over the past year was twenty percent (20%). The maximum discount reported for consideration in 2004 was eighty-five percent (85%) offered by one SMC³ member carrier. The highest discount varies by carrier, the type and quantity of shipments handled, and by year. To determine the highest current discount offered by an SMC³ bureau member on collectively set rates, please go to www.smc3.com/TIR.

For additional information regarding Truth-in-Rates, please contact your LTL motor carrier or SMC³ Customer Support: 800 845 8090 or [via e-mail](#)

[login](#) [purchase](#) [site map](#) [legal](#) [contact](#)



Attachment D

April 19, 2004

RE: Truth in Rates (TIR) Annual Update 2004

Dear Mr.

The Surface Transportation Board (STB), in their decision of March 21, 2003, relative to the renewal of the SMC Section 5a Agreement, addressed various issues.

The "rate bureaus" are mandated by the STB to survey their member carriers annually to determine the range of discounts you provide to shippers on freight rated on any **collectively set bureau class rates**.

To comply with the STB decision, we are asking you to complete the simple survey enclosed and return it to me in the enclosed postage paid envelope, or by fax to 770-486-1098.

It is recognized that this data is both proprietary and confidential. No one, other than myself and Jack Middleton, President and CEO, will have access to your response, and our report to the STB will be aggregated with absolutely no reference made to any individual carrier.

Your prompt response to this survey is key to our ability to comply with the STB decision. Please return the Survey as soon as possible but no later than May 7th. If you submitted a TIR form in 2003 a copy has been included for your reference.

Please do not hesitate to contact me by phone (770-486-5870) or email (dacker@smc3.com) regarding clarification or questions.

Sincerely,

Dan M. Acker
V.P., Operations

encl.

II.
Statement
Of
Daniel M. Acker
Vice President of Operations of
Southern Motor Carriers Rate Conference, Inc.

II.
Statement
Of
Daniel M. Acker
Vice President of Operations of
Southern Motor Carriers Rate Conference, Inc.

My name is Daniel M. Acker. I am presently employed as the Vice President of Operations of Southern Motor Carriers Rate Conference, Inc. (SMC) located at 500 Westpark Drive, Suite 300, P.O. Box 2040, Peachtree City, GA 30269. Previously I was SMC's Vice President of Planning and Analysis. In all, I have been employed by SMC for over 25 years. My professional qualifications include being a registered practitioner before the Interstate Commerce Commission, now the Surface Transportation Board, and a Certified Public Accountant. My formal education includes the degree of Bachelor of Business Administration with a major in accounting, and the degree of Master of Professional Accountancy granted me by Georgia State University in 1972 and 1974, respectively.

Prior to my employment at SMC, I was a member of the professional staff of a certified public accounting firm, working with the private sector of industry as an internal auditor. I was also employed in various capacities by Refrigerated Transport Incorporated of Forest Park GA, an irregular route special commodity motor carrier.

I have also been employed in the trucking industry by Georgia Highway Express, Central Freight Lines and Viking Freight in the areas of operations, costing and pricing.

I have testified on matters of motor carrier costing before the Georgia Public Service Commission, North Carolina Utilities Commission, South Carolina Public Service Commission, the Tennessee Public Service Commission, and the Interstate Commerce Commission.

Through my education and work experience, I have gained expertise in all areas of statistical data utilized within the motor carrier industry, including the areas of operations, finance, accounting, cost accounting and pricing.

SMC's COSTING AND PRICING RESPONSIBILITIES TO ITS MEMBER CARRIERS AND THE INDUSTRY

SMC's 130 motor carrier members range in size from the very small motor carrier to carriers with over one billion dollars in revenue. SMC, at the direction of the General Rate Committee (GRC), and in keeping with the procedures approved in SMC's Section 5a Agreement, announces and conducts public meetings where shippers, carriers and other interested parties can meet and discuss collectively determined joint line rates and charges on traffic moving in SMC's collective ratemaking territories. Again, at the direction of the GRC, SMC staff prepares and presents exhibits pertaining to general rate increases, rate restructures and other rate-related matters. All meetings are open to the public and are held with legal counsel in attendance to ensure all discussions and activities are in accordance with SMC directives, and the requirements of our by-laws and the antitrust laws.

SMC's FACT-BASED, GENERAL RATE INCREASE PROPOSALS

Prior to the demise of the ICC, Ex Parte No. MC-82 was the primary methodology by which carriers could justify General Rate Increases. The various aspects of motor carrier financial data, cost-of-service and computation of rate scales have been documented and honed to perfection over the last 50 years. These concepts, while they may appear dated, are the cornerstones of motor carrier ratemaking and still apply today.

Two important factors have changed over the years. The Interstate Highway System is now complete. This has provided important operational efficiencies to ground transportation, namely faster and safer routes between numerous cities in the U.S. The second factor is the elimination of the restrictive operating rights previously required of

motor carriers. This allowed the previously regional Southern carriers to expand their operations to all parts of the U.S. As these carriers expanded their operations, they – as any company would – started experiencing the cost differentials between various parts of the country and have had to compete on a nationwide basis with other carriers in those regions for all categories of labor and non-labor expenses.

GEOGRAPHIC SCOPE OF SMC's RATEMAKING TERRITORIES

Exhibits 1 through 5 depict the geographic scope of SMC's Section 5a Agreement, which authorized collective ratemaking and the related ratemaking activities, they are:

- Exhibit 1 SMC Southern Territory, Within the South. Embraces the states of Alabama, Florida, Georgia, Kentucky, Louisiana (East of the Mississippi River), Mississippi, North Carolina, South Carolina, Tennessee and Virginia.
- Exhibit 2 SMC South-East Territory. Between the Southern States of: Alabama, Florida, Georgia, Kentucky, Louisiana (East of the Mississippi River), Mississippi, North Carolina, South Carolina and Tennessee. And the Eastern States of: Connecticut, Delaware, Maine, Maryland, Massachusetts, New Hampshire, New Jersey, New York, Pennsylvania, Rhode Island, Vermont, West Virginia, and the District of Columbia.
- Exhibit 3 SMC South-Southwestern Territory. Between the Southern States of: Alabama, Florida, Georgia, Kentucky, Mississippi, North Carolina, South Carolina and Tennessee. And the Southwestern States of: Arkansas, Louisiana (West of the Mississippi River), New Mexico, Oklahoma and Texas.

