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# A STUDY OF THE MAINE INTRASTATE TRUCKING INDUSTRY

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DECEMBER, 1978



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Preface

This report was prepared by the staff of the Maine Attorney General's Office. It is a result of an ongoing study of the intrastate trucking industry in Maine which was initiated over a year ago under the direction of Assistant Attorney General David Cluchey of the Consumer and Antitrust Division. Much of the research for the report was done by Eric Rosengren, an intern with the Attorney General's Office under a grant from the Maine Criminal Justice Planning and Assistance Agency. The report was jointly written by Mr. Rosengren and Mr. Cluchey. The following made important contributions to the substance and accuracy of the report: Ralph Thompson of the Maine Public Utilities Commission; James Meehan, Professor of Economics, Colby College; and Gloria J. Hurdle, economist with the United States Department of Justice.

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## Introduction

Governmental regulation of the trucking industry began in the 1930's. Regulation was instituted in Maine in 1933. It was conceived as necessary to deal with the effects of price-cutting and frequent entry and exit from the industry during the depressed economic conditions of the 1930's. The economic justifications for the regulation of the industry, some of which existed in the 1930's, do not apply to Maine's trucking industry of the 1970's. Yet, the regulatory scheme of Maine law, 35 M.R.S.A. §1501 et seq., restricting competition and entry in the trucking industry, remains essentially that of the 1930's, designed to protect and foster stability in a young industry. This report outlines the changes in the Maine trucking industry since the adoption of the regulatory scheme, examines the efficiency of regulation, and considers the arguments advanced for regulation of the industry.

This report is divided into four sections. The first section describes the Maine trucking industry and briefly outlines the present regulatory scheme administered by the Maine Public Utilities Commission. The second section describes the effects of regulation on the market for trucking services. The third section examines the justifications most often cited for continued regulation of the trucking industry. The fourth section briefly examines the effect of deregulation on the trucking industry and on other sectors of the economy.

The report concludes that none of the justifications for regulation of the trucking industry appear in Maine and suggests that some consideration of partial or total deregulation of the industry would be appropriate.

PART 1

History and Structure of the  
Maine Intrastate Trucking Industry

A. Background Information

Intrastate trucking operations became regulated in the State of Maine in 1933. At the time, the trucking industry in Maine was a young industry, just beginning to compete substantially with the railroads for shipping business. In turn, railroads were suffering from a reduction in freight and a deflated capital market as a result of the Depression. During the legislative debates concerning regulation of the industry, it was suggested that one motivation for trucking regulation in Maine was to hinder trucking firms in competition with the railroads. Two excerpts from the Senate Legislative Record are instructive:

Mr. Kitchen of Aroostook - ...I have no quarrel, of course, with the gentlemen who are here in the interests of this bill, but we all know it is a railroad bill. We know these gentlemen here are simply representing their railroads...

Mr. Weatherbee - ...The railroads of the country must have fair competition and protection. This ruinous competition which spells insolvency for he who enters into it, must stop. If you drive railroads out of business, you want to remember you have a greater financial fear than you have had recently. The railroads should and must be protected...<sup>1</sup>

After regulation took effect, 105 common carriers were granted operating certificates under the grandfather clause of

the new law. Initially, schedules of rates were submitted to the Public Utilities Commission (PUC) which closely approximated the railroad rates at that time.<sup>2</sup>

From 1935 to the present, there have been numerous sales, mergers, and bankruptcies of trucking firms. The original 105 common carriers are now represented by only 22 carriers.<sup>3</sup> Further, the operating rights of 52 of the original 105 carriers are now held by the three largest intrastate carriers in the State of Maine, Sanborn's Express, Fox and Ginn, and Cole's Express. (see Appendix 1). These three trucking firms carry 85 percent of the intrastate freight transported by trucking common carrier in the State of Maine.<sup>4</sup>

The mergers and other acquisitions of operating rights by these three carriers have been concentrated in different areas of the state and have resulted in each of these carriers acquiring dominance in a particular region. (see maps in Appendix 2). Fox and Ginn is the largest intrastate carrier and dominates the central Maine area of Lincoln, Waldo, Kennebec, and Somerset. Cole's Express is the next largest intrastate carrier and controls routes in much of Aroostook, Hancock, and Washington Counties. Sanborn's Express is the third largest intrastate carrier and dominates the southern Maine region of Cumberland and York Counties.

The structure of the industry is very concentrated. As noted, the three largest carriers transport 85% of the intrastate freight. The total revenue derived by the three largest carriers from intrastate shipping was estimated to be \$4,224,314 in 1973.<sup>5</sup> The next three largest carriers, Dugas, Thut, and Bisson, transport approximately 10% of the intrastate freight. However, it should be noted that intrastate business is only a small proportion of the total business handled by the large carriers. Maine intrastate revenue comprises only 15.1% of the combined total revenue of the big three carriers.<sup>6</sup> In contrast, 40.2% of the total combined common carrier revenue of the second level carriers (Dugas, Thut, and Bisson) is from intrastate operations.

A route study of the intrastate trucking industry indicates a high degree of control of routes between major population centers by the three large carriers. The route study examined which carriers were directly serving cities with a population level exceeding 10,000 (see Table 1). There are twenty-eight intrastate truck routes in Maine connecting cities with populations in excess of 10,000 that are served by only one carrier. Twenty-seven of these routes are controlled by one of the big three carriers (Cole - 11 routes, Sanborn - 11 routes, Fox and Ginn - 5 routes). The only other route is served by Graf Bros. Table 1 illustrates the fact that the largest three carriers have most of the densely populated trucking routes in Maine while eleven of the small carriers do not service densely populated routes at all.

Twenty of the twenty-two trucking firms operating as common carriers have acquired their operating certificates by the grandfather clause or through the purchase of operating rights of other trucking firms. The two carriers that have entered de novo are United Parcel Service (UPS) and Leach's Express. UPS is engaged in the business of moving small packages quickly and, hence, competes more with the United States Postal Service than with other trucking firms. Leach's Express was able to enter de novo in 1944 to operate only between Isleboro and Camden, Lincoln, Rockland, and Rockport. It was allowed to enter because no common carrier was serving Isleboro and is obviously not a major competitor in the industry. There has not been a major de novo entry in the trucking industry since it was first regulated in 1933.

#### B. The Regulatory Scheme

The Public Utilities Commission regulates intrastate trucking in the State of Maine pursuant to statute. 35 M.R.S.A. §1551 et seq. There is statutory regulation of contract carriers<sup>8</sup>; common carriers of household goods<sup>9</sup>; and common carriers. Common carriers are trucking companies providing scheduled service over regular routes under tariffs filed with the Public Utilities Commission. Common carriers are the primary concern of this report.

The Public Utilities Commission regulates the trucking industry by allowing or disallowing rates, controlling entry

into the industry, and maintaining the nature and quality of service. The statutory justification for trucking regulation is set forth at 35 M.R.S.A. §1551:

The business of operating motor trucks for hire on the highways of this State affects the interests of the public. The rapid increase in the number of trucks so operated, and the fact that they are not effectively regulated, have increased the dangers and hazards on public highways, and make more effective regulation necessary to the end that highways may be rendered safer for the use of the general public; that the wear of such highways may be reduced; that discrimination in rates charged may be eliminated; that congestion of traffic on the highways may be minimized; that the use of the highways for the transportation of property for hire may be restricted to the extent required by the necessity of the general public; and that the various transportation agencies of the State may be adjusted and correlated so that public highways may serve the best interest of the general public.

A number of other justifications for regulation of the trucking industry were suggested at the time trucking regulation was enacted in Maine. Senator Weatherbee, a strong advocate of the bill, outlined some of these reasons in the Senate debate on the bill:

They are willing and desirous that these truck men may have an established business, that they may be protected in their business so that there will be a continuation of service, and they realize there is danger of competition from the fly-by-night fellow who perhaps gets a truck on credit and comes in on a cutthroat business. He can detract from the common carriers on the highway, and can take from the railroads a great deal of freight and that unfair competition should be terminated.<sup>10</sup>

This emphasis on maintaining service, particularly to rural areas, and avoiding destructive or "cutthroat" competition are common arguments for regulation.

### Entry Restrictions

The trucking regulatory scheme restricts entry into the trucking industry by requiring that anyone wishing to operate as a common carrier in the State of Maine acquire existing operating rights or de novo operating rights from the Public Utilities Commission. These operating rights are specific grants of authority for particular routes and a common carrier may not expand into any trucking route in Maine without specific authorization from the Public Utilities Commission. The purpose of this restriction is "to prevent carriers from weakening themselves by superfluous operations and to protect them from being weakened by competing carriers not required by the public interest."<sup>11</sup> In order to obtain operating authority for a particular route, one must obtain from the Commission a certificate declaring that public necessity and convenience require and permit operation on that route. 35 M.R.S.A. §1552. This has been construed to mean that the Public Utilities Commission must determine that "the applicant had produced substantial evidence of the public need for his proposed service" and must balance "the evidence of adverse economic effect upon existing carriers" to determine whether the need for the applicant's proposed service outweighs the effect on the other carriers.<sup>12</sup>

Although the Public Utilities Commission has allowed some entry and expansion in the trucking industry, it is a long and complex process. The legal and administrative expenses involved



in preparing and presenting witnesses at Commission hearings, defending against intervention by trucking companies holding existing certificates, defending the judicial appeal of any grant of authority by the Public Utilities Commission, the delay involved in all of these proceedings, and the uncertainty of the final outcome discourage attempts to enter the industry. For example, when the United Parcel Service applied for common carrier status, the application was opposed by numerous trucking companies. UPS had the burden of establishing that it would provide service not already available and that existing carriers would not be unduly affected by the entry of UPS into the market. This was accomplished by the presentation of 101 witnesses representing 123 business locations in 58 different communities. The grant of authority by the Public Utilities Commission to UPS was appealed by the intervening trucking companies to the Maine Supreme Court. The cost of providing supporting evidence and the expense of appeal, all apparently necessary to obtain an operating certificate, are substantial.<sup>13</sup>

In several other recent cases where existing trucking companies have sought extension of their operating rights they have been formally opposed by the company holding the rights to the routes in question.<sup>14</sup> In each instance, the carrier holding operating rights claimed it would be hurt by new entry and that the new service was not substantial enough to justify new entry. The Public Utilities Commission approved the new entry in each case and the Maine Supreme Court affirmed the decision. However,

the need to prove that the other carriers are not providing adequate service is a substantial barrier to entry.<sup>15</sup>

#### Rate Regulation

The filed rates of the trucking industry, if not disallowed or altered by the Public Utilities Commission, become a tariff for common carriers that is both a minimum and a maximum rate. Any changes to that tariff, i.e. rate increases or decreases, must be filed with the Public Utilities Commission. The Commission is given the authority to suspend filed rates for a period of 120 days from the date of filing in order to gather evidence and hold a hearing to determine if it should "allow or disallow, alter or prescribe such rates". 35 M.R.S.A. §1554.

