

“THE PROMISE OF COST RELATED RATES IN
MICHIGAN—KEPT, BENT OR BROKEN?”

BY
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In 1958 the Honorable Otis M. Smith, then Chairman of the Michigan Public Service Commission appointed a Truck Advisory Board. This was done because, as he put it, of

“The fact that the present minimum rate order has already become obsolete and a new schedule of rates is necessary to meet the needs, not only of the shipping public, but the motor carrier industry as well; but before this study is undertaken it is felt that two important questions should be answered by this Commission after advice from the new Truck Advisory Board. The first question is whether or not a minimum rate order should be redeveloped and maintained by the Commission”¹

Chairman Smith, later a Justice of the Supreme Court of Michigan appointed academics, shipper representatives, carrier people, consultants and individuals with regulatory experience and responsibility to the Board. From the onset it worked very closely with the Cost Section of the Commission. Committees were established on Cost, Traffic Flow, Small Shipments and Classification.

These committees which functioned as “Study Committees”, met frequently and the result was a *Truck Advisory Board Report* published by the Michigan Public Service Commission in September of 1963. The Report, which in hard cover ran 105 pages including charts and graphs, made a number of detailed and specific recommendations. The Advisory Board by a vote of 3 to 2 on December 7, 1962, recommended that a minimum rate order not be redeveloped or maintained by the Commission.²

Those opposing the recommendation of the Truck Advisory Board argued that the absence of a minimum rate order would drive some carriers out of business by the establishment of rates set at levels below out-of-pocket cost. They also argued that under Michigan law adequate safeguards would not be provided absent a minimum rate order. The minority also expressed an apprehension over what it called “destructive rate wars” which would result if the Commission’s minimum rate

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1. *Truck Advisory Board Report*, Michigan Public Service Commission, Lansing 1963, page 2.

2. *Ibid.* Page 81.

authority was repealed.³ Those in favor of the committee's majority report stated that inherent in the Michigan Public Service Commission's authority were safeguards against what the majority called "irresponsible" carriers.⁴ The majority also indicated that carriers who cut rates "unreasonably" would incur "practical difficulty" if the same carriers attempted to raise the same rates at a later date. The three members who signed the report supporting the majority represented shippers.⁵ The four members who signed a statement supporting the minority position included one public representative and three representatives of carriers.⁶ The latter group strongly argued that the Commission's original minimum rate order in 1940 and its 1950 revision was "dictated" by the "proven necessity" to protect the public interest and provide an adequate transportation system. The group argued that the same considerations existed in 1962 and 63, and that in many instances the problem was much more acute.⁷ They argued that a minimum rate order was needed on truckload traffic to prevent carriers from establishing rates below cost. Recognizing that truckload traffic competition is "extremely keen" that the usual result is for the carrier with the lowest rate to get the traffic. They pointed out that in the past several years there had been hundreds of commodity rates published on a point-to-point basis which in their view, created "further inequalities". Their argument pointed out the technological changes in transportation which have occurred since 1950, and which I would add even more so since 1940 which altered the operation of the motor carrier industry and the bases upon which costs and charges really should be established.

The report for the minority concluded "For these reasons, we strongly urge that the public interest requires that the Michigan Public Service Commission proceed forthwith to hold necessary hearings for the purpose of revising and continuing a minimum rate order based on up-to-date cost studies applicable to Intra-State Motor Carrier Traffic."

Responding to this report the Commission held hearing on Docket No. T-311 on October 14 and 15, 1963, December 10th, 11th and 12th, 1963 (April 7, 8, 27 and 28, 1964.) The April 7th hearing was my first on the Commission and it was a rather striking baptism of fire. The witness who testified as the expert for the Motor Transportation Division of the Michigan Public Commission was Dr. William H. Dodge, than Associate

3. Ibid. Pages 82 and 85.

4. Ibid. Pages 81, 82 and 84.

5. Ibid. Page 8.

6. Ibid. Page 8.

7. Ibid. Pages 85-91.

Professor of Commerce at the University of Wisconsin. Dr. Dodge testified extensively (his direct testimony covered 61 pages)⁸ and was cross-examined at exhaustive length. Dr. Dodge opposed a so-called case by case method. He emphasized the advantages of a minimum rate order over that approach as forestalling what he called spurious rate proposals by shippers and carriers. He believed that many rate levels based on *comprehensive* cost studies resulted in giving all parties and the general economic community what he called an opportunity to explore the existing cost theories and techniques. It was his belief that minimum rate orders did contain the apparatus whereby changes required in cost finding procedures would be evaluated in terms of what he regarded as "broad regulatory policies" rather than these changes coming about through a judgment of one specific rate. His testimony envisioned the transportation rate system as a sensitive and malleable one which could both anticipate and react based upon the adequacy and continual updating of cost studies to the economic system within which it was to function. He envisioned all the parties involved, shippers, carriers, regulative bodies, and others in public interest continually presenting their investigations, reviews and updating at hearings held on a regular basis within the general umbrella of the Commission.