Exhibit 4 SMC South-Middlewestern Territory. Between the Southern States of: Alabama, Florida, Georgia, Kentucky, Mississippi, North Carolina, South Carolina and Tennessee. And the Middlewestern States of: Colorado (Eastern), Iowa, Kansas, Minnesota, Missouri, Nebraska, North Dakota, South Dakota and Wyoming (Eastern).

Exhibit 5 SMC South-Central Territory. Between the Southern States of: Alabama, Florida, Georgia, Kentucky, Louisiana (East of the Mississippi River), Mississippi, North Carolina, South Carolina and Tennessee. And the Central States of: Illinois, Indiana, Michigan, Ohio and Wisconsin

As you view Exhibits 1 through 5, you may wonder why they were not consolidated into one exhibit, encompassing all five territories. The reason for the individual Exhibits is that SMC is only authorized, under their current 5a Authority, to publish rates radially, to or from, the Southern Territory and each of the individual territories exclusively. Consolidation of the Territories in one exhibit would give the reader the erroneous impression that the SMC ratemaking territory has a much larger geographical scope that it does, in fact, have. For example, SMC has the authority to publish a rate to or from Atlanta, Georgia, in the Southern Territory and New York City, New York, which is in the South-East Territory. SMC also has the authority to publish a rate to or from Atlanta, Georgia, in the Southern Territory and Dallas, Texas, which is in the South-Southwest Territory. SMC does not have the authority to publish rates to New York City, New York, from Dallas, Texas, or from Dallas, Texas to New York City, New York, since our authority is only radial from the Southern Territory. Hopefully this anomaly may be moot should SMC receive nationwide operating authority, which application is currently under review by the STB.

SMC's CARRIER COST INDEX (CCI)

Since 1995, when the costing principles in Ex Parte No. MC-82 were no longer required, along with the criteria for determination of general rate increases, there has not been an agency-prescribed method to aggregate data pertaining to the expense increases faced by the LTL carriers. Motor carrier costs involve numerous inputs that are unique to the motor carrier industry and the actual carrier involved. These costs can be broken down into two major categories, namely, labor-related costs and non-labor costs. The trucking industry currently and historically has been a very labor-intensive industry. Most of the productivity increases have been effectuated by improvements in technology and the design of more efficient, lighter and larger capacity equipment.

To fill this void in cost-based pricing SMC, in 1999, pioneered and developed the Carrier Cost Index (CCI) utilizing its knowledge base and its subject matter experts to create a process to address and quantify the impact of changes in the various categories of LTL carrier expenses.

The CCI is a defined process of gathering, quantifying, analyzing and applying both industry specific and public information that creates a reliable index for the expense increases the SMC carriers have experienced during the study period, and provides an accurate indicator of anticipated expenses.

LABOR IN THE SMC CCI

Labor accounts for approximately 64% of the total expenses, while non-labor expenses account for the balance of 36%. Labor expenses, like many others, have a tendency to change over time. To quantify these changes the SMC CCI utilizes a comprehensive nine-page survey that is conducted annually. Labor expenses are broken down into each of the employee classifications and further subdivided into Teamster union, other unions, and non-contract labor. Forms are provided to the member carriers to take into effect contractual phase-in of new employee wage rates, and other

circumstances that warrant special handling. The contractual or budgeted increases for each of the employee classifications is also collected on the survey form, which allows updating of the survey into the next year. Fringe benefits, which include such items as group insurance, pensions, employer paid taxes and workers' compensation insurance are also collected and restated to the following year. In short, the carriers' labor expenses are updated based on their actual expenses and their budgeted projections for the next 12 months.

NON-LABOR EXPENSES IN THE SMC CCI

Non-labor expenses cover the balance of items consumed by the motor carrier in providing transportation services. The typical motor carrier utilizes a number of different types of supplies and services. Updating each individual expense would be extremely time consuming and cumbersome. However, there are legitimate alternatives to that computation, such as using appropriate indices to accomplish that same goal.

The use of indices to approximate the increase in non-labor expenses in the motor carrier industry is not new. In fact, it is an acceptable alternative to actual expense increases, provided the proper index is used to update the appropriate expense. Two indices designed and maintained by the government have been incorrectly touted as legitimate measures of the allowable increases in motor carrier rates. These two indices are the Consumer Price Index (CPI) and the Producers Price Index (PPI).

The CPI measures the average change in the prices paid for a fixed market basket of goods and services. These baskets are items purchased for consumption by two groups: All Urban Consumers (CPI-U) and Urban Wage Earners and Clerical Workers (CPI-W). Escalation agreements often use the CPI—the most widely used measure of price change—to adjust payments for changes in prices. Categories in the CPI include food and beverage, housing, apparel and medical care, to name a few.

Because the CPI is a statistical average, it does not reflect expenditure patterns that differ substantially from the “average” urban consumer. It may not be a perfect or even a realistic reflection of an individual consumer’s price expenses, but it is the most economically feasible method for providing a statistic that is the most useful in all its general applications. Nevertheless, the market basket of the CPI does not reflect the purchases made by motor carriers, and will not accurately reflect increases in carrier labor and non-labor costs.

The PPI is a family of well-known indices that measures the average change over time in the selling prices received by domestic producers of goods and services. PPIs measure price change from the perspective of the seller. Over 10,000 PPIs for individual products and groups of products are released each month. PPIs are available for the products of virtually every industry in the mining and manufacturing sectors of the U.S. economy. PPI data is widely used by the business community, as well as the government, as an economic indicator, a deflator of other economic series and a basis for contract escalation.