Rate changes are of two forms. The general rate increase or decrease is a general change of rates affecting all commodities. There can also be a rate change for a specific commodity based upon a particular quality of that commodity. For example, bulkiness or fragility requiring special handling might justify a rate increase for a particular commodity. The Public Utilities Commission has, in the past, generally approved specific commodity rates automatically.

### Exemptions

There are a number of exemptions to regulation by the Public Utilities Commission. The most significant exemption is for the "pursuance of a primary business, other than the transportation business". 35 M.R.S.A. §1560. Other exemptions are for intracity transportation, hauling agricultural products, hauling of milk to creameries, the transportation of Christmas trees, the moving of logs to the mill, and other specialized forms of transportation. 35 M.R.S.A. §1560. While an exempt carrier is not subject to regulation in hauling exempt goods, it cannot compete with common carriers. As a result, such carriers often make the return trip empty. This is commonly referred to as empty backhaul and results in inefficiency and higher transportation costs.

### Motor Rate Bureau

The Maine Motor Rate Bureau was organized in 1942. Its shareholders are motor carriers involved in interstate and intrastate trucking in the State of Maine. The purpose of

the Motor Rate Bureau may be summarized as follows:

1. To compile, publish and file with appropriate regulatory agencies any classifications, schedules of rates, or other documents or schedules on behalf of and as agents for its members.
2. To advise its members in matters of rates, charges, classifications, rules, regulations and practices applicable to the transportation of property by motor vehicle.
3. To compile and publish statistics, reports and information with respect to revenues, expenses, costs, traffic and rates of carriers.
4. To maintain a procedure for the joint consideration and publication of rates, classifications, and rules relating to the transportation of property by motor vehicle.

The Maine Motor Rate Bureau uses the vehicle of a general rate committee to arrive at rates which will be filed at both the interstate and intrastate level. The committee is composed of representatives of a number of the member trucking companies elected annually by the total membership of the Maine Motor Rate Bureau. The general rate committee distributes lists of proposed rate changes and a hearing is held monthly to discuss these proposals. The general rate committee makes a recommendation on particular rate proposals and if there is no objection to the recommended action, the Motor Rate Bureau files the recommended rate change on behalf of its members.

The discussion and agreement on rates which occurs in the context of the general rate committee of the Maine Motor Rate Bureau makes competition in trucking rates in Maine unlikely. By decreasing rates, one trucking company might hope to gain a greater share of the available market. As other trucking

companies respond with reductions of their own in order to compete, the competitive process works to lower rates to a competitive level. However, a carrier's incentive to cut prices is dampened by the Maine Motor Rate Bureau. When a carrier decides to cut rates, it must inform the Maine Motor Rate Bureau before the rate reduction is to go into effect. Thus, all the other members of the rate bureau are notified of the price reduction and are given an opportunity to match that reduction before it goes into effect. If a carrier's competitors can reduce prices before the proposed rate reduction takes effect, there is little incentive to reduce rates.

Rate reductions may also be discouraged if other carriers, made aware of the reduction through the Motor Rate Bureau, apply pressure on the rate-cutting firm. Other carriers can refuse to interline (i.e., transfer freight from one carrier to another) with a carrier unless he maintains the agreed rates. Since small carriers have very limited operating certificates, they are dependent on interlining with the large carriers. This gives the large carriers powerful leverage over the small carriers.

Although the industry is stable as a result of rules and rates promulgated through the Motor Rate Bureau, the Motor Rate Bureau effectively stifles independent rate-cutting activity. This results in higher shipping prices because the cost of maintaining prices above the competitive level is eventually passed on to the consumer of trucking services.

FOOTNOTES

PART 1

1. Legislative Record - Senate, March 23, 1933, pp. 743; 745.
2. MPUC #1 Alphabetical List of Participating Authorized Common Carriers Showing Common Carrier Numbers, Concurrences and Carrier Tariffs cancelled by this issue. August 29, 1935. pp. 3-4.
3. MPUC #112 Director of Points and Places in Maine and Extent Served by Motor Common Carriers. December 8, 1975. p. 2.
4. Maine Motor Rate Bureau Re: Increase Motor Common Carrier Rates and Charges on Less than Statutory Notice 357 A2d 518, at 521 (Me. 1976).
5. Study of Intrastate Motor Carrier Costs and Rate Levels Authorized by the Maine Public Utilities Commission, Stone & Webster Management Consultants, Inc. October, 1974. p. 14.
6. Ibid., p. 2.
7. Ibid., p. 3.
8. A contract carrier transports particular commodities over irregular routes. These carriers must file with the Public Utilities Commission minimum rates for service which cannot be less than the rates charged by common carriers for substantially the same or similar service. The Public Utilities Commission can specify the commodities to be carried, the areas to be served, and any conditions and limitations it feels necessary to fulfill its statutory authority (35 M.R.S.A. §1555).
9. A common carrier of household goods can transport used household goods over irregular routes. A certificate authorizing the transportation of household goods must be issued by the Public Utilities Commission before operations may be commenced (35 M.R.S.A. §1552).
10. Legislative Record - Senate, March 23, 1933. p. 745.
11. John H. Fredrick, "A Survey of the Motor Carrier Statutes of Maine" administered by the State of Maine Public Utilities Commission, 1964. p. 20.



12. In re Franklin W. Powell d/b/a Swan's Express, 358 A2d 522, at 523 (Me. 1976).
13. In re United Parcel Service, Inc. 256 A2d 443, at 450 (Me. 1969).
14. See, e.g. In re Franklin W. Powell d/b/a Swan's Express, 358 A.2d 522 (Me. 1976); and In re Andre Lefebvre d/b/a Merchant's Express, 343 A.2d 204 (Me. 1975).
15. See, e.g., a recent letter to the Public Utilities Commission by an attorney for a small carrier which found it necessary to withdraw a request to extend its operating authority:

The reasons for the request are legion. As you may recall, by letter to you, dated October 11, 1977, I expressed concern over the plethora of applications by common carriers and concomitant disadvantage to the small carriers in Maine. My fears were founded upon a perceived lack of resources on the part of the small carrier as well as an inability to procure public witnesses. With the scheduling of hearings on the applications, my fears became a reality. To adequately protect my client's interests, my presence would be required at the hearings which would approach the present CMP case in number. Such an expenditure of time and money is not feasible to my client. Further, the pool of public witnesses will be ever diminishing as the hearings continue. I am aware of at least one instance where a shipping witness has been asked not to testify on behalf of a small carrier by a larger carrier. This in itself is not shocking or unusual, but is merely demonstrative of the practical problem confronting small carriers.

See Letter of Attorney Mark Haley to Public Utilities Commission, Re Lucien Bisson, Inc., Docket No. X 5572.





## PART 2

### Regulation and Its Effects

The reasons why the intrastate trucking industry in Maine was brought under regulation in the 1930's were discussed in Part 1. The purpose of Part 2 is to examine the impact of regulation on the industry and to illustrate some of the problems created by regulation.

#### A. The Use and Abuse of Operating Ratios

An operating ratio for a given trucking company is calculated for a particular time period by dividing the operating expenses of that company for that period by the operating revenue for the period in question, i.e. if the company made a profit, the operating ratio would be below 100 percent.

Operating ratios have been used by the Interstate Commerce Commission and the Maine Public Utilities Commission as the basis for determining whether a given trucking company is receiving a reasonable return under regulated rates. The Interstate Commerce Commission generally considers an operating ratio of 93 percent to be reasonable.<sup>1</sup> The Maine Public Utilities Commission has, in recent cases, sought a somewhat higher operating ratio.<sup>2</sup>

The use of operating ratios as the sole basis for determining whether a rate increase is justified has been generally discredited. In 1965 the Court of Appeals for the District of Columbia handed down a decision which held that operating ratios

alone, were an insufficient basis for changes in rate structure. The Court concluded that ratios and figures that gave information on the return needed to attract capital were also necessary to a rate investigation. DC Transit System v. Washington Metro Area Trans. Com'n., 350 F2d 753. That court pointed out that:

The operating ratio theory of ratemaking, which has been widely employed in the regulation of the fares or rates of motor transportation enterprises, "in effect," as the Commission recognized, "allows a return on operating expenses." As defined by the Interstate Commerce Commission, the term "operating ratio" means "the percent which a carrier's direct operating expenses is to its total operating revenue." (citations omitted). 350 F2d at 757, n.3.

In the latter half of the 1960's, the Interstate Commerce Commission began requiring carriers to provide information showing their capital needs in addition to their operating ratios. Cases where this data was not provided resulted in the denial of rate increases. See Increased Class & Commodity Rates, Trans-continental, 329 ICC 420 and General Increase, Middle Atlantic and New England, 332 ICC 820. The latter case clearly stated the new thinking on operating ratios:

Under the presently prescribed system of accounts, the motor carrier operating ratio is the ratio of operating expenses to operating revenues. It is a useful ratio in several respects. Other things being equal, it is one indicator of management efficiency in controlling expenses (before interest and income taxes) at any given level of revenues. Also, when such ratios are developed separately for various categories of traffic (such as by weight brackets) they indicate the relative profitability of such categories. Operating ratio comparisons thus assist in a determination as to whether all segments of traffic are being so rated as to bear their fair share of carrier costs.

However, while the operating ratio is a useful tool when properly employed for the purposes just stated, no particular operating ratio can be used as the starting point to prove the existence of or to measure revenue needs. Some analysis of the capital costs of the carriers' business must be presented to establish a need for additional revenue, and to measure such need. After the carriers' expenses and revenue needs have been determined (by analysis of operating expenses and capital requirements), such needs can be translated into an overall operating ratio against which the operating ratios developed from the traffic study can be compared for the purpose of testing the rate structure and level.

Accordingly, it is a clear misuse of the operating ratio to take the path pursued by respondents, i.e. to calculate such ratios, either present or projected, and conclude from the bare ratios either that present revenues are insufficient or that proposed revenues are justified. The true course is to determine what are the legitimate expenses and capital requirements for providing the required service; the amounts determined can then be translated into operating ratios, both to compare the rate level with the revenue need and to test the rate structure by comparing profit margins on various weight brackets and other categories of traffic. The difference in approach is essential, for the respondents seek to use the operating ratio to guarantee a percentage of revenues without regard to capital requirements while the correct approach assures the coverage of their capital costs to which they are entitled. 332 ICC at 837-838.