Dr. Dodge testified most favorably concerning the study done by the A.T. Kearney & Company retained by the State of Michigan to consider this matter. As a result of the foresight of Chairman Smith, the Kearney Company had been retained at a cost to the State of Three Hundred Thousand (\$300,000) Dollars to do this study. Dr. Dodge referred to it as *comprehenisve* and *comprehensive* is a mild word for the depth and detail which the Kearney Study brought before the Commission. As Dr. Dodge indicated, the staff of the Commission had also done considerable work. It was Dr. Dodge's position that these studies should form a basis for establishing minimum rate levels and that the Commission should review the studies after all the parties had had an opportunity to analyze the studies and recommend improvement. Dr. Dodge's testimony anticipated that the Commission would find it desirable to make cost studies of contract motor carriers on its own. He urged that the Commission work toward a uniformity of cost theory, based not upon an artificial uniformity but upon an honest assessment of the reasons for analyzing of actual cost variations.

Dr. Dodge's testimony emphasized that the Commission and the Cost Studies should do nothing to impede incentives for efficiency. Difficult as

8. Testimony of Dr. William H. Dodge, submitted December 11, 1963 to Michigan Public Service Commission in Docket T-311.

it might seem this regard for incentives must be done within the context of some concepts of "averaging" in order to make the results of a cost study "meaningful". It was, he said, necessary for regulatory agencies to decide on cost levels by following a course which embodied the "reasonably efficient carriers" and still leaving an incentive for all carriers to work toward an efficiency improvement. The peril potential for windfalls to inefficient carriers is present in this philosophy, as Dr. Dodge recognized, but that peril makes it all the more interesting, in my view, the challenge to the regulatory body and those working with it is to arrive at a relevant and meaningful course of action.

An example cited by Dr. Dodge of a distinction between operational efficiencies and environmental efficiencies is the fact that changes in the proportion of labor and capital employed in dock operations could alter the cost of performing certain dock functions. It is my experience that the cost and efficiency attributes of various docks of some of Michigan's best carriers are for them a morass. There is more than one dock in more than one locality, and many do not have physical set-ups or even systems which would enable an employee to be transferred from one to the other without some difficulty and period of adjustment which causes delays in efficiency of operations. Partly this is true because of mergers, acquisitions, and amalgamations but partly it is true just because it's true. This kind of costing and cost problem is precisely what it seems to me Dr. Dodge's testimony was attempting to focus attention upon. The Kearney Cost Study directed its attention to the cost of what it refers to as "work centers". Those centers involve the handling at docks, general pickup and delivery problems, clerical situation at terminals (presumably including the integration or invasion of computers, (H.A.L. esque or otherwise), the transferring and breaking of bulk, claims and line hauls and interlining. The study goes through breakdowns of expense and through a distribution of cost to the work centers on the basis of the cause of cost. It determines unit cost through statistical and engineering facts and by use of the techniques available to those doing the costing, evaluate levels of efficiency and, ideally, set up a basis for determining that goal which it set for itself "reasonable operating efficiency".

The cross examination of Dr. Dodge went heavily into the subject of the necessity for competition and the maintenance of a relatively free enterprise system. It was the Commission's view that he defended his position quite well on these subjects and that his testimony along with those who supported his position was most persuasive. One hundred and two appearances of parties were on file in Docket T-311.

On July 23, 1964 Commissioner John E. Tormey, Commissioner George Washington, and myself entered the following Order.⁹

OPINION

I. INTRODUCTION

The Commission has heard the first, second and third phases of the General Investigation of Rates and Charges for the Transportation of Property by Intrastate For-Hire Motor Carriers. The parties of interest in these hearings have requested that the Commission should provide a provisional statement as to its position regarding the first three phases of the hearing, namely:

- (1) Principles of rate making,
- (2) Implementation, and
- (3) the use of cost as a basis for rate making

The Hearing Notice contained a series of questions which are considered in the following paragraphs.