The PPI suffers from the same deficiencies as the CPI in relation to motor carrier labor and non-labor cost increases. These indices include many components, which have little or no bearing on trucking costs. The CPI gives principal consideration to such factors as the cost of food and beverage, including alcoholic beverages, housing, apparel, recreation, etc. The PPI includes primary elements such as cost changes in farm products, processed foods and fees, textiles, hides and skins, chemicals, lumber and wood products. These factors do not measure the proper proportions of labor, fuel and related operating expenses which define trucking. The CPI and PPI were designed to measure the changes in two different segments of the economy for two different purposes.

Comparison of either index to motor carrier cost increases does not provide any meaningful method, methodology or data for updating motor carrier labor expenses. Realistic non-labor updates cannot be achieved using the overall CPI or PPI for transportation purposes and will yield results erroneous and misleading for the motor

carrier industry. Yet, application of specific indices to specific identifiable expenses does, in fact, follow the recommendations of the Bureau of Labor Statistics.

Instead, the CCI model for non-labor expenses developed by SMC is driven by the specific cost characteristics of carrier operations and the actual market basket of non-labor goods and services consumed by the motor carrier industry. Each of the non-labor expense categories is updated based on the individual specific index for the specific identifiable expense.

An additional advantage of the CCI is the level of detail by which individual expenses are addressed. Refinements of the CCI include the incorporation of specially constructed surveys that address the carriers experience when there are unusual increases in certain expenses, such as insurance or security.

The Insurance Survey is conducted annually and specifically quantifies the carriers' actual insurance expenses in the following areas: Public Liability and Property, Cargo Loss and Damage, Building and Structures, Furniture and Fixtures, Umbrella Policies and provides additional space for any other forms of insurance.

The Security Survey is also conducted annually and identifies and summarizes the additional dollars of expense related to security required by customers or any government entity. Examples of security expenses that are included in these surveys are, photo ID cards, background checks, fingerprinting , holding of shipments for additional security inspections, tractor and trailer tracking and alarm systems, employee security training, and other identifiable increased security expenses.

These surveys provide detailed information on the carriers' actual cost experience and provide more accurate results than can be obtained by the use of indexes. These surveys are completed and sent to SMC where they are aggregated and applied to the CCI to reflect the actual expense increases experienced by the carriers.

The Carrier Cost Index (CCI), unlike the CPI and PPI, utilizes the relative weights of each labor and non-labor motor carrier expense. The actual expenses of the carriers are updated with detailed labor surveys from the SMC membership. In addition, select individual indices from the CPI and PPI, and specific carrier surveys, are used to calculate the actual non-labor cost increases on the SMC Carrier Group. The inherent detail of the CCI allows it to be a very fluid, but accurate, living index that can be used to react to, project and quantify the actual swings in motor carrier expenses as they occur.

The CPI and PPI Indexes do not provide any meaningful method, methodology or data for updating motor carrier labor expenses. As indicated, to fill this chasm SMC pioneered and developed the Carrier Cost Index (CCI), which is a comprehensive Index that is designed to determine the rate of increase in motor carrier costs, and the amount of revenue needed for the carriers to remain viable in the transportation marketplace. The explanation above portrays the use of labor surveys, insurance surveys, increased security surveys, the Quarterly Report Form QFR and supplemental survey forms in conjunction with the select CPI and PPI information to provide a consistent, accurate and repeatable index for the motor carrier industry to use in maintaining their operations.

NATIONAL TRAFFIC DATABASE (NTD)

Prior to 1995, one of the most valuable tools for evaluating the cost/revenue relationship of class rates was the Continuing Traffic Study (CTS) that SMC started in 1959. The CTS was a stratified statistical sample of the freight bills of our member carriers. The actual statistical sampling process was designed and monitored by the world-renowned Dr. W. Edwards Deming. From its modest beginnings it grew to be the one data tool that the carriers could rely upon to provide accurate and timely results of both the industry and the individual participant. The CTS was used in most general rate cases before the ICC as was required by Ex Parte No. MC-82. It was also used in numerous intrastate rate cases, as well as internally by the management of the respective participants. It was a strategic tool that provided an industry baseline that each participant could measure themselves against, relative to the traffic they were actually

handling. When Intrastate Traffic was deregulated in 1995 the CTS was discontinued due to budget constraints.

After the discontinuance of the CTS there was no regional or national industry data available. In addition to the lack of regional industry data (other than that SMC supplies to its member carriers), there was no source of operational data. Moving on a request from our member carriers, SMC formulated a plan for creation of the National Traffic Database (NTD). This database is a monthly, quarterly and annual aggregation of motor carrier freight bill information. It is not a sampling of the carriers' freight bills since all carriers are required to supply their freight bill data for each shipment to the study. The aggregate database is available only to participating carriers who provide their own shipment data. The data is collected on all individual shipments of the participants and is submitted to SMC on a monthly basis. Upon receipt, the data is subjected to uniform minimum edits to ensure data integrity and once complete, the data is processed into a number of standardized formats, which provides each of the participating LTL motor carriers with the composite data of the entire group in the same format as their own company data. The reports range from very detailed to very broad data, and include total weight, revenues, mileage, ton-miles, total number of shipments, and total number of pieces shipped and days in transit. This detail provides the ability to track changes in market share over time, determine traffic lane yields, and determine the impact of different pricing strategies and potential market penetration.

Participation in the SMC NTD includes computer files of the aggregated data as well as a participant's own data. This allows each participant to utilize the expertise of their staff to design and produce reports that are targeted to their specific needs.