In order to attract capital for expansion of business, upgrading equipment, and obtaining fixed assets, a firm must recover something in addition to operating expenses. When there is little or not profit, a firm will have difficulty in attracting investors to provide necessary capital. Insufficient capital can result in cuts in necessary services because firms cannot

maintain or improve their plant and equipment. Thus, the amount of profit allowed should be enough to attract necessary capital. This optimal amount of profit should provide a return on capital invested equal to the return on investments of comparable risk. Once the amount of profit needed to give an adequate return on investment is ascertained, an operating ratio can be set to provide the optimal allocation of resources. To set an arbitrary operating ratio of 93 percent because it "appears reasonable" has no economic justification.

Moreover, operating ratios are only as valid as the figures used to arrive at them. The level of an operating ratio may be manipulated by incurring excessive expenses or by bookkeeping techniques which make expenses appear to be greater than they actually are. As the company under regulation is receiving a return on operating expenses, there is a substantial incentive to inflate such expenses. For example, if a regulatory agency decides to maintain an operating ratio of 93 percent and a carrier has \$100,000 in expenses, its revenues will be \$107,526.88 ( $\frac{100,000}{107,526.88} = 93\%$ ) for a profit of \$7,526.88. If expenses go up 20 percent, the total expenses will be \$120,000 and the operating ratio method of calculating rates would provide carriers with revenue of \$129,032.25 ( $\frac{120,000}{129,032.25} = 93\%$ ) for a profit of \$9,032.25 (assuming that freight volume remains constant). By letting expenses increase, a firm receives a higher net income. This system provides little stimulus for cost cutting, increases in productivity or other forms of more efficient operation. Some methods available for inflating operating expenses are described

below.

Subsidiaries

The use of subsidiaries may create the possibility of increased profit for regulated companies. For example, Carrier A has \$100,000 in expenses including \$30,000 to pay for parts and labor to repair and maintain the trucks. Carrier B has formed a wholly owned subsidiary to do the same repairs and maintenance. The subsidiary, in turn, takes a profit of \$10,000 before taxes and its only customer is Company B, the mother company. Assuming Company B has the same expenses as Company A, Company B will have \$70,000 in expenses before it pays its subsidiary. The subsidiary will charge \$30,000 for labor and parts and \$10,000 to get its profit. Thus, Carrier B has \$110,000 in expenses while Carrier A has \$100,000 in expenses for the same service. The table below exhibits the results:

	<u>Carrier A</u>	<u>Carrier B</u>
maintenance and part expense	30,000	40,000
other expenses	70,000	70,000
total expense	100,000	110,000
total carrier revenue	107,526.88	118,279.56
carrier profit	7,526.88	8,279.56
profit from subsidiary	- 0 -	10,000
total profit	7,526.88	18,279.56

The difference in net income is a result of a bookkeeping manipulation that is encouraged by regulation. While this hypothetical situation may exaggerate the effect of using a subsidiary, the existence of subsidiaries creates the potential for such abuses. The shipper and ultimately the consumer will pay for the increased profits through higher shipping rates.

The extent of subsidiary holdings in the Maine intrastate trucking industry is substantial. Cole's Express has several subsidiaries. A.J. Cole and Sons do maintenance work and sell tires to Cole's Express. In 1976, it did \$894,490 worth of business with the mother company. W.J. Foley leases terminals and vehicles to Cole's Express. In 1976, it did \$642,179 worth of work for Cole's Express. Both subsidiaries are wholly owned by Cole's Express. In addition, Cole Realty and Galen & Gerald Cole d/b/a Cole Brothers are indirectly owned by Cole's Express. They do \$14,400 and \$368,879 worth of business respectively with Cole's Express. Sanborn and Fox and Ginn have also created subsidiaries. (See Appendix 5 for diagrams). While there is no evidence which indicates that these subsidiaries have been used to inflate operating expenses, there is also no indication that the Public Utilities Commission has investigated the financial aspects of existing subsidiaries to determine whether described abuses exist.

#### Entertainment Expenses

The operating ratio approach to setting rates also may encourage the inflation of ancillary expenses of the trucking companies, such as entertainment expenses. One method of

competing for shippers is through entertainment and gifts to shippers in order to secure the shipper's business. The following testimony before the Public Utilities Commission by Fredric J. Astle of Sanborn's Express is revealing:

Mr. Malloy: I noticed as we went through billings that your company does -- or salesmen from your company do things like purchase liquor for customers, baseball tickets, occasionally they take them out to dinner.

Mr. Astle: That's right. That's a common practice within the industry.

Mr. Malloy: Several lottery tickets?

Mr. Astle: Evidently, that individual didn't drink.

Mr. Malloy: Common practice in the business?

Mr. Astle: The -- I think the lottery tickets in lieu of the bottle of liquor may be somewhat innovative on the part of the salesman, but it is a general practice within the industry to give small tickets of appreciation for business past and present and for the open and warm relationship between the customer and the salesman servicing the account.

Mr. Malloy: Does the competition between the various companies affect this?

Mr. Astle: Very definitely.<sup>3</sup>

The regulatory structure which makes rate competition unlikely can result in excessive entertainment competition. This, in turn, increases operating expenses and ultimately leads to higher shipping rates to the detriment of the shipper and consumer.

Entertainment expenses in the Maine intrastate trucking industry are substantial. The figures for travel and entertainment for the three largest carriers for 1974 and part of 1975 are



presented below. The entertainment expenses were not separately broken out, because the Public Utilities Commission requested the information in the form presented. Hence, the Commission has only limited information on the entertainment expenses of trucking firms.

	<u>Sanborn</u>	<u>Cole</u>	<u>Fox &amp; Ginn</u> <sup>4</sup>
1974	\$112,000	81,285	52,984
1975	\$ 98,000*	65,007#	45,000*

\* 1st 11 months

# 1st 10 months

+ In the PUC hearing, Mr. Fox testified that the true figure was actually half the sum listed because it included membership in trade and professional organizations, educational materials, seminars that employees are sent to, etc. See pages 89-90 of PUC Hearing, Jan. 7, 1976.

#### Labor Expenses

Labor expense is another category of expenses which may be inflated, in part due to regulation. Given the pass-on effect of the operating ratio, a trucking firm has less incentive to ensure that labor is used efficiently. Moreover, high salaries for the officers of trucking firms who also happen to be owners of the firm represents an attractive approach to taking profit out of the firm. The taxable income of the trucking firm appears to be less than it actually is and the salaries are included as part of the operating expense providing a basis for seeking an increased return on that expense.

A survey of Maine trucking salaries in 1976 indicated that in the three largest carriers there are 2 officers receiving

over \$70,000, 3 officers receiving between \$50,000 and \$70,000, and 4 officers receiving between \$35,000 and \$50,000. This does not include any income derived from subsidiaries and consulting. It also does not include benefits derived from business expenses. While one cannot conclude from the salary level alone that high salaries are being used to remove excessive profits from regulatory review, there is a potential for such problems under regulation which would not exist in a competitive trucking market.

While the trend has been away from the use of operating ratios in setting rates, the Maine Public Utilities Commission has, most recently, continued to use that approach. Given the limited staff and resources of the Commission, the advantage of using such a relatively simple concept is clear. However, the operating ratio suffers from the defects described above. If effective regulation is to be undertaken, inquiry into figures presented by the trucking companies must be much more comprehensive than it presently is. In the alternative, allowing market pressures to set rates would resolve these problems.

#### B. Complexity and Distortion of Trucking Rates

Rate regulation has resulted in a complex and confusing rate system. The basic Maine intrastate rate tariff is composed of complicated charts and figures. It has few explanatory notes and it is difficult or impossible for an uninformed shipper or a consumer to calculate the cost of transporting a particular commodity.

The trucking tariffs are divided into two main categories: class rates and commodity rates. Commodity rates apply to those specific products which have been exempted from class rates. For example, if a firm is competing with the railroads to ship a particular product, it can apply for a commodity rate on that item. Once approved, transportation of that item would cost less than if the rate was figured from the class rates.

The class rates apply to most freight. In order to find what the rate is, you must first find the classification of the item. Next, you must determine the rate basis number. The rate basis number corresponds to the distance traveled by the shipment. With the rate basis and the classification of an item, you can determine the rate from a class rate table. However, there are several further complications. There is a fixed charge per shipment called an arbitrary. An arbitrary is the same whether you are shipping one item or 1,000 items. Thus, after you calculate the commodity or class rate, you must add on the arbitrary charge. Also, each classification has a minimum charge. If a class rate is less than the minimum charge, the minimum charge is used. In addition, there are exceptions for particular carriers and for particular areas.

Rates would logically be expected to increase in direct proportion to the distance traveled due to the large variable costs in the trucking industry. As distance traveled increases,<sup>4</sup> labor costs rise, more fuel is expended, and there is more wear on the truck which leads to faster depreciation and greater main-

tenance costs. However, the present rate structure does not seem to reflect the distance traveled with any consistency. The following five examples are designed to show how the rate system can lead to distorted rates which do not appear to be based on cost.<sup>5</sup> In each of the five examples, the total cost of shipping the goods does not correspond to what we would expect if truck costs were largely determined by the distance traveled.

Example 1 -- This example is designed to show how arbitraries can distort the total cost of a shipment. As stated earlier, arbitraries are a fixed charge per shipment. However, not all carriers have the same arbitrary. The large carriers have an arbitrary of \$2.75 per shipment, while small carriers have arbitraries ranging from \$0 to \$2.75 per shipment. If someone desires to ship a 50 lb. aluminum ladder with a safety cage attached, it will cost \$5.80 to ship it from Bangor to Passadumkeag, but \$8.55 to ship it from Bangor to Old Town. This result occurs because on this route, Sherwood does not charge an arbitrary while Fox and Ginn does.

<u>From</u>	<u>To</u>	<u>Miles</u>	<u>Carrier</u>	<u>Arbitrary</u>	<u>Basis</u>	<u>Total</u>
Bangor	Passadumkeag	36	Sherwood		5.80	5.80
Bangor	Old Town	13	Fox & Ginn	2.75	5.80	8.55

There is a curious inequity when a person in Passadumkeag can get a ladder for \$2.45 less than a person in Old Town, when Old Town is less than one-half the distance and lies on the same road as Passadumkeag.

Example 2 -- Another distortion is created by exceptions to the regular class rates. A glaring example is provided by an exception granted to Robinson's Express. A shipper desiring to ship three steel filing cabinets (set up and each weighing 100 lbs.) from Bangor to Dover-Foxcroft, would be charged \$30.11 by Robinson's Express and \$10.49 by Fox and Ginn.

<u>Carrier</u>	<u>Distance</u>	<u>Arbitrary</u>	<u>Basis</u>	<u>Total</u>
Fox & Ginn	40 miles	2.75	7.74	10.49
Robinson's Express	40 miles	2.75	27.36	30.11

Thus, there is a \$20 differential even though the same items are being transported between the same cities. To a consumer or shipper, with very little understanding of the operating certificates of the carriers, or the complex rate schedules, it will be a matter of chance whether they are charged \$30.11 or \$10.49.