The hearings have been preceded by an extensive study of for-hire motor carrier rates by the Truck Advisory Board which was set up in 1958. The Board has submitted its report, including an extensive cost study conducted by A.T. Kearney & Company, a consulting firm. The report also includes a series of policy recommendations. These recommendations have been considered by the Commission along with the position of various interested parties in contemplating the future of Michigan intrastate motor carrier minimum rate regulation.

II. MOTOR TRANSPORTATION RATE STRUCTURE

The Commission has considered and adopts Recommendation No. 12.1, Principles of Rate Regulation:

“The Board recommends in the public interest that to maintain an adequate for-hire transportation system for shippers and receivers, both large and small, and so that all shipments shall, as nearly as possible, bear their fair share of for-hire motor carrier costs, it is necessary to establish a level of rates which includes not only the cost of service, but a fair profit above cost. However, the rate structure should be flexible, giving special consideration to certain commodities where differenct treatment is justified. Where an

9. Michigan Public Service Commission, Opinion, Docket T-311 July 23, 1964.

adequate showing of facts is present, the establishment of rates may be authorized at a level not below out-of-pocket costs.”

The principles set forth in this recommendation reasonably summarize our philosophy and attitude toward a motor carrier rate structure.

The first question is—should rates be cost related? The answer of the Commission is “Yes”. We consider that the key phrase in the TAB’s recommendation which bears upon this question is: “. . . that all shipments shall, as nearly as possible, bear their fair share of for-hire motor carrier costs, it is necessary to establish a level of rates which includes not only the cost of service, but a fair profit above cost.” We reason that the implication of this excerpt is that rates should not only be cost related, but should be based upon motor carrier cost of service. We believe that this is essential to establish a realistic rate structure and also that it is a logical basis on which to construct and maintain an effective minimum rate policy.

We believe that “fair profit above cost” describes an area in which management should function with the least interference except in maximum rate regulation. The profit earned on rendering transportation service, or in the sale of any product or service, is the incentive which encourages the conduct of a business and particularly in this instance, the transportation business. It is for this reason that management should have the maximum appropriate freedom to set earnings above cost. In an industry with monopolistic characteristics, and which by law is subject to regulation, the level of return or profit will be affected by maximum rate regulation; however, maximum rate regulation is not a subject for consideration at this time.

The second question is—should factors such as value of service be considered? The Commission’s answer to this question is “Yes”. It is our opinion that the statement included in the TAB recommendation which bears directly upon this question is: “However, the rate structure should be flexible, giving special consideration to commodities where different treatment is justified.” We accept the premise in the Board’s recommendation that special circumstances and conditions will exist which may require a deviation from a policy of rate regulation. Value of service is a phrase which describes the equity relationship between carriers in setting rates. We believe that the “fair share” principle based upon economic considerations is essential. This is not to say that a regulatory body in regulating rates should not concern itself with equity relationships between shippers and carriers in appropriate circumstances. Although this flexibility is a requisite to effective regulation, the facts and circumstances surrounding the deviation from the “fair share” principle must be based

on thorough investigation and knowledge. To allow deviation with less than full knowledge would weaken any principle of regulation.

III. DETERMINATION OF MOTOR CARRIER COST FOR MINIMUM RATE REGULATION

The Commission adopts the Board's Recommendation No. 12.5, The A.T. Kearney & Company Report, as a Test of Intrastate Motor Carrier Rates:

"It is recommended that the cost study compiled by the A.T. Kearney & Company be utilized by the Commission as a test to determine motor carrier costs in the Lower Peninsular of Michigan subject to the limitations and recommendations of the Board's report. There may be alternative cost tests presented which should be given due consideration. It is further recommended that the Commission through its Cost Section continue updating and improving the material in the A.T. Kearney & Company study, and also that it utilize all reports and studies available now and in the future."

The third question is—should the Kearney Company's approach to cost be used? The Commission's answer is "Yes". We believe that a minimum rate should consist primarily of cost of service. The Kearney cost study lends itself to development of realistic carrier cost and will contribute to an effective minimum rate regulation system.

Many participants in the proceedings held thus far have advocated use of the ICC formula. Thus, it is appropriate to set forth the significant aspects of both the ICC and Kearney formulas. The ICC formula is based upon historical accounting cost.

These cost studies are derived from the operating expenses and statistics of past years. In this accounting approach cost adjustments can not be reflected except on an annual basis. Secondly, in the ICC methodology all items of expense are considered 90% variable and 10% fixed, regardless of the volume of traffic. The expenses incurred in an operating company may vary because of leasing practices with parent or subsidiary companies. Further, accounting practices may not be standardized sufficiently to insure uniformity.