The standardized Monthly Participant Reports are:

- Industry Traffic by Weight and Length of Haul
- Traffic Statistics by Weight within Length of Haul
- 100 Most Frequently Shipped Traffic Lanes
- Participating Carrier Single Lane Analysis
- Industry Single Lane Analysis
- Participating Carrier vs. Industry Single Lane Analysis
- Participating/Industry Lane Comparison with Transit Days
- Participating/Industry Lane Comparison by Weight with Transit Days
- Service Time Comparisons – Metro Area Lanes
- Inbound and Outbound Traffic Based on 5 Digit Zip Code Areas
- Total Participant Inbound and Outbound Traffic by Market
- Total Participant Inbound and Outbound Traffic by Region
- Metropolitan Areas to Select Markets
- Standardized Maps

The confidentiality of each participant is specifically protected in a number of ways. All standardized reports and computer files contain aggregated data. Individual participant data cannot be identified or deduced from the information in the file. No individual participant data is provided to the group at any time.

Part of the agreement for participation in the NTD is use of the data for General Rate Committee meetings. Use of this data can yield valuable information as to how traffic is moving within SMC territories, as well as anywhere within the US and portions of Canada and Mexico. Having each shipment in the database will allow SMC to identify and quantify data from the five-digit Zip Code level. The possible aggregations and analytical data available are almost endless and will open a new era in the availability of rate and market data for the participants, as well as enabling SMC to continue to provide information the industry so desperately needs, and SMC is committed to provide. The NTD provides information that is critical to ratemaking and, best of all, it is already in

place and operative. The NTD, administered by SMC, is another tool that enhances the knowledge and expertise enabling SMC to create a competitive level of Class Rates.

Based on information published by the Federal Government, the LTL General Commodity market was approximately 48 billion dollars of revenue in 2004. The SMC NTD is currently comprised of 38 carriers with estimated 25.2 billion dollars in transportation revenue from an anticipated 147 million shipments in 2004.

With the level of detail within the NTD it is easy to see how new applications of the data can be created. One area that conceptually is not new but now practical is that of mapping freight flow data. With the advent of sophisticated mapping software the NTD data can now be superimposed onto a road grid base on the origin and destination five-digit Zip Codes. Furthermore, these maps can be viewed for the complete NTD group of carriers and the individual carrier involved. Summary tables are also provided with a legend explaining the freight flow statistic that is plotted with a key explaining the statistic. These maps can be prepared on a national, regional, state, city, terminal, metropolitan statistical areas (MSA) or Zip Code basis. Not only can maps be created for a road grid they can be created with thematic shading and a number of other options.

2005 is the fifth year the NTD has been existence. Now that a timeline is in place, individual participants and SMC can mine the data creating time series reports on a monthly basis that will allow tracking of revenue yields, freight volumes, directionality, seasonality, and other factors relating to revenue need and yield management.

As mentioned above, the regional nature of the U.S. transportation industry has evolved from a regional industry to the nationwide industry with carriers that provide service from coast to coast including Alaska, Hawaii, and U.S. Territories. Furthermore, the same carriers that service the U.S. are expanding into Canada and Mexico and, in some cases, through partnerships with steamship companies, into foreign ports. SMC is the largest producer of carrier rating systems in the U.S. with a capable staff of programmers and, more importantly, a trained and experienced staff of tariff analysts.

The old adage of “Knowledge is Power” is also true in that SMC has been instrumental in housing and administering the NTD. The NTD, with its estimated \$25.2 billion dollars of revenue and 147 million freight bills (year 2004), is the only up to date source of the quantity and the market price of freight moving in the U.S. today. The NTD data includes both the origin and destination Zip Codes of each shipment. Additionally it contains the net revenue that the shipper, through an arms length transaction, paid the carrier. This is what economists call the market-based rate.

With the data in hand, which is normally only 30 days old, SMC can isolate virtually any traffic moving between any of the 42,418 unique Zip Code origins and destinations in the database. Not only can the traffic be isolated, it can be further subdivided into weight breaks, and even summarized by the number of days the shipment was in transit. Determination of the market-based rate is, at this point, a simple and accurate calculation.

Since analysis of the NTD data will provide the market-based rate, comparison to the Class Rates will yield the true differential between Class and market rates. These market-based rates can be determined on a national, regional, state, and local basis by direction of movement. Direction of movement will further define and isolate the head haul and backhaul imbalance of current freight movements and the impact balance has on market price. Taking it another step forward, since the NTD contains the date the shipment was picked up and delivered, seasonal changes in traffic flow and pricing can be quantified.

SMC is in a unique position; it has an experienced staff of tariff and analytical experts and the only factually accurate database in existence today. This provides SMC with the ability to determine based rates now and into the future throughout the U.S.; it is a foundation for industry related studies that can be provided to our carriers for the creation and continuance of class rates.

MOTOR CARRIER FINANCIAL DATA

Baselines are important and crucial to all information systems. Measurements, to be meaningful, must be related to a baseline or point from which change can be measured. The LTL motor carrier industry is no different from any other industry in this respect. Financial data is a baseline that is critical to the determination of the health of the industry and the revenue necessary to support the infrastructure of the typical LTL carrier.

Having a sound financial baseline, application of the CCI procedures to the actual reported expenses of the carriers allows SMC to accurately portray both the current and projected expense levels the SMC carriers are, and will, experience. This actual and projected financial information is tailored to the SMC carriers, and is provided to the General Rate Committee (GRC), who make the final decision as to the use and application of the data to a general rate increase.

SMC has strived to provide our member carriers with the most current and reliable data possible for their ratemaking decisions. Furthermore, in the interest of fairness we have provided the shipping public with white papers explaining why, based on carrier costs and revenue needs, a rate increase is necessary and how that increase will help provide the shipping public with continued and uninterrupted service at equitable rates.

Joint line rates may require different discounts in different territories to create a competitive through rate. This unduly complicates the rating and pricing of these shipments, often causing the reversion to a modern day version of combination rates, which may be subject to differing rate application rules for each territory.

One of the purposes in joint line ratemaking is to provide a uniform cost-based set of class rates that will foster the interlining of freight between carriers to the betterment of the shipping public and the nation as a whole. This is an attainable goal. However, the rules have to change to be in concert with the changes the LTL industry has

experienced in the past few decades. The free flow of information is a prerequisite for this change. SMC has the desire, the expertise, and the carrier and shipper backing to effectuate this change if and when the opportunity arises.