Example 3 -- The carriers may also obtain exceptions to the minimum charges. Thus, on one carrier the class rate will apply, while on another carrier, the minimum charge rate will apply. For example, to have a 25-lb. aluminum stepladder shipped from Portland to Gorham on Sanborn costs \$2.75 more than on Swan's Express.

<u>Carrier</u>	<u>Distance</u>	<u>Arbitrary</u>	<u>Minimum Charge</u>	<u>Total</u>
Sanborn	11 miles	2.75	5.50	8.25
Swan's Express	11 miles	2.75	3.05	5.80

Once again, shippers may not realize the rate distortions and pay the higher price.

Example 4 -- Carriers can obtain exceptions which only apply to certain cities. For example, Sanborn has a special rate from Portland to Gorham, but uses the regular tariff from Portland to South Windham. Suppose you wanted to ship 1,000 lbs. of life preservers from Portland to Gorham and 1,000 lbs. of life preservers from Portland to South Windham.

<u>Destination</u>	<u>Distance</u>	<u>Arbitrary</u>	<u>Basis</u>	<u>Total</u>
Gorham	11 miles	2.75	30.60	33.35
South Windham	11 miles	2.75	36.30	39.05

The same items are traveling the same distance on the same carrier and, yet, the life preservers shipped to South Windham cost \$5.70 more.

Example 5 -- When all these exceptions are combined, there can be very wide distortions in shipping rates. Suppose you wanted to ship three metal kitchen cabinets (that were knocked down), each weighing 100 lbs., to four different locations. The following results could be obtained:

<u>From</u>	<u>To</u>	<u>Miles</u>	<u>Carrier</u>	<u>Arbitrary</u>	<u>Basis</u>	<u>Total</u>
Bangor	Ellsworth	27	Moore	1.75	12.60	14.35
Bangor	Dover-Foxcroft	40	Fox & Ginn	2.75	9.12	11.87
Bangor	Bar Harbor	47	McDevitt	2.75	9.30	11.05
Bangor	SW Harbor	49	Acadia	1.75	18.60	21.35

In order to go from Bangor to Bar Harbor, you would go through Ellsworth. Yet, to ship the same items to Ellsworth costs almost \$2.50 more than it costs to ship to Bar Harbor. By comparing the miles traveled to the total cost, it is clear that the numerous exceptions have distorted the rates so that they do not represent actual cost.

A shipper is unlikely to be able to spend the time necessary to understand the complex maze of operating rights and tariffs. Even an informed shipper often has to pay higher prices for the same good traveling the same distance as another shipper who is fortunate enough to have a particular carrier or a particular route which has been granted an exception to the tariffs.

#### C. Inefficiency and Problems with Service

One of the purposes of trucking regulation is to insure adequate service. There appears, however, to be substantial complaints about service under regulation. The two major reasons for poor service are rate inflexibility and the lack of effective alternatives for disgruntled shippers. An inflexible rate structure discourages carriers from setting premium rates for premium service. A carrier would be required to file a series of rates with the Public Utilities Commission if it desired to charge more for service in certain circumstances. It would have to justify the rates to the Commission. Moreover, there would be a time lag between filing and implementation of the

rates which would hinder flexibility. It goes without saying, that promulgation of a series of rates would make the published rate tariff even more complex.

The protection from competition granted the carriers under regulation makes the loss of business as a result of poor service unlikely. When a shipper is getting bad service on a route protected by regulation, often his only alternative is to buy a truck and transport his own goods. This is not always economically feasible because of the nature of the shipper's business. In a Public Utilities Commission decision in Graf Bros., Inc., Application Seeking to Amend Common Carrier Certificate No. 46, the Commission found that:

Sanborn's has closed the Rockland terminal it inherited from Congdon and ships its Portland to Rockland freight by a round-about route via Augusta. We need not decide whether Sanborn's monopoly alone is responsible for the deterioration in service - although it does conform to the traditional pattern of the damaging results of monopolies.<sup>6</sup>

In the Graf Bros. case, it was disclosed that some shippers got such bad service in Maine that they now bought from Boston firms. In that case, the Commission stated:

Several witnesses said that freight could arrive more rapidly from Boston than from Portland. For instance, Mr. Orne at the Rockland Courier-Gazette testified that his company used to purchase its paper from Portland supplier, but now uses Boston supplier. He gets overnight service from Boston whereas Sanborn's will deliver an order from Portland usually only the following afternoon. This means that a major Maine town is presently more easily supplied, in many instances, by out of state merchants rather than by Maine merchants, with consequent damage to the Maine economy. See also Cole's Express et al, Application Seeking to Amend Common Carrier Certificate No. 103 et al. (Feb. 4, 1977).<sup>7</sup>



It is disquieting to have shippers switch from Portland to Boston suppliers because products can be shipped more rapidly from Boston to Rockland than from Portland to Rockland.

Since June of 1978 the Public Utilities Commission has been conducting hearings into requests by the larger trucking companies for additional operating authority. One of the criteria for obtaining operating authority is to establish that the service is not currently provided and that public convenience and necessity require it. This is usually established by presenting shippers who are dissatisfied with one or more aspects of current common carrier service as witnesses. These hearings provide a wealth of information concerning the inadequacies of present service. Unfortunately, at the writing of this report, only two of the hearings were available in printed form. During those two days of testimony, 19 shippers testified. Their complaints were as follows:<sup>8</sup>

erratic and slow service	17 complaints
damaged freight	4 complaints

Such a small sample does not give the extent of shipper satisfaction. However, the fact that trucking companies can get enough dissatisfied shippers to fill over twenty-five days of hearings indicates that there are substantial service problems under regulation.

#### Interlining

Interlining may be a partial explanation for some of the service problems experienced by Maine shippers. In instances

where a carrier does not have direct operating authority to deliver a good, the carrier takes the good part of the way and then transfers the good to a carrier who has authority to go to the destination. Hence interlining results to a large degree from the route restrictions imposed on carriers by regulation. For example, if a shipper contacts Fox & Ginn would be able to take the good to Bangor where it would be transferred to Cole's Express for delivery to Houlton. As a result of the maze of regulations, a shipment may have to be transferred to as many as three different carriers.

Excessive interlining results in longer delivery time, higher labor costs, and damaged shipments. Cole's Express, in its request for route extensions in July, 1978, hearings before the Public Utilities Commission, cited complaints by intrastate shippers on interlined freight as the major reason for requesting direct authority. In the July 21st hearings, Cole's Express furnished 20 shippers who felt that interlined shipments resulted in erratic and undependable service. In fact, Mr. Lumbard, of Polar Paints, testified that as a result of interlining, shippers often got faster service on items shipped from Boston to Aroostook County than they did for items shipped from Lewiston to Aroostook County. The excessive route restrictions that result in interlining cause an unnecessary burden to shippers and the consuming public.

### Backhaul

Another example of inefficiencies brought about by regulation is in excessive empty backhaul. Empty backhaul results from a carrier being unable to find freight to carry on the return trip. Under regulation, more empty backhaul occurs than would be present under a purely competitive system. One of the major reasons for excessive empty backhaul is the route restrictions on regulated carriers which make it difficult to find backhaul freight which can legally be carried. Another major reason is the prohibition on private carriers from carrying the goods of others for hire.

No statistics are available for the amount of empty backhaul in the State of Maine. However, there have been attempts to estimate the losses due to empty backhaul as a result of federal regulation of the trucking industry. One study has estimated the percentage of private and regulated tractor-trailer trucks with empty backhaul.

This study reached the following conclusion in regard to empty backhaul:<sup>9</sup>

<u>Body type</u>	<u>Extent of Empty Backhaul</u>		
	<u>Private</u>	<u>Regulated</u>	<u>Private Capacity Shortfall</u>
Platform	40.9%	35.9%	7.8%
Open-top vans	25.7%	20.5%	19.1%
General purpose vans	31.4%	19.0%	15.3%
Insulated vans	30.5%	21.1%	11.9%

Private capacity shortfall is "the percent of private capacity that could be served if utilization levels were the same as for regulated vehicles."<sup>10</sup> However, this does not fully measure the amount of empty backhaul due to regulation. It merely indicates that more efficient utilization of private vehicles, prevented by regulation, would reduce substantially the number of private vehicles required. If route restrictions on common carriers were removed, the efficiency in the use of common carrier trucks would also increase. Since the Public Utilities Commission regulates the trucking industry in much the same way as the ICC, there are probably similar empty backhaul problems in intrastate carriage in Maine.

Route restrictions imposed by regulation result in under-utilization of trucks. This occurs because operating authority does not include service to intermediate points. For example, Minot is between Auburn and Oxford. However, Hendrickson's Express does not have authority to serve Minot. Thus, if shipper A has a shipment to go from Auburn to Oxford and shipper B has a shipment to go from Minot to Auburn, Hendrickson's Express can carry shipper A's items, but it cannot pick up shipper B's items on the way back, even though it has to pass through Minot to get to Auburn.

Empty backhaul can also occur when a carrier does not have authority to serve nearby towns. For example, shipper A wants to transport goods from Portland to Sanford and shipper B wants to transport goods from Lebanon to Portland. Merchant's Express can serve shipper A, but Merchant's cannot pick up the goods in Lebanon to carry on the return trip because it does not have operating authority to serve Lebanon.

In the same sense, a private carrier which transports its own goods from Rockland to Portland and has no goods for the return trip, must return empty because it is prohibited by law from competing with common carriers.

While some empty backhaul is inevitable in every market structure of the trucking industry, present regulatory provisions increase empty backhaul, result in inefficiency in the use of trucks, and, ultimately, increase the cost of shipping by truck.

#### D. Rate Levels

Intrastate trucking rates are regulated by the Public Utilities Commission and one of the purposes of that regulation is the maintenance of reasonable shipping rates. However, inflated expenses, restrictions on routes, and inefficient operations can lead to higher rates than would occur if the market was competitive, even under regulation. (See Appendix 6 on allocative inefficiency). Maine intrastate carriers have historically experienced a high rate of return on investment and equity. In fact, between 1972 and 1976, Cole's had an average rate of return on equity of 13.71 percent and Sanborn has shown a rate of return of 19.44 percent.<sup>11</sup> (See Appendix 7 for financial data). The rate of return on investment is also high for Sanborn and Cole's Express. Sanborn had a rate of return on investment from 1970-1976 of 31.6% and Cole's Express had a rate of return on investment of 31.9%.<sup>12</sup> (See Appendix 7 for financial data). This compares with a national average over the same time period of 21%.<sup>14</sup> Mr. Bud Ginn, chief of formal cases

at the Interstate Commerce Commission, has stated that the ICC generally considers a 20-23% rate of return on investment as reasonable.