The Kearney approach places less emphasis on past cost and more emphasis on engineering and statistical cost. This treatment can reduce the lag time between cost charges and the inclusion of these changes in cost scales. The Kearney approach further does not make the debatable assumption that all cost items are 90% variable and 10% fixed, but instead

leaves the way open to analyze each work-center cost and determine the percentage of fixed and variable applicable in each case. This more nearly reflects the actual situation. The Kearney study also contains more detail in analyzing the actual cost incurred by the particular shipments. As an example, labor standards have been developed to reflect material handling cost by weight, density, and pieces. A final significant contribution to costing found in the (sic) it will promote the "fair share" principle, contribute to a stabilized transportation industry, and reduce the threat of private competition and causes of rate wars.

The fourth question is—should out-of-pocket cost constitute a minimum? The Commission's answer is "No". Our definition of out-of-pocket cost is the second level of cost as developed in the Kearney cost study: directly assignable cost plus work-center overhead. Out-of-pocket cost is the absolute floor below which rates will not be allowed. Thus, out-of-pocket, or directly assignable cost plus work-center overhead, is not the minimum rate level but is the cost level which is a rate floor. The statement in the TAB's recommendation which bears upon this question is: "Where an adequate showing of facts is present, the establishment of rates may be authorized at a level not below out-of-pocket costs." We accept the Board's recommendation that the establishment of rates may be authorized at a level not below out-of-pocket cost. Or stated differently, out-of-pocket cost is the floor below which rates shall not be authorized.

The second recommendation of the TAB relating to a minimum rate level and which the Commission adopts as a temporary measure in determining fixed and variable costs of special commodity truckload movements is Recommendation No. 12.1.1, Recognition of the Co-existence of Long Run Variable Costs and Fixed Costs:

"The Truck Advisory Board recommends that the Michigan Public Service Commission recognize the co-existence of long run variable costs and fixed costs. The 'long run' is defined as the time interval sufficient to allow for changes in type or size of plant facility corresponding to changes in level of production. Fixed costs are defined as those costs remaining constant in the usual and practical nature of business with changes in production.

"Until such time as the relationship between fixed and long run variable cost can be more accurately defined and developed by the Michigan Public Service Commission, it is recommended that the relationship as developed by the Interstate Commerce Commission be used to determine the out-of-pocket level of Michigan intrastate for-hire motor carrier costs."

This recommendation is adopted, principally, to bridge the gap between the present lack of any determination of fixed and variable cost, and the time when a determination of fixed and variable cost can be made by the Commission. The Commission does not accept the cost approach of the Interstate Commerce Commission as one to be indefinitely employed as part of its revised minimum rate regulation system.

V. MINIMUM RATE ORDER

The TAB makes no recommendation as to whether the Commission should revise its minimum rate order. The Board's report does contain a discussion of the minimum rate order but presents no recommendation. The principal question given to the Board to answer at the time of its creation in 1958 was: "Whether or not a minimum rate order should be redeveloped and maintained by the Commission." This question is restated in the Hearing Notice as "Should the principles which may be adopted be applied through a minimum rate order?" Even though the Board provides no recommendation, the Commission's answer to the question is "Yes, the minimum rate order should be redeveloped."

In deciding whether or not a minimum rate order should be redeveloped, we are actually faced with a choice of one of two alternatives—minimum rate control based on carrier groups acting collectively, or minimum rate control based on the merits of individual operations. The minimum rate order is employed to administer minimum rates over carriers collectively, because it is constructed by averaging the costs of the group and is concerned with the average cost of the group. The case-by-case method does not use an average standard but requires instead a standard cost formula for developing cost; the effect is to emphasize the cost of the individual carrier. We believe that, at least in the short run, the group or collective approach to minimum rate regulation is sound, practical and realistic. The minimum rate order is desirable because it will facilitate the development of effective standards; it will be of material assistance to carrier, shippers and the public as an information media; adjustments in minimum rates can be applied in a relatively short period of time; the number of rate cases which the Commission must hear must be reduced; it can be effectively administered with the least staff additions; and appropriate groups standards will foster and preserve the Michigan transportation system.