ROLE AND OPERATION OF THE GENERAL RATE COMMITTEE

The General Rate Committee (GRC) is vested with the responsibility for the affairs of SMC concerning new or changed interstate or foreign rates, ratings, charges, classifications, exceptions to classifications, divisions, government tenders, allowances, rules, regulations and practices pertaining to these activities. This committee is comprised of a representative and an alternate representative from each member of SMC in good standing and participating in SMC tariffs that desires to participate. The purpose of this committee is the consideration and disposition of all objected to or referred subjects which fall within their vested responsibility on matters relating to the tariffs and/or pricing involved their applicable rules of procedure and territorial application.

Meetings of the GRC shall be held at the direction, time and place of the GRC or by the Chairman of the GRC. A quorum of thirty (30%) percent of the membership of SMC or thirty (30%) percent of such GRC members eligible to vote and voting is required. The Chairman must give each member of the GRC at least five (5) days' notice in writing of each meeting.

General notification of the meeting, to the public, regarding the location, time, and subject matter to be discussed at the GRC is made in two medias. The first is the SMC Weekly Information Bulletin which is distributed to each SMC Member carrier and to the over 1,100 Associate members comprised of Shippers, Transportation Intermediaries, 3PL's, Motor Carriers and Transportation Professionals. The second venue is on the Internet home page website of SMC located at www.smc3.com where it is literately posted to the world. The GRC meeting is open to the general public and all Members and Associate Members of SMC.

The GRC may direct the employees of SMC to provide expert analysis and technical assistance in developing or evaluating a proposal. However, SMC employees may not vote, act upon or dispose of any proposal effecting a change in any tariff item published by or for the account of any member.

Technical data typically supplied to the GRC by SMC staff members are:

Comparison of Rates of Increase for Various Indices including the CCI

Current Fuel Prices and Fuel Surcharges

Quarterly Operating Results from Form QFR

Summary of Union Labor Increases

SMC Labor Survey, Forms, Participants and Results

SMC Insurance Survey, Forms, Participants and Results

SMC Security Survey, Forms, Participants and Results

Proposed SMC Survey to determine the impact of the new Hours of Service Regulations

Zip Code Changes in the State of Kentucky

Zip Code Changes in the State of Maryland

Zip Code Changes in the State of Mississippi

Zip Code Changes in the State of Missouri

Zip Code Changes in the State of Virginia

Traffic Flow Statistics from the National Traffic Database for
SMC Tariff 500 Territory

Traffic Flow Statistics from the National Traffic Database for
SMC Tariff 585 Territories

Suggested New Rule - Emergency Situations/Severe Weather

Based on their own business needs, supplemented by the staff supplied data, the GRC can direct the staff to start the process for a General Rate Increase (GRI). The amount of the GRI, the effective date and the affected tariffs are all determined by the GRC. Although not required, the GRC has authorized SMC to provide each meeting attendee with a copy of the GRC exhibits that were prepared by the SMC staff for that meeting. Non-member attendees may question the GRC members and the SMC staff on any of the matters being discussed.

SMC Members and GRC Members may at any time exercise their right of Independent Announcement under the terms and provisions set out in the Rules of Procedure as approved by the Surface Transportation Board.

SUMMARY

SMC is committed to provide the LTL motor carrier industry with the best possible data available for their data needs. To meet this end SMC has initiated and designed the CCI and the NTD which, in unison with the LTL carrier financial data, will provide the tools to construct a cohesive, comprehensive system of class rates for the operations of SMC Member Carriers. The baseline of class rates when applied by shippers will reasonably identify SMC member carrier costs and revenue needs enabling individual carriers to more readily establish their competitive, market-based rates reflecting their actual costs and revenue needs. Thus eliminated is the need to use foreign carrier tariffs of non-SMC member carriers that may be outdated and over or under compensatory, or may be inappropriate for the carrier and shipper involved.

Respectfully submitted,



Daniel M. Acker

Exhibit 1

SMC SOUTHERN TERRITORY
(WITHIN THE SOUTH)

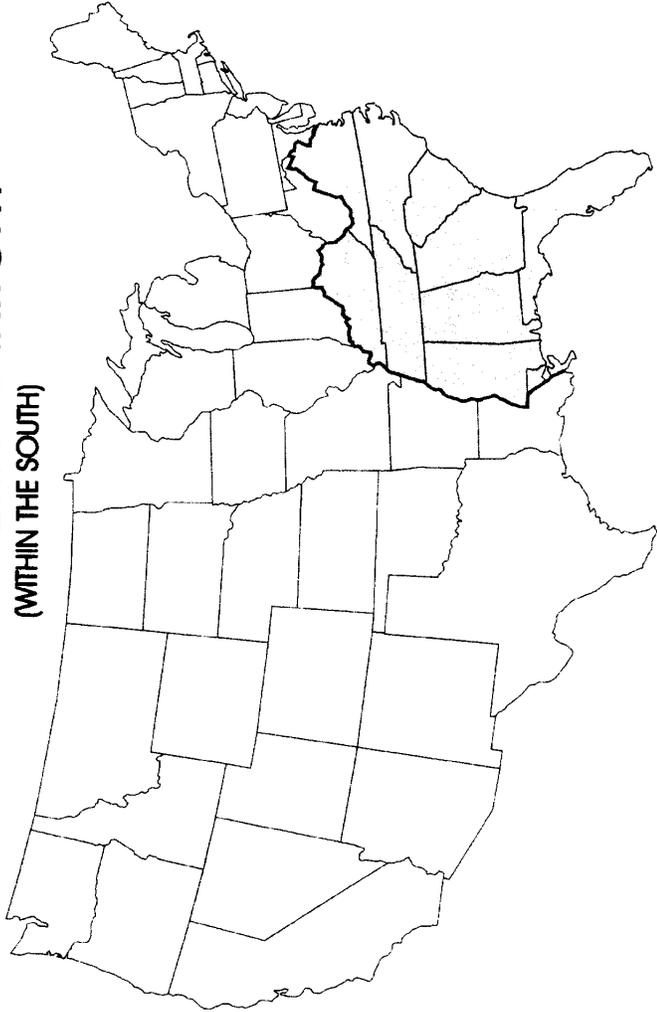


Exhibit 2

SMC SOUTH-EAST TERRITORY
(BETWEEN THE SOUTH AND THE EAST TERRITORY)