Rates are distorted by the practice of all intrastate truckers filing jointly for uniform rate increases with the Public Utilities Commission. The carriers apply as a group for the same increase, regardless of differences in expenses, efficiency, route structures, and type of service. The rate increases are based on average costs for the industry, but they are often designed to protect the most inefficient carrier. When uniform rate increases are allowed by the Public Utilities Commission at a level to insure that all carriers make some money, the most efficient carriers receive a windfall profit.

An indication of excessive rates is the high price paid for operating certificates, i.e. certificates granted by the Public Utilities Commission authorizing service on specific common carrier routes. These certificates provide to the carrier which holds them the right, often exclusive, to serve shippers on particular routes in Maine. The fact that these certificates have some value, independent of the value of trucks, real estate, and other concrete assets of a trucking firm, suggests that a carrier purchasing the certificate expects to receive profit over and above the normal return to be expected from an investment in the material assets. Indeed, such a return would be necessary to compensate the carrier for the money paid for the operating certificate. This, in turn, suggests that trucking rate levels under regulation are higher than they would be in a

competitive market. In a competitive market, operating certificates would have no value.

The value of operating certificates in the Maine intrastate trucking industry constitutes a significant proportion of the purchase price. The purchase price of operating certificates is not submitted to either the Public Utilities Commission or the Interstate Commerce Commission and, hence, are not readily available. We are, however, aware of the breakdown of the purchase price of Fogg's Transportation, Inc. Fogg's Transportation operated from Portland to Fairfield. In 1970, Fox & Ginn bought Fogg's Transportation, Inc. and the purchase price was broken down as follows:

\$ 50,000	operating rights
156,000	carrier operating property
2,500	materials and supplies
25,000	agreements not to compete.

Interviews with those familiar with the Maine trucking industry indicate that this type of breakdown is common in the Maine industry. Thus, slightly less than one quarter of the purchase price was allocated to the operating rights of Fogg's Transportation. This cost must be eventually recovered through rates paid by the shipper and, indirectly, by the consumer.<sup>15</sup>

FOOTNOTES

PART 2

1. This figure was first adopted in 1943 by the Interstate Commerce Commission in "Increased Common Carrier Truck Rates in the East", 42 MCC 633. The Commission found that "a general increase of 4% in the rate level would produce, as nearly as we can estimate, an average operating ratio of approximately 93 percent, which appears to be reasonable." 42 MCC at 650. The subsequent motor case hearings generally approved rate increases that maintained a 93 percent operating ratio. See "Increased Common Carrier Truck Rates in New England," 43 MCC 13; "New England, 1946 Increased Rates," 47 MCC 509; "Increases, California, Arizona, Colorado, New Mexico, and Texas, 1949," 511 MCC 747; "Increases, Transcontinental-International Coast," 304 ICC 15; "Motor Carrier Increases, Intermountain and Pac. Coast," 311 ICC 139.
2. See Maine Motor Rate Bureau Re: Increased Motor Common Carrier Rates and Charges on Less Than Statutory Notice, 357 A.2d 518 (Me. 1976), where the Commission's attempt to maintain the average operating ratio of the Maine intrastate trucking industry at 96.2% was overturned by the Maine Supreme Court.
3. MPUC Rate Hearing. January 7, 1976. p. 64.
4. Data request by John Malloy, counsel to the Public Utilities Commission. November, 1975.
5. Rates were computed with the aid of Ralph Thompson, rate examiner, Maine Public Utilities Commission.
6. Graf Bros., Inc. Application Seeking to Amend Common Carrier Certificate No. 46, X-364. March 30, 1978. p. 10.
7. Ibid., p. 13.
8. X-1708 Fox & Ginn, Inc. Re: Application to Amend Common Carrier Certificate No. 135. June 27, 1978, and X-1701 Dugas Express Co. Re: Application to Amend Common Carrier Certificate No. 68. 5/25/78.
9. Edward Miller cited in Thomas Gale Moore, "Deregulating Surface Freight Transportation" in Promoting Competition in Regulated Markets, ed. Almarin Phillips, (Washington, D.C.: Brookings Institute, 1975). p. 61.
10. Ibid.





11. Rate of return on stockholders equity can be distorted when the cost of acquiring operating certificates is represented as an addition to stockholders equity. This is undesirable since the operating certificate represents capitalized monopoly returns and it thus underestimates the true rate of return. For a description of how operating certificates are capitalized monopoly returns, see Milton Kafoglis, "A Paradox of Regulation Trucking," Regulation. Sept., 1977. pp. 27-32.
12. The method of determining rate of return on investment was provided by Mr. Bud Ginn, Chief of Formal Cases at the ICC. Basically the rate of return is determined by the following equation:
$$\frac{\text{net carrier operating income}}{\text{net carrier operating property \& working capital}}$$
13. Telephone interview with Mr. Bud Ginn, Chief of Formal Cases at the ICC.
14. For a more detailed discussion of operating certificates, see Milton Kafoglis, "A Paradox of Regulated Trucking," Regulation. Sept., 1977. pp. 27-32.



PART 3

Conventional Arguments for Regulation

Common among arguments in support of continued regulation of the trucking industry are the following:

1. Without regulation there will be "destructive competition" in the industry which will drive trucking rates below cost and lead to instability in the industry.
2. Regulation is necessary to insure trucking service to all areas of the state even though some routes may not be profitable to the companies providing service. Regulation should subsidize such routes by allowing companies to charge higher rates on profitable routes. This approach is commonly known as cross-subsidization.
3. Without regulation there will be excessive price discrimination between shippers by trucking companies.
4. Regulation is necessary to provide shippers with a stable, comprehensive trucking system.

These arguments and their application to the Maine intrastate trucking industry are discussed below.

A. Destructive Competition

One commentator has set forth the following prerequisites to destructive competition:

Fixed or sunk costs that bulk large as a percentage of total cost; and long-sustained and recurrent periods of excess capacity. These two circumstances describe



a condition in which marginal costs may for long periods of time be far below average total costs. If in these circumstances the structure of the industry is unconcentrated - that is, its sellers are too small in relation to the total size of the market to perceive and to act on the basis of their joint interest in avoiding competition that drives price down to marginal cost - the possibility arises that the industry as a whole, or at least the majority of its firms, may find themselves operating at a loss for extended periods of time.<sup>1</sup>

In addition, the assets should have a long life and be highly specialized which prevent firms from making a quick and relatively easy exit from the market.

The trucking industry does not fulfill the requirements set forth above. The first requirement for destructive competition is a small proportion of variable to total costs. This is important because a firm will not operate if it does not cover its variable cost, i.e. its day to day operating costs. To do so means that for each day of operation its loss increases.

The trucking industry has very high variable costs as a proportion of total costs because such a large proportion of costs are composed of depreciation, fuel, wages, and maintenance expenses. In fact, non-supervisory wages, fringe benefits and fuel and maintenance costs are approximately 70% of the total cost for Maine's three largest carriers (see Appendix B for a breakdown of expenses). It has been estimated that variable costs account for 90% of the short run total costs and close to 100% of the long run total costs in the trucking industry.<sup>2</sup> Such a large variable cost indicates that price cannot drop very far below total cost for any significant period.

Secondly, long periods of excess capacity are unlikely in the trucking industry. This is because of the low initial investment cost, the mobility of trucks, the quick depreciation of trucks, and the active used truck market. A low initial investment means that to increase production it is not necessary to make a large increase in investment. Increases in investment can be tailored quite closely to increases in demand. The mobility of trucks enables firms to transfer trucks from areas of declining demand to those of rising demand. Thus, one section of the market should not experience prolonged excess capacity as long as any of the markets are growing. Trucks depreciate quickly so excess capacity can be eliminated by not buying any more trucks. The average life of a truck is 7.15 years so we would expect excess capacity to be rather quickly resolved.<sup>3</sup> Finally, the active used truck market enables firms to dispose of excess capacity or to leave the market without substantial losses.

Why then did the competitive situation in the trucking industry in the 1930's Depression deteriorate to the point that regulation was seized upon as a solution? Alfred Kahn, an economist involved in the regulatory field, offers three explanations that seem to make sense.<sup>4</sup> As the Depression continued, the price of used trucks fell so that anyone could enter the market. Those people who had bought trucks before the Depression or had bought a new truck were at a severe cost disadvantage. Secondly, a major cost in the trucking industry is labor expense.

During the Depression there were few job alternatives. Individuals were willing to cut their own income or work for expenses running a truck. A third explanation is that much of the instability in the trucking industry was a result of the industry being so new.

In the present economic situation, people would be unlikely to take drastic cuts in labor income in order to compete in trucking. In addition, the industry is more established and will be able to respond to competition. The conditions prevalent during the 1930's which stimulated so-called destructive competition in the trucking industry are unlikely to recur. The mere possibility of such recurrence seems an insufficient basis for an expensive regulatory system with the defects outlined earlier in this report.

#### B. Cross-subsidization

The argument for cross-subsidization is summarized as follows:

Regulatory commissions, particularly in the transportation field, often consider it one of their responsibilities to assure the provision of maximum service, as long as the system's total revenues cover total costs. Under considerable political pressure from the affected localities or groups of customers, they interpret the public utility franchise as imposing an obligation on the company to maintain service in markets that are sparse and costly to serve, according to time schedules that are convenient to customers, at prices that do not cover even the avoidable, incremental cost of provision. This obligation is often used as a justification for limiting competition and restricting entry into the more remunerative markets, on the ground that if the profitability of the latter portion of the business were reduced, the common carriers would no longer be financially able to fulfill their less remunerative responsibilities.<sup>5</sup>



From an economic standpoint, cross subsidization results in an inefficient allocation of resources. If transportation costs in a rural area are higher, Shipper A, who located in such an area, should pay the additional cost of making that decision. Shipper B, who located in a densely serviced area should not have to subsidize Shipper A by paying more than the cost of being served to support service to Shipper A's rural area.

By charging the shipper in the densely traveled area a price higher than the cost of providing the service and the shipper in the rural area a lower price, shippers may be encouraged to locate in rural areas. Another distortion is that too little service is provided in high density areas and too much service is provided in low density areas (see Appendix 3 for a more rigorous discussion).

This argument against cross-subsidization is irrelevant if the present system does not engage in cross-subsidization. Cross-subsidization implies:

1. Firms will avoid rural routes because it will drain the profits from the densely traveled routes. Thus, a firm which wants to maximize profits will operate only on heavily traveled routes.
2. Each firm that cross-subsidizes must have profitable densely traveled routes.
3. If Firm C cross-subsidizes rural areas while Firm D charges the full cost to rural areas, then Firm C's rates should be lower for rural areas than Firm D's rates (provided they have similar routes and the same costs).