The case-by-case method means: that the number of rate cases before the Commission will be greatly increased because the standard will be a cost formula applied to the cost base of any carrier or group making

application, producing the likely result of confusion from multiple criteria, as well as multiple rate levels for the same traffic; adjustments to minimum rates will require prolonged periods of time to apply because of the necessity to hear cases of individuals as well as groups; and administration will be made unduly complex and require substantial staff additions.

The outstanding feature of the case-by-case method in a cost of service rate policy is that the minimum rate becomes one that is predicated on the cost of the most efficient carrier in any locale or region.

The extreme result of a minimum rate based on the cost of the most efficient carriers is an industry of few carriers within any region or authority, and little duplication of authorities. A more likely result, as a practical matter, is a premature contraction of participating carriers in the motor transportation industry. We, like many, are attracted to the most efficient carrier concept. However, when it is considered that the proposed revised regulation system represents a significant departure from existing practices, it is imperative to proceed with caution. We must avoid the creation of a system which may contribute to an unstabilized Michigan motor transportation industry.

It is our opinion that responsible action dictates the appropriateness of the group approach to minimum rate regulation. Thus, the statement on the level of minimum rates is amplified to read: The Commission adopts a level of minimum rates which is full cost of service, exclusive of return, of reasonably efficient carriers with allowable deviations above and below full cost as indicated in the section on Minimum Rate Level.

We believe that redevelopment of the Minimum Rate Order will facilitate the improvement of costing techniques, selecting carrier groups for the purpose of determining reasonably efficient carriers, and development of a cost-based rate structure; these are necessary prerequisites to achieve realistic and uniform group standards. A published minimum rate order will aid substantially in the development of an effective minimum rate regulation system.

VI. COST SECTION

The Commission adopts the TAB's Recommendation No. 12.9, Commission Emphasis on the Work of Its Cost Section:

“The Board strongly advises that we encourage and urge the Commission to continue the Cost Section activities, cost studies in particular, and, that the Commission consider a study on shipments presently moving under common carrier commodity rates. Further,

the Board recommends that those special studies that have been completed by the Cost Section be used as a factor in establishing motor carrier rates.”

Should the Commission’s Cost Section be continued? The answer is “Yes”. In view of the Commission’s position on minimum rates based on motor carrier cost, adoption of the Kearney cost approach, a minimum rate level geared to cost of service and redevelopment of a minimum rate order, it becomes patently clear that the Cost Section is essential. It behooves the regulatory body which adopts a level of minimum rates limited to or based upon cost of service to be armed with a minimum rate regulation system which includes the most effective costing methodologies and techniques. The Cost Section is required to improve costing methodologies and techniques, to extend the preparation of cost studies, to implement the recommendation: “. . . continue updating and improving the material in the Kearney study . . . ”, to participate in rate cases which come before the Commission, and to advise the Commission as to effective administration of the minimum rate regulation system.

VII. MISCELLANEOUS

There are three questions in the Hearing Notice which are not covered in the preceding paragraphs:

- (1) What other factors should be considered in rate making? Competition is the most significant factor other than cost which should be considered.
- (2) Should the principles (principles of rate making including cost-related rates) be applied to all future rate hearings? The Commission’s answer is “Yes”.
- (3) Should the irregular route studies of the Commission’s Cost Section be heard at this time? We believe, that in view of the complexity of the general investigation of rates, it is advisable that the irregular route studies should be deferred until the present hearings are complete.

VIII. CONCLUSION

The Commission has given this matter careful consideration and FINDS that:

1. Rates should be based on motor carrier cost of service.
2. Value of service should be considered under appropriate circumstances and conditions.
3. The level of minimum rates should be full cost of service, exclusive of return of reasonably efficient carriers; however, under conditions which

meet requirements as enunciated in the section on Minimum Rate Level, minimum rates may be allowed which include a nominal contribution to return; also minimum rates may be allowed below full cost but limited to out-of-pocket cost, or directly-assignable cost plus work center overhead.

4. The Minimum Rate Order should be redeveloped.

5. The Kearney Company's approach to cost should be used. During the interim the ICC formula for developing cost should be used as a temporary measure until such time as the Commission's costing methodologies and techniques are refined, and effective standards are developed.

6. The Commission's Cost Section should be continued because it is essential to effectively administer the minimum rate regulation system.

7. Competition is the most significant factor other than cost that should be considered in rate making. The principles of rates based upon cost of service should be applied to future rate hearings, and the irregular route studies of the Commission's Cost Section should be deferred until the present hearings are completed.