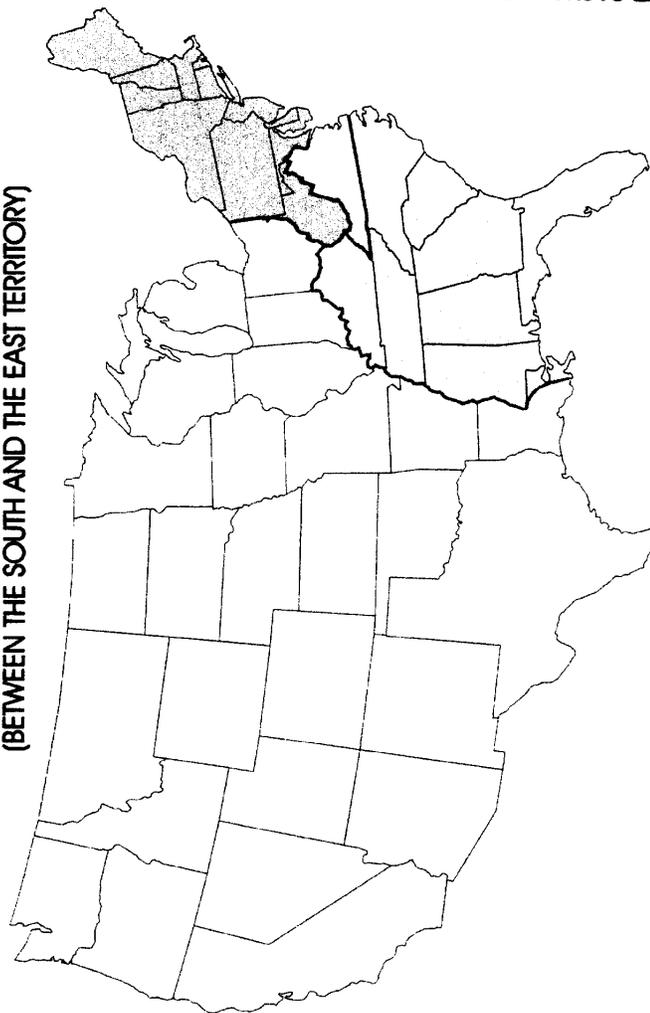


Exhibit 3

SMC SOUTH-SOUTHWEST TERRITORY
(BETWEEN THE SOUTH AND THE SOUTHWEST TERRITORY)

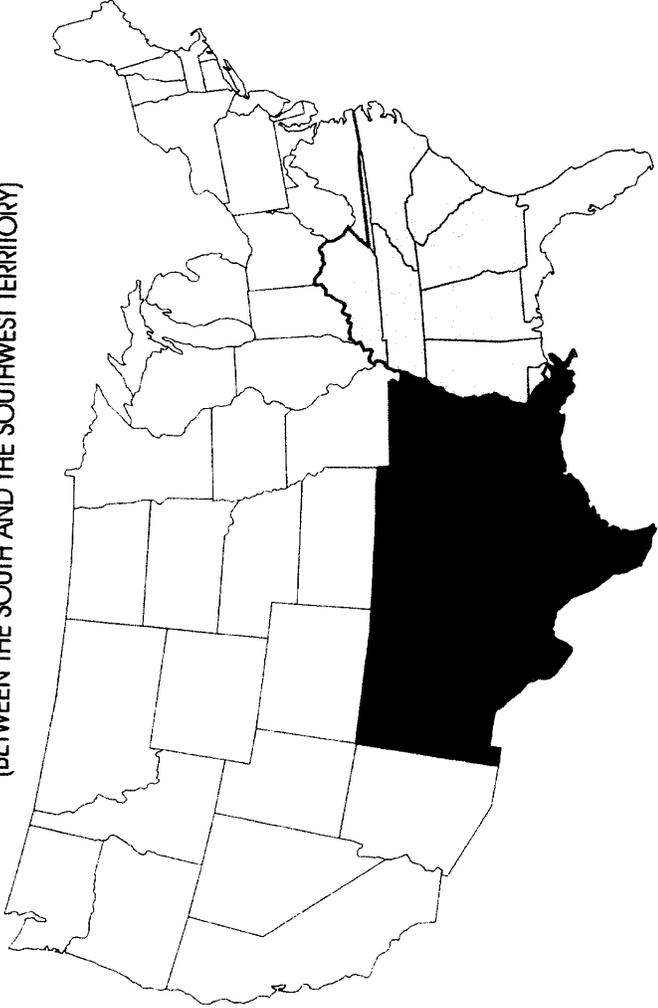


Exhibit 4

SMC SOUTH-MIDDLEWEST TERRITORY
(BETWEEN THE SOUTH AND THE MIDDLEWEST TERRITORY)