A study of intrastate route structures in Maine indicates that trucking firms do not appear to be cross-subsidizing. The large intrastate carriers have actively sought rural routes in Maine. Many of the small firms that were acquired in the 1960's by the larger carriers were exclusively rural carriers. For example, Graham's Express, Fred's Express and Higgins' Express were bought by Cole's Express between 1964 and 1966. (See Tables 1 and 5 for financial data). However, all three carriers were small and served rural coastal towns (see Table 4 for areas and population serviced). If it was necessary to subsidize these areas from the more profitable routes there would have been no economic stimulus to buy these carriers. In fact, if the routes were truly being cross-subsidized, you would expect the Public Utilities Commission to have to force a carrier to take undesirable routes. This has not occurred.

The three largest intrastate carriers are continuing their acquisition of rights to serve rural areas. In the recent applications by Cole's Express, Sanborn's Express, and Fox and Ginn to extend their operating authority, all three carriers have asked to serve rural areas. (See Appendix 4 which sets forth Fox and Ginn's and Cole's request for additional operating authority). It is unlikely that towns such as Allagash Plantation, Benedicta, Blaine, Bridgewater, Connor, and Dyer Brook would be on Fox and Ginn's request for additional routes if they had to be subsidized.

To determine whether all carriers cross-subsidized rural routes with revenue from the densely traveled areas, a route study of some Maine intrastate routes was undertaken. Any route connecting two cities of greater than ten thousand people was considered heavily traveled.<sup>6</sup> Table 1 indicates how many firms had direct routes between densely populated cities. In addition, it was assumed that densely traveled routes served by only one carrier would generate more revenue than the same route served by two or three carriers. Thus, a firm that held many densely traveled routes by itself should have excess profits to cross-subsidize rural areas. However, a carrier without any densely traveled routes should be unable to cross-subsidize.

Table 1 indicates that eleven of the twenty-one carriers have no densely traveled routes. Furthermore, out of the twenty-seven routes with only one carrier, twenty-six are controlled by the three largest intrastate carriers. These results cast doubt on the cross-subsidization argument. The small companies cannot cross-subsidize unless they have particularly profitable routes. The fact that over one-half of the carriers do not have any routes between cities of over 10,000 in population makes it unlikely that they are cross-subsidizing. Table 2 lists the population of places served by three of the small carriers. It is apparent that these small companies have found it profitable to remain in business even though they serve predominately rural areas (see Tables 4 and 5). Thus, the small companies are at least charging full costs to the

shippers in rural areas.

The large carriers have many densely traveled routes so that theoretically they could cross-subsidize rural areas. If large carriers cross-subsidize rural areas while small carriers do not, the large carriers should be charging lower rates where the large and small carrier routes overlap (assuming similar costs). This is because the large carriers would be charging a price below fully allocated cost while the small carrier would be charging a price equal to cost. However, the rate schedules are designed so that the large and small carriers charge the same rate.<sup>7</sup> An example is illustrated by Table 3. Acadia has operating rights between points in Column A and points in Column B. McDevitt has rights to operate between points in Column A and points in Column C. Moore can truck between points in Column A inclusive. The three small carriers have some overlap (e.g., both Acadia and McDevitt can truck between Bangor and Trenton, and Ellsworth to Town Hill). What is interesting is that Sanborn has substantial overlap with Acadia and McDevitt (e.g., both Sanborn and Acadia serve Ellsworth to Town Hill and Trenton, and both Sanborn and McDevitt have rights to serve Ellsworth to Seal Harbor and Northeast Harbor). These towns are all small (see Table 2). Yet, Sanborn is not charging a lower rate on the rural routes. This suggests that Sanborn is not cross-subsidizing these rural areas.

The rate and route structures do not indicate that rural areas are currently being cross-subsidized. In fact, those

trucking firms operating totally in rural areas appear healthy and profitable.

### C. Price Discrimination

Price discrimination is often cited as argument for regulation. A commentator describes the conditions necessary for price discrimination as follows:

Price discrimination is the sale of different units of a good or service at price differentials not directly corresponding to differences in supply cost. Note that this definition includes not only the sale of identical product units to different persons at varying prices, but also the sale of identical units to a single buyer at differing prices and the execution of transactions entailing different costs at identical prices.

For a seller profitably to practice price discrimination, three conditions must be satisfied. First, the seller must have some control over price - some market power. A purely competitive firm cannot discriminate profitably... Second, the would-be discriminator must be able to segregate its customers into groups with different price elasticities of demand, or into discrete classes with varying reservation prices (the highest prices buyers will pay for any specific unit of output). Third, opportunities for arbitrage - resale by low-price customers to high-price customers - must be constrained...<sup>8</sup>

Assuming some deregulation of the trucking industry, initially the largest intrastate trucking companies would have some market control, carrying as they do 85 percent of the intrastate freight. However, given relatively easy entry and exit in the market, many sellers and buyers, and few economies of scale, over the long run the trucking companies would not have the market power to discriminate in price.

Again, because of relatively easy entry into the industry, shippers should have competitive alternatives to a discriminating trucking company. Under these conditions, it would be unlikely that a company could successfully separate its customers into groups with different price elasticities without losing the patronage of those it sought to charge the most.

D. Need for a Stable, Comprehensive Trucking System

It is the assumption of this argument that without regulation there would not be a stable, comprehensive trucking system. There is no empirical evidence to support this proposition. The experience of at least one state where intrastate trucking is deregulated suggests that the trucking industry is stable at trucking rates substantially below regulated interstate trucking rates. (See Part 4, The Impact of Deregulation).

The danger that unscrupulous, fly-by-night truckers will disrupt the trucking industry in Maine seems no more significant than similar dangers in other industries in the State. The criminal laws of the State and civil remedies, such as the Unfair Trade Practices Act, 5 M.R.S.A. §206 et seq., provide the tools for Maine authorities to deal with such problems should they arise. Moreover, shippers will continue to have the choice of dealing with established Maine trucking firms.

It is equally unlikely that the large intrastate trucking firms will drive smaller firms out of business should some form of deregulation occur. The trucking industry without government regulation is a naturally competitive industry. The only major expense of basic entry is a truck. No firms, whatever their size, will be able to take excessive profits for any significant time period without the entry of competitors willing to provide the service for less. Since there are few economies of scale, the large firms would have few natural advantages over smaller firms.<sup>9</sup> In fact, without regulation one might expect the trucking industry in Maine to be less concentrated than it is now, with more small owner-operators active.

Predictions of a disrupted transportation system, without more, hardly seem sufficient to support an inefficient and expensive regulatory system.

FOOTNOTES

PART 3

1. Alred E. Kahn, The Economics of Regulation, Vol. II, (New York: John Wiley & Sons, Inc., 1971) p. 173.
2. Ibid., p. 179.
3. Motor Vehicle Manufacturers Association, Motor Truck Facts, (New York: Motor Vehicle Manufacturers Association of the United States, Inc., 1973) p. 25.
4. Alfred Kahn, p. 180-182.
5. Ibid., p. 143.
6. Interviews with PUC staff indicated that this was a reasonable approximation of the most densely traveled intrastate routes. However, many smaller towns do a lot of interstate business (especially towns with paper mills). This does not substantially change the implications of this study because the large carriers dominate the interstate traffic. The smaller carriers have much more limited interstate certificates. This route study is not conclusive evidence that there is no cross-subsidization, but it does make cross-subsidization as an argument for regulation, highly suspect.
7. MPUC 107 Local and Joint Tariff of Class Rates and Minimum Charges Applying Between Points in Maine, Issued April 23, 1974.
8. F. M. Scherer, Industrial Market Structure and Economic Performance (Chicago: Rand McNally College Publishing Company, 1970), p. 253.
9. See Hurdle, p. 6 and Kahn's discussion of truck regulation in The Economics of Regulation.





PART 4

The Impact of Deregulation

There have been several attempts in recent years to restore competition through some deregulation in the interstate sector of the trucking industry. The most recent attempt at legislative reform was begun in November, 1975, when President Ford proposed the Motor Carrier Reform Act. In a presidential press conference held on November 14, 1975, President Ford justified motor carrier reform:

We think that this is a bona fide, legitimate area for some deregulation, and I think it will improve and strengthen the trucking industry. Therefore, I strongly favor what we have submitted.<sup>1</sup>

The bill was proposed in the House by Mr. Jones (HR 10909) and in the Senate by Mr. Hartke and Mr. Pearson (S 2929). The bill's expressed purpose was:

To amend the Interstate Commerce Act, as amended, to increase efficiency and competition and to reduce costs in the motor carrier industry by allowing easier entry and great price flexibility and by removing excessive and wasteful regulation, and for other purposes.<sup>2</sup>

This legislation died in the House Committee on Public Works and the Senate Committee on Public Commerce.

The demise of the Motor Carrier Reform Act has not stifled the drive for deregulation. The Congressional Quarterly Weekly Report stated that, "Most observers expected the drive for regulatory change to continue. To a large extent the impetus behind deregulation came from the professionals in the transportation department."<sup>3</sup>



President Carter's position on deregulation was made clear in his June 16, 1976, presentation to the Democratic Platform Committee:

Priority attention should be given to restructuring the nation's antiquated system of regulating transportation. However valid the original purpose of promoting a fledgling industry and protecting the public from the tyranny of monopoly or the chaos of predatory competition the present system has, more often than not, tended to discourage desirable competition.<sup>4</sup>

As recently as October 24, 1978, President Carter, in his speech to the nation on measures to combat inflation, again referred specifically to his interest in deregulation of the trucking industry. Deregulation of the industry is an idea which has substantial factual support and further developments on the national level can be anticipated.

#### A. Deregulation in Australia

The best example of a country which has deregulated its trucking industry is Australia.<sup>5</sup> Prior to 1954 Australian trucking companies were subject to prohibitive taxes on long distance haulage to protect the railroads from competition. In 1954 these taxes were held to be in violation of the Australian Constitution by the Judicial Committee of the Privy Council. The removal of the taxes freed the trucking companies

to compete actively with the Australian railroads with no formal entry restrictions or rate regulation.

The first effect of deregulation was a severe rate war. However, economic attrition and strict enforcement of safety regulations resulted in general stability in the industry within three years.

The trucking industry in Australia is dominated by owner-drivers. Approximately one-half of Australia's commercial vehicles are in fleets of less than five trucks. The owner-drivers move to areas requiring their services.

The second most important group in the motor carrier industry is the nation-wide trucking firms. This is a group of approximately 10 firms which provide complete service to all provincial capitals. The large carriers have their own fleets but much of their traffic is subcontracted to owner-drivers. The large firms charge higher rates because they can handle widely fluctuating volume and have terminals to handle the small parcel service.

Small firms comprise the rest of the motor carrier industry. The small firms are generally dependent on a few shippers. The small carrier is able to quote lower rates to shippers willing to provide full loads at regular intervals.

The structure of the Australian trucking industry is brought about by the economics of trucking. In the truck haul between capitals, the owner-drivers have the cost advantage because terminals are not needed and their only fixed cost is often their truck and licenses. The large carriers have a role when

there are small parcel or agency functions which require a terminal. These carriers can make the transportation of small parcels profitable by balancing loads.