As you can see from the foregoing, the Commission in its conclusion indicated a strong interest in the concept set up by Dr. Dodge of "reasonably efficient carriers". At the time this Order was issued it was felt we were moving into a most significant area and that the work started by Chairman Smith six years previously was well on its way to fruition. A further hearing was held on October 12, 1964. Then, because of a number of matters to be discussed later, no more hearings were held. On March 18, 1966 the Michigan Intra-State Motor Tariff Bureau, Inc. filed a petition for further hearing on Docket No. T-311.¹⁰ That petition referred to the October 1964 hearing as having been "adjourned with the understanding that the carriers would proceed as rapidly as possible with the development of a proposed revised rate scale". The petition indicated that the carriers have been working on proposed rate scales which was described as time consuming and requiring considerable efforts on the part of some of the committees which were established by petitioner. Special committees established by *petitioners*.

The petition states that there was a "compelling necessity" to update the Kearney cost study. Some of the rates proposed in this petition was adopted and made a part of the minimum rate order presently in effect known as Docket No. T-347.

At the time of the 1964 hearings and during much of the time of the Truck Advisory Board proceedings, the Commission had a cost section. It

10. *Michigan Intra-State Motor Tariff Bureau Inc.*, "Petition for Further Hearing" in Docket T-311, Michigan Public Service Commission, Docket File, March 18, 1966.

consisted at its peak of eight individuals. They were young and they were eager and industrious. The establishment and nurturing of this section was the cost invested by the State in addition to the Three Hundred Thousand Dollars with the idea of effectuating the goals set forth by Chairman Smith, by the Truck Advisory Board Study and by whatever. What came out of the investigation of the Kearney Company's study? In 1965, a change took place in the budgeting procedure within the administrative arm of the State Government and through attrition and through transfer of personnel, over the objections of the Commission, the cost section disappeared. It is for this reason that the phrase "established by petitioner" appears in the application of the Intra-State Motor Tariff Bureau under date of March 18, 1966.

In 1967 the Michigan Legislature departed from previous precedent and established authority for the Michigan Public Service Commission to regulate carriage within the Detroit commercial zone. Ratemaking authority was included. As of June 30, 1970 no rates for any commodities have been established by the Commission for that commercial zone.

The end result of these circumstances is that the carriers and the shippers continue to negotiate and compromise on minimum rates and percentage rate increases. With no one knowing who the reasonably efficient carriers are for any commodity or what makes them reasonably efficient. The mandate of the Commission's 1964 Order six years later seems further from fulfillment than it did then. More than one major trucking company official in Michigan has told me that his company does not know what it costs to handle anything. Some have had their own dock efficiency studies made and they have served in some instances to contradict each other. Since the 1964 minimum rate order one major Detroit area carrier put in a revolving dock. It then abandoned it and, I presume, wrote off the cost. How valid that carrier's experience was in terms of this overall operation and in terms of information which could have been available to the commission and to other carriers, very few know. Companies which have been in business thirty years or more are still not certain where their profit or loss comes from except in the most obvious of areas.

Both the commission and the Motor Carrier Industry seem firm in the desire that rates should be based upon "full cost of service, exclusive of return of reasonably efficient carriers" and that the "principles of rates based upon cost of service should be applied to future rate hearings".

There is a good question whether rates set based upon various so-called operating ratios are even within the ballpark of those announced objectives. If the net result of the investment of considerable time and

public and private funds is that there should be a return to the so-called case by case method, it is clearly contrary to the intention of Dr. Dodge's testimony and the Order issued in 1964 by the Commission. It is also questionable whether rates which really represent a so-called compromise at three and a half percent or six percent or some percent really qualify as being an outgrowth of or even relate to what so many worked so hard to achieve.

In Michigan almost all of the cost of operating all the functions of the Michigan Public Service Commission is paid for by the carriers. The work involved in the Truck Advisory Board in the Kearney Cost Study, in the numerous lengthy hearings, in the offices of the carrier and in the shippers and the concepts inherent in the 1964 Order are of value not only to Michigan carriers but to the industry in the United States. It's been six years since the 1964 Order. It's been three years since cartage regulations in the Detroit commercial zone became a fact. "Reasonably efficient" carriers and their counsel will not wish the status quo to go on much longer.

In closing this article I return to the beginning of it quoting the Hon. Otis M. Smith as stating twelve years ago that "the present minimum rate order has already become obsolete and a new schedule of rates is necessary to meet the needs, not only of the shipping public, but the Motor Carrier Industry as well . . . the first question is whether or not a minimum rate order should be redeveloped and maintained by the Commission"