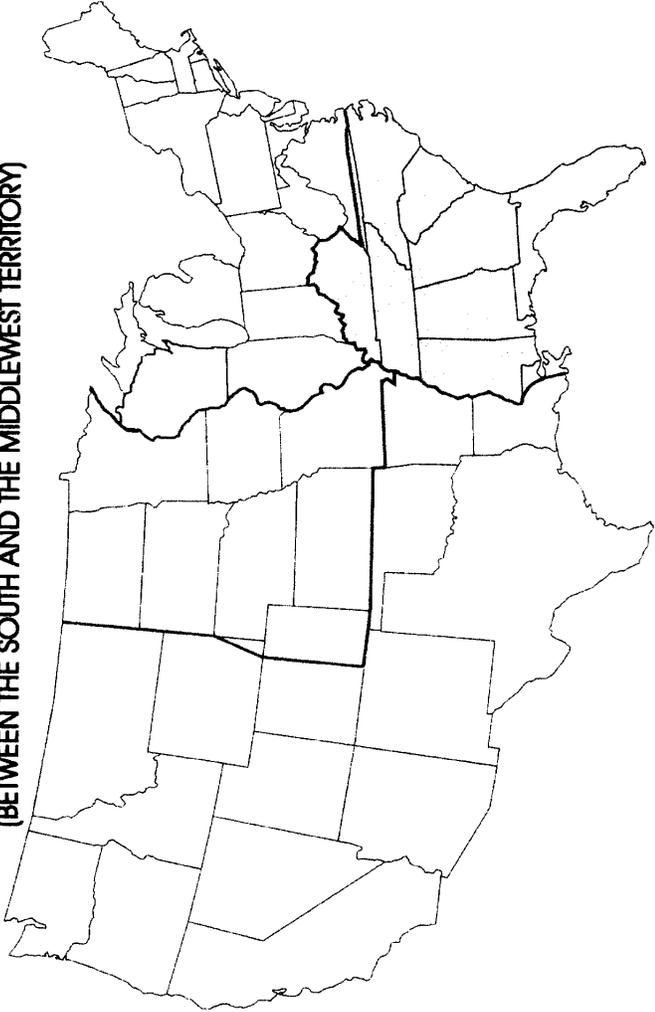
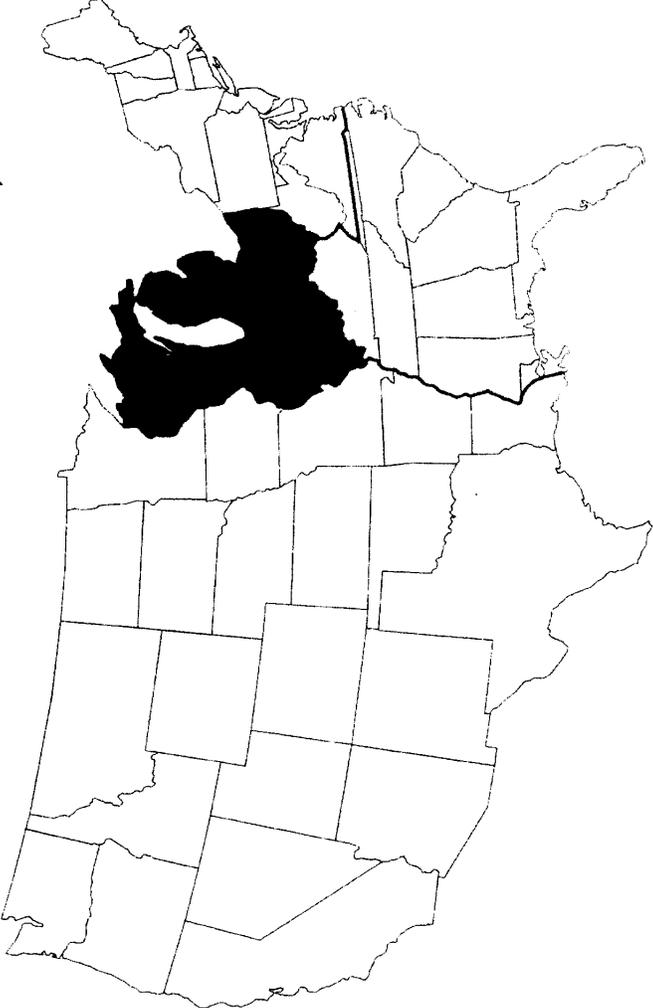


Exhibit 5

SMC SOUTH-CENTRAL TERRITORY
(BETWEEN THE SOUTH AND THE CENTRAL TERRITORY)



III.
Argument

III.
Argument

The foregoing statement of Jack E. Middleton, SMC's President and Chief Operating Officer, demonstrates the measures taken by SMC to comply with the Board's Decisions pertaining to the Truth-In-Rates Notice and the Certification Requirement regarding loss-of-discount provisions. Clearly, SMC has met and exceeded the steps outlined by the agency in implementing those requirements.

The Statement of Daniel M. Acker, SMC's Vice President of Operations, describes, in detail, the methodology utilized by SMC carrier members of its General Rate Committee, in conducting the collective ratemaking activities authorized under SMC's currently-approved, Section 5a Agreement. Those procedures ensure that SMC's general rate actions are fair and reasonable.

It is submitted that the continuation of SMC's Section 5a Agreement authorizing SMC to engage in collective ratemaking activities with antitrust immunity remains in the public interest. The availability of a baseline of class rates in SMC's collective ratemaking territory has enabled both shippers and carriers to eliminate the confusion which can be and was created by the unbridled proliferation of carrier rates, and to avoid the disputes which naturally arise without a readily identifiable class rate baseline. That SMC class rate benchmark also provides total access to shippers to the carrier pricing information necessary to ensure the identification of competitive rates.

Consistent with 49 U.S.C. § 13101(a)(2)(A), the use of the class rates formulated under the ratemaking procedures developed for and utilized by SMC's General Rate Committee provides the benchmark for carrier and shipper negotiations which foster fair competition and reasonable rates. In using SMC's class rate scales for rate negotiations each party to the transaction is able to assess definitively the competitiveness of a rate bid in terms of the pricing offers submitted or available from SMC member motor carriers, as

well as from other nonmember, competitive carriers. Carriers and shippers alike have specifically pinpointed that use of SMC class rates as the vehicle for avoiding the confusion and other problems associated with attempting to amass and analyze the requisite pricing information in the absence of a common, reasonable baseline for rate negotiations and comparisons.