The motor carrier industry in Australia provides low cost transportation with regular service. There has not been instability or destructive competition in the industry since 1957. While there are some market and price fluctuations, this is to be expected in a competitive industry.

#### B. Exempt Carriers

Another approach to anticipating the impact of deregulation on the Maine trucking industry is to examine exempt carriers in the United States. There are several exemptions to the regulation of interstate motor freight carriage by the Interstate Commerce Commission. Exempt carriers have no restrictions on entry and do not have to file rates. However, exempt carriers cannot carry non-exempt goods for hire. The best documented studies of exempt carriers have been done on the agricultural exemption. This exemption, codified at 49 U.S.C.A. §303(b)(6), provides that motor vehicles carrying livestock, fish and agricultural commodities are exempt from entry and rate restrictions under the Interstate Commerce Commission Act. The agricultural exemption provides an interesting study because the United States Department of Agriculture maintains information on agricultural transportation costs. In 1963 there were 20,000 exempt agricultural carriers in the United States hauling 123 million tons of agricultural commodities operating 69,000 motor vehicles and carrying 14%

of the total property carried by all motor carriers.<sup>6</sup>

One study done by the Department of Agriculture compared prices of regulated and exempt agricultural carriers.<sup>7</sup> The results of that study are set forth below:

	Exempt Agricultural Carriers	Common Carriers	Contract Carriers
Revenue per intercity ton mile	.0344	.08126	.0942
Costs per intercity ton mile	.0324	.08094	.05956
Net revenue per ton mile	.002	.00032	.0076
Average tons per load	14.8	10.47	5.66

This table should not be looked at for precise figures, but it does indicate that regulated carriers are more expensive than exempt carriers.

Another example which indicates that exempt carriers are able to charge lower rates is provided by looking at the transportation market for frozen poultry. Frozen poultry and other semi-processed commodities were non-exempt products until 1953. In that year the trucking of these products was effectively deregulated. By 1956-1957, the prices for trucking frozen poultry were 33 percent less than in 1953, and those for fruits and vegetables were 19 percent less, although other transportation prices has risen substantially in the same period.<sup>8</sup> A large proportion of a carrier's cost is variable cost. It is rational to assume that most of a carrier's rate would be related to the distance traveled. Miklius and DeLoach found:

Before fresh and frozen poultry were exempted, distance explained only 56 percent of the variation in regulated truck rates from the main out-of-state origins to San Francisco. After the exemption and subsequent rate changes, distance explained 81 percent of the variation in exempt rates.

Since variable costs are the principal costs in the motor-carrier operation, distance is the main variable affecting the freight costs. Thus, a close relationship between exempt-freight rates and distance suggests that the costs of supplying transport services are reflected in the rates charged.<sup>9</sup>

The evidence indicates that exempt products have much lower transportation rates than non-exempt products. Some of this differential can be explained by differences in operation but the evidence also seems to indicate that much of the price drop is the result of increased competition.

The exempt carriers are reasonably stable. A study done by Mildred R. DeWolfe found that 75% of the firms trucking exempt products which were surveyed had been in business over five years, 60% over 10 years, 40% for 15 years, and 8% had been in business over 30 years.<sup>10</sup> An indication of instability would be radical changes in the distribution of the truck tractor fleet. However, another Department of Agriculture study found that from 1960-1965 there was no significant change in the size distribution of the exempt carriers.<sup>11</sup>

The exempt carriers do have much smaller truck tractor fleets than regulated carriers:<sup>12</sup>

	0	1	2-3	4-5	6-9	10-19	20-49	50+
Exempt Motor Carriers	22	12	17	10	14	11	8	6
Regulated Motor Carriers	12	3	5	3	7	12	19	37

More than one-fifth of the exempt carriers in 1963 had one or no truck tractors.



The exempt carriers often provide better service than the regulated carriers. It is sometimes claimed that regulated carriers do not serve rural areas, that they discourage small shipments, and that they do not meet the needs of individual shippers. During the 1973 Congressional hearings to eliminate the agricultural exemption, a Department of Agriculture representative stated:

The quality of the exempt hauler's equipment is good. Service is the selling point of the exempt hauler... Because of the effectiveness and efficiency found in motor carriers operating under the exemption, we strongly oppose any curtailment of the agricultural exemption. Increased truck regulation of agricultural commodities will only result in more shipper-owned trucks rather than greater use of common carriers. The higher transportation bill will increase marketing costs and mean less income to the farmer and a larger food bill to the consumer.<sup>13</sup>

In addition to the above, the Department of Transportation conducted a study of why firms integrated into carrying their own goods as private carriers. The carriers listed the following as advantages received by becoming a private carrier: faster transit; expedited orders; more consistent service; fewer equipment and pickup delays; better off-highway deliveries; availability of specialized equipment; and better service to rural locations. The shippers found that much more reliable service resulted from the purchase of their own trucks.<sup>14</sup>

### C. Deregulated States

There are two states in the United States which have a deregulated intrastate trucking industry, Delaware and New Jersey. There are no studies of the Delaware trucking industry, but the United States Department of Transportation has funded a study of the New Jersey trucking industry. The study is being conducted by Dr. W. Bruce Allen, Associate Professor of Regional Sciences and Transportation, at the University of Pennsylvania. His report was not complete at the time this report was written, but he has informally made available some of his findings.<sup>15</sup> Dr. Allen found that New Jersey unregulated intrastate rates are 10-15% lower than the Middle Atlantic Tariff interstate rates. While some shippers pay intrastate rates comparable with interstate rates, he found many examples of shippers getting rates 20%-40% lower than the interstate rates. Ninety-seven percent of the shippers said that intrastate service was better than or equal to interstate service.

Most of the carriers in New Jersey are certified carriers who operate in New Jersey because of interstate business. However, 19% of the carriers are noncertified. The noncertified carriers had an average operating ratio of 88% while the certified carriers had an overall operating ratio of 96%. Hence, those trucking companies functioning without regulation are more profitable than those functioning under a regulatory system and that profit is achieved with lower rates. The industry is stable despite deregulation, with the average years in business exceeding 18 years and 90% of the shippers prefer to continue unregulated intrastate trucking in New Jersey.

The New Jersey experience suggests that deregulation would not injure the Maine intrastate trucking industry and that lower rates would tend to result.

#### D. Deregulation of Air Carriers

Perhaps the most spectacular move toward deregulation has been the move to increased competition in the airline industry. Historically, the Civil Aeronautics Board (CAB) has severely limited competition by regulating rates and entry into that industry. Under former Chairman Alfred Kahn the Board took substantial movement toward less regulation of air carriers. As a result, fares have been heavily discounted in certain markets. A recent Pan American discount fare from Boston to Amsterdam offered \$99 one way and \$149 round trip. This compares to a normal round trip economy fare of \$813.<sup>16</sup>

The dire predictions of ruin for the airline industry as a result of competition in fares has not materialized. Traffic on flights from New York to Great Britain for October, November, and December, 1977, was up 39%, 33%, and 50% over the same three months in 1976. Of the eleven major air trunk lines, eight made higher profits in 1977 than 1976. Operating profits for all certificated air carriers increased by 25 percent for the year ending 3/31/78.<sup>17</sup> Greater competition in the airline industry has resulted in lower prices for the consumer and higher profits for the firms.<sup>18</sup>

FOOTNOTES

PART 4

1. Weekly Compilation of Presidential Documents. Nov. 24, 1975, p. 1286. Vol. II, #47.
2. House Bill HR 10909, p. 1.
3. Congressional Quarterly Weekly Report, Nov. 27, 1976. p. 3252.
4. Ibid., p. 3249.
5. This section is a synopsis of articles appearing in the Oxford Economic Papers and the Economic Record. See particularly Stewart Jay, "Unregulated Road Haulage: The Australian Experience," Oxford Economic Papers, vol. 16, number 2. July, 1964, and H. Kolson, "Structure and Price Determination in the NSW Road Haulage Industry," Economic Record, vol. 32, no. 63, November, 1963.
6. W. Miklius and D. B. DeLoach, "A Further Case for Unregulated Truck Transportation," Journal of Farm Economics, May, 1964. p. 933.
7. Richard N. Farmer, "The Case for Unregulated Truck Transportation," Journal of Farm Economics, May, 1964. vol. 46, no. 2, p. 402.
8. Snitzler and Byrne, Interstate Trucking of Frozen Fruits and Vegetables under the Agricultural Exemption, U. S. Department of Agriculture, Marketing Research Division, MRR-316, March, 1959.
9. W. Miklius and D. B. DeLoach, p. 945.
10. W. Miklius, "Comparison of For-Hire Motor Carriers Operating under the Agricultural Exemption with Regulated Motor Carriers," Market Research Report, N. 769 USDA, 1966, p. 6.
11. Ibid., p. 6.
12. Ibid., p. 13.
13. Thomas Gale Moore, Freight Transportation Regulation (Washington, D. C. American Enterprise for Public Policy Research, 1972). p. 76.
14. Drake Sheahan/Stewart Douglas, Inc., "Private Carriage Motivation and Impact of Rural Location," ps-50367, Department of Transportation, March 28, 1975. pp. 1-2.
15. Correspondence with Dr. Bruce Allen, Regional Science Department, University of Pennsylvania, 3718 Locust Walk,



Philadelphia, Pa. 19104. All statistics in this section are from Dr. Allen.

16. Remarks by Joe Sims, Deputy Assistant Attorney General, Antitrust Division, Department of Justice. "A Billion Dollars Here, A Billion Dollars There: A Scorecard on Regulatory Reform to Date," Before the 49th Annual Meeting of the Association of Interstate Commerce Commission Practitioners." June 22, 1978. p. 19.
17. Ibid., p. 20.
18. For further discussion of lower prices in deregulated markets, see for agricultural exemption -- USDA Interstate Trucking of Fresh and Frozen Poultry Under Agricultural Exemption, MRR No. 224 and James R. Snitzler and Robert J. Byrne, Interstate Trucking of Frozen Fruits and Vegetables Under the Agricultural Exemption, USDA, MRR-316, March, 1959. For a comparison of Canadian provinces that are regulated with those that are not regulated see J. Sloss, "Regulation of Motor Freight Transportation: A Quantitative Evaluation of Policy," Bell Journal of Economics and Management Science, vol. 1, no. 2, pp. 327-366 and J. Palmer, "A Further Analysis of Provincial Trucking Regulation," Bell Journal of Economics and Management Science, vol. 4, no. 2, pp. 655-664. For a discussion of trucking deregulation in Europe, see Thomas Gale Moore, Motor Freight Transportation - The European Experience. For a description of lower rates after the New York Stock Exchange eliminated fixed commission rates, see Remarks by Joe Sims, (footnote 15 above).



