

SURFACE TRANSPORTATION BOARD DISCONTINUES MOTOR CARRIER PRICING INVESTIGATION AFTER RATE BUREAUS CANCEL GENERAL RATE INCREASES

Surface Transportation Board (Board) Chairman Linda J. Morgan announced today that the Board has issued a decision discontinuing an investigation of motor carrier general rate increases (GRIs) collectively proposed by four motor carrier rate bureaus. The Board discontinued the investigation after the bureaus canceled the proposals.

Under the law, interstate motor carriers may enter into agreements under which competitors may discuss certain matters related to rate setting, and the Board is directed to continue its approval of existing "rate bureau" agreements unless it finds them contrary to the public interest. In a decision issued on December 18, 1998, the Board found that the "class" rates that are the subjects of rate bureau GRIs are not the rates that typically move traffic in competitive markets. [FOOTNOTE 1: Under the class rate system, commodities are assigned to classes, and rates are then applied to classes of commodities. Rate bureaus sometimes use GRIs to effect across-the-board increases to class rates.] The Board stated that, absent contrary instructions from Congress, it would renew approval of the rate bureaus' agreements only if the class rates (sometimes also called "benchmark" rates) are reduced to market-based levels.

Recently, GRIs were proposed by several rate bureaus. Four of the GRI proposals-- those of EC-MAC Motor Carriers Service Association, Inc.; Midwest Motor Freight Bureau, Inc.; North American Transportation Council, Inc.; and Rocky Mountain Tariff Bureau, Inc.-- were challenged by The National Small Shipments Traffic Conference, Inc. and The Health and Personal Care Distribution Conference, Inc. (Shipper Conferences). The Shipper Conferences noted that they were not challenging GRIs proposed by Southern Motor Carriers Rate Conference, Inc., and Pacific Inland Tariff Bureau, Inc., because, along with their proposed GRIs, these rate bureaus also set up discounts to the class rates that would apply for all shippers with no other discount arrangement.

In a decision issued on September 30, 1999, the Board suspended the challenged GRIs. In its decision, the Board stated:

[O]ur action does not reflect a view that motor carrier costs have not increased, or that particular motor carriers do not need additional revenues. Rather, it reflects our concern about the reasonableness of the proposed GRIs and the resulting undiscounted class rates. Motor carriers have a variety of options to increase their revenues, most of which are not subject to our rate reasonableness jurisdiction. When, however, they choose to act collectively, the provisions of 49 U.S.C. 13701(a) impose a specific obligation on the Board to ensure that collectively determined rates (i.e., the undiscounted rate bureau class rates) are reasonable. In our December 18 decision, we expressed serious concerns about the collective ratemaking process, and indeed we found that approval of the agreements under consideration would contravene the public interest unless "benchmark" rates . . . were reduced to reflect actually charged rates that the carriers say are generally moving the traffic. The rate bureaus . . . whose GRIs are under challenge have done nothing to address the disparity between their class rates and the market-based rates that they say they typically charge.

On October 8, 1999, all of the bureaus whose GRIs were suspended notified the Board that the GRIs had been canceled. Accordingly, the Board discontinued the investigations.

The Board's decision was issued today in *Protests and Petitions For Suspension and Investigation of General Rate Increases Proposed by EC-Mac Motor Carriers Service Association, Inc., Midwest Motor Freight Bureau, Inc., North American Transportation Council, Inc., and Rocky Mountain Tariff Bureau, Inc.*, STB Docket No. ISM 35006. The decision is available on the Board's web site at www.stb.dot.gov.

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