The goal outlined in 49 U.S.C. § 13101(a)(2)(B) of promoting efficiency in motor carriage is certainly assisted by SMC's class rate scales. That baseline has enhanced the abilities of its member carriers to reach markets dispersed throughout SMC's ratemaking territory and the nation, which are now required by their customers to be served in an operationally feasible and responsive manner. The importance of interline arrangements among carriers has increased greatly as carriers, in response to market demand, hold themselves out to provide service throughout broad operating territories to meet their customers' transportation requirements. As pertinent, SMC's class rate scales have enabled carriers to more easily establish through rates with interlining carriers, and have helped to eliminate the disputes which were common when the carriers attempted to construct a joint rate from the abyss of carrier rates otherwise applicable to such arrangements. The elimination of that confusion has aided the successful negotiation of interline agreements with carrier partners, thereby increasing the efficiency of their operations and helping them to compete for and retain customer business.

Section 49 U.S.C. § 13101(a)(2)(C) seeks to encourage the creation of competitive and efficient transportation services adequate to meet the needs of shippers and receivers. Shipper needs for motor carrier services are more diverse in today's economy than at any other previous time. Expanded just-in-time inventory control and the global nature of the economy have increased the pressures on shippers and receivers to obtain the most efficient and economical carrier services available.

As indicated, through the use of SMC's class rate scales shippers and receivers truly are able to compare motor carrier pricing in the involved territories. Concomitantly, carriers are better able to respond to shipper and receiver needs by having the ability to

determine what other motor carriers are offering to provide the needed services, and to competitively price their rates to meet those same needs.

Section 49 U.S.C. § 13101(a)(2)(D) encourages the facilitation of a variety of quality and price options to meet changing market demands and the diverse requirements of the public. The existing and highly competitive trucking market has created such options. However, the transportation community initially encountered great difficulty in identifying those benefits in a market overwhelmed by literally thousands of motor carrier rates and rate bases, and in the absence of readily available pricing system to access and assess those rates. Hence, SMC's class rate structure established in its ratemaking territories has proven to be a valuable tool in assisting shippers and receivers in identifying, on equal terms, the variety of quality and price options available from the SMC carriers in meeting their transportation needs. Without question, the failure to continue SMC's Section 5a Agreement with antitrust immunity would end the establishment of its class rate structure and, accordingly, would terminate the use of those rates as a benchmark for pricing purposes. Also lost would be the financial and other rate-related information generated in connection with establishing those class rates, which data forms the basis for many of the other pricing services provided by SMC to the public.

The productive use of equipment and energy resources contemplated in Section 13101(a)(2)(E) of 49 U.S.C. is aided by SMC's class rate scales. Those class rates are key in enabling the carriers to enter into the joint-line arrangements with other carriers which result in improving their ability to efficiently and economically serve their customers to and from distant points. Such effective use of interline arrangements assists carriers in making better use of their equipment by helping them to avoid operating their vehicles to remote locations they normally do not serve, and where they would have little or no opportunity to obtain a return load. That efficient use of their equipment also enables the carriers to limit empty movements of their vehicles which are energy wasteful, and to deploy their trucks in loaded movements which enhance their efficiency and fuel economy.

Manifestly, SMC's collective ratemaking activities under its Section 5a Agreement have aided its carrier members to meet the goals of Section 13101(a)(2)(F) of 49 U.S.C. of enabling efficient and well-managed carriers to earn adequate profits, attract capital and maintain fair wages and working conditions. SMC's carriers have the lowest linehaul cost per vehicle mile and the lowest class rates of any recognized ratemaking territory. Yet, as evidenced in conjunction with its justification of general rate actions, the profitability of its member carriers under those class rates have made them among the most profitable and successful operating in the continental United States.

The profitability and efficiency of carriers operating under SMC's lower class rate scales is apparent. Not only are their operating ratios better than those of similarly situated competitors in other territories, but their overall profitability has increased. By any yardstick SMC's collective ratemaking activities under its Section 5a Agreement have enabled its carrier members to meet the economic goals encouraged by the National Transportation Policy.

The objectives of Section 13101(a)(2)(I) of improving and maintaining a sound, safe, and competitive privately-owned motor carrier system are advanced by SMC's collective ratemaking activities. Through the creation of competitive pricing under SMC's class rate scales, efficient and well-managed carriers can earn adequate profits thereby strengthening the viability of the motor carrier system. Additionally, it is well recognized that financially sound carriers have a greater ability to maintain and operate safe equipment thereby promoting public safety.

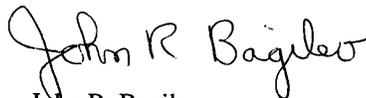
Finally, the rational and competitive pricing encouraged under SMC's class rate scales can promote the greater and successful participation of minorities in the trucking industry, which is the goal of 49 U.S.C. § 13101(a)(2)(J). Small and/or minority entrants into the regions included in SMC's ratemaking territory have a better opportunity under SMC's class rate scales to avoid the pitfalls of entering into unreasonably low rates dictated by the unavailability of pricing information sufficient to make a reasoned choice. Also, throughout the course of the legislative revisions of trucking, Congress has

acknowledged the expertise and technical assistance that the carrier ratemaking associations provide to carriers in their increasingly difficult efforts to construct and maintain pricing structures in the newly evolved, market-driven transportation industry. Moreover, the rate, traffic, cost and financial data made available by SMC through its National Traffic Database and its Carrier Cost Index provide carriers—particularly those of small and medium size, with the information necessary to reap the benefits of competition. Continuing the collective ratemaking authority of SMC will enable it to continue to offer its services to minority trucking entrants and assist them in their efforts to survive and prosper in today's highly competitive market.

Conclusion

For all the foregoing reasons, Southern Motor Carriers requests that the STB continue its approval of SMC's Section 5a Agreement with antitrust immunity. Absent antitrust immunity carriers will not participate in the process and the benefits of collective ratemaking activities will be lost.

Respectfully submitted,



John R. Bagileo
Law Office of John R. Bagileo
1101 30th Street, NW #300
Washington, DC 20007
Phone: 202-944-3736
FAX: 202-944-8611

Counsel for Southern Motor Carriers Rate
Conference, Inc.

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