### Conclusion

Regulation of the Maine intrastate trucking industry is expensive. The transportation section of the Maine Public Utilities Commission has in recent years operated on a budget of approximately one half million dollars. While this section has duties in regard to safety regulation as well as regulation of railroads, a substantial portion of this allocation is for the regulation of the trucking industry. This does not include the expense to the trucking industry in complying with regulatory requirements, both in making required filings and appearing at hearings before the Public Utilities Commission and its examiners. These expenses are, of necessity, passed on to the taxpayer; to the shipper in the form of higher trucking rates; and, ultimately, to the consumer in the form of higher prices for goods shipped by truck. Moreover, there are other more intangible costs in the form of inefficiency and poor service which also translate into dollar costs to the Maine economy.

In light of these costs, the advocates of continued regulation of the intrastate trucking industry have a substantial burden of showing that such regulation is justified. The evidence strongly suggests that there is no justification for continued regulation of this industry. In the movement toward less government regulation and greater reliance on the competitive marketplace, the trucking industry on both the interstate and intrastate level is a logical place for regulatory reform.





T A B L E S

Number of routes between cities with population of 10,000 or more

Carrier	Thut	Thibeault	Swan	Sherwood	Sanborn	Mitchel & Smith	Merrill	Merchant	McDevitt	Leighton	Leach	Hendrickson	Graf. Bros.	Fox & Ginn	Dugas	Cole	Bissen	Acadia	St. Johnsbury	Robinson	Moore	Total Carriers on a particular route
	✓		✓	✓			✓		✓	✓	✓	✓						✓		✓	✓	
1					11								1	5		11						
2		1			6			2						2		5						
3 or more					5	1		1					1	5	1	5	1		1			

✓ - Carrier has no routes connecting cities with population greater than 10,000 people.

Compiled from the Directory of Points and Places in Maine and Extent Served by Motor Common Carrier.

Cities with populations greater than 10,000							
Lewiston	41,779	Biddeford	19,983	Bruswick	12,546	Sanford	10,457
Auburn	24,151	Westbrook	14,444	Caribou	10,419	South Portland	23,627
Augusta	21,945	Waterville	18,192	Portland	65,116		
Bangor	33,163	Saco	11,678	Presque Isle	11,452		

For calculating routes Lewiston was combined with Auburn, Saco was combined with Biddeford and Portland was combined with South Portland.

Table 2

Moore Motor Exoress

Bangor }	33,168	} So close that they are com- bined.
Brewer }	9,300	
E. Hampden (population includes Hampden)	4,693	
Ellsworth	4,603	
Goose Pond (no population available)		
Green Lake (population included with Dedham)	522	
Holden	1,841	
Lucerne (summer population)	2,000	

Leachs Express

Camden	4,115
Lincolnvillle	955
Rockland	8,505
Rockport	2,067
Islesboro	421

Acadia

Bangor }	33,168	} So close that they are com- bined
Brewer }	9,300	
E. Hampden (population included with Hampden)	4,693	
Ellsworth	4,603	
Goose Pond (no statistics available)		
Green Lake (population included with Dedham)	522	
Holden	1,841	
Lucerne (summer population)	2,000	
Hall Quarry (included with population of Mount Desert)	1,659	
Somesville	"	
Southwest Harbor (summer population)	3,000	
Townhill (no statistics available)		
Tremont	1,003	
Trenton	392	

Table 3

Column A	Column B	Column C	Column D
Bangor	Hall Quarry	Bar Harbor	Ellsworth
Brewer	Somesville	Trehton	Town Hill
E. Hampden	Southwest Harbor	Town Hill	Trenton
Ellsworth	Town Hill	Seal Harbor	Northeast Harbor
Green Lake	Tremont	Northeast Harbor	Seal Harbor
Holden	Trenton	Otter Creek	Somesville
Lucerne			

Acadia - Ship between all points in column A with all points in column B and transporting goods from one point in B to another point in B

McDevitt - Ship between all points in A with all points in C

Moore - Ship from one point in A to another point in A

Sanborn - Ship between one point in D with another point in D

Table 4

Grahams Express

Bangor }	33,168	
Brewer }	9,300	42,468
Woodland	1,534	
Waite	70	
Grand Lake Stream	186	
Princeton ,	450	

Higgins Exoress

Bangor	33,168
Ellsworth	4,603
E. Hampden	1,100
E. Orland	1,307
Cape Rosier }	250
Harborside }	
North Penobscot }	
Penobscot }	786
South Penobscot }	
North brooksville }	
Brooksville }	673

Higgins Express (Continued)

Herricks	160
Sargentville	
Sedgewick	578
Haven	100
Brooklin	
Surry	623
Orrington	2,792
Verona	437
Orland	1,307
Blue Hill	1,367
Blue Hill Falls	
Bucksport	
Bucksport Center	3,756
Naskeag	50

Fred's Express

Bangor	
Brewer	42, 468
Holden	11,841
Lucerne	522
Green Lake	522
Ellsworth	
Ellsworth Falls	4,603
Franklin	708
Sullivan	
Ashville	824
Winter Harbor	1,028
Steuben	697
Milbridge	1,154
Cherryfield	771
Verona	437
Castine	950

Harrington	
Dorman	553
Indian River	
Addison	773
Jonesport	1,326
Bucksport	3,756
Orland	1,307
Penobscot	786
Hancock	1,070
Hancock Pt.	100
Sorrento	199
Gouldsboro	
Birch Harbor	1,310
Corea	
Columbia Falls	367
Beals	663
Orrington	2,702

Table 5

Acadia

Year	1976	1975	1974	1973
Revenue	58,888	50,025	49,765	49,612
Expense	57,893	49,666	48,905	47,071
Labor Expense	29,749	25,189	25,625	22,148
Net Income	995	359	860	2,541

Leach

Year	1976	1975	1974	1973
Revenue	19,917	20,289	17,683	15,857
Expense	19,716	16,000	14,000	12,000
Labor Expense	10,000	9,000	9,000	6,000
Net Income	201	4,289	4,289	3,857

Moore's Motor Express

Year	1976	1975	1974	1973
Revenue	54,150	53,053	57,505	59,827
Expense	51,105	47,175	48,512	46,712
Labor Expense	24,446	24,136	25,560	22,073
Net Income	3,045	5,877	8,993	13,115

Graham's Express

Year	1963	1962	1961	1960
Revenue	24,316	28,258	22,482	27,599
Expense	20,909	18,584	12,962	21,902
Labor Expense	5,200	5,200	4,940	7,035
Net Income	3,407	9,675	9,519	5,698

Higgin's Express

Year	1965	1964	1963	1962
Revenue	17,542	17,774	15,684	11,803
Expense	17,542	17,774	15,684	11,803
Labor Expense	11,645	11,023	9,806	7,650
Net Income	0	0	0	0

Labor expense is provided because all five trucking companies are small family operations. It is often impossible to distinguish between labor expense and the net income of the company. Thus, both were provided.

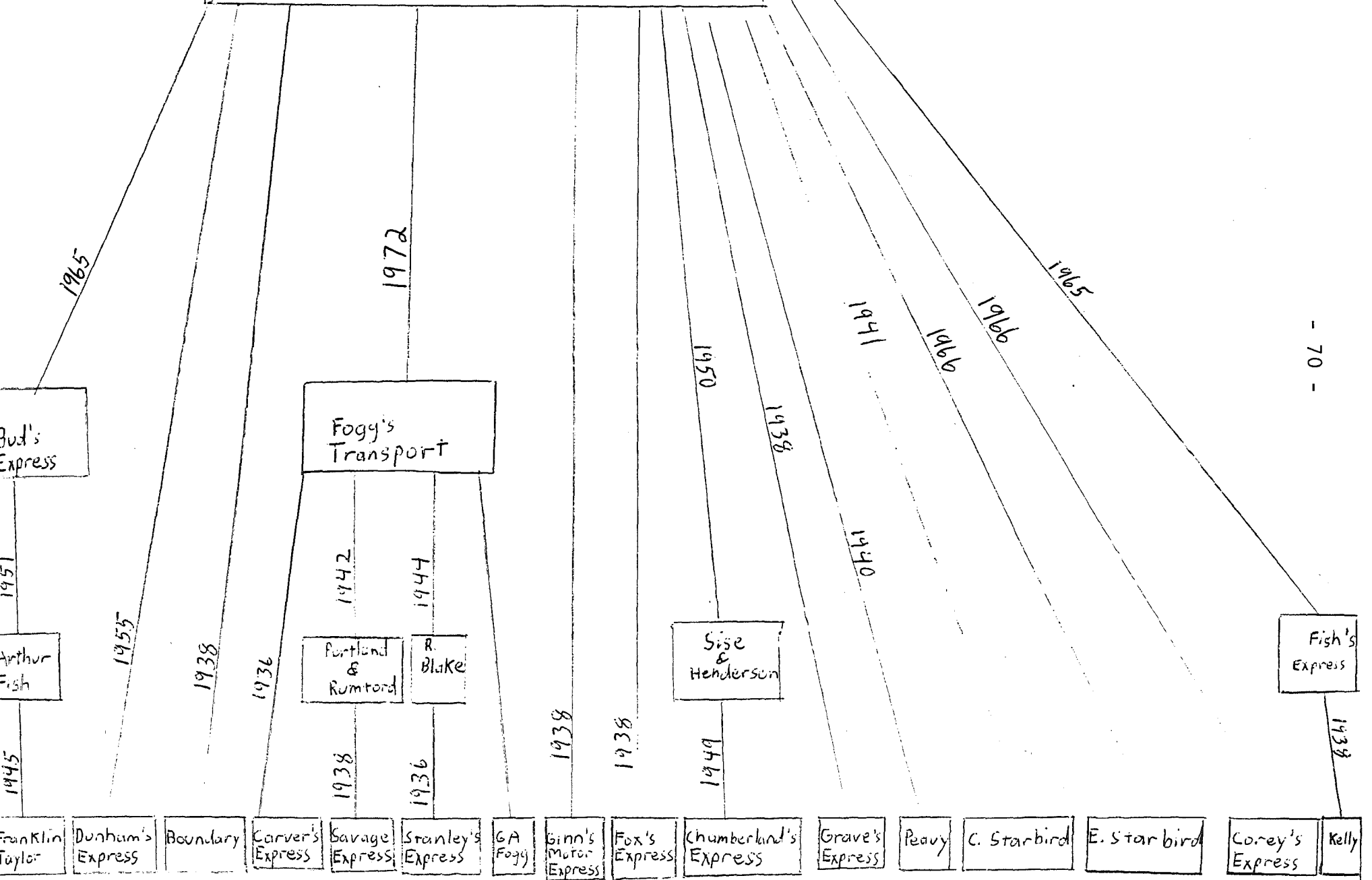
A P P E N D I X 1

M E R G E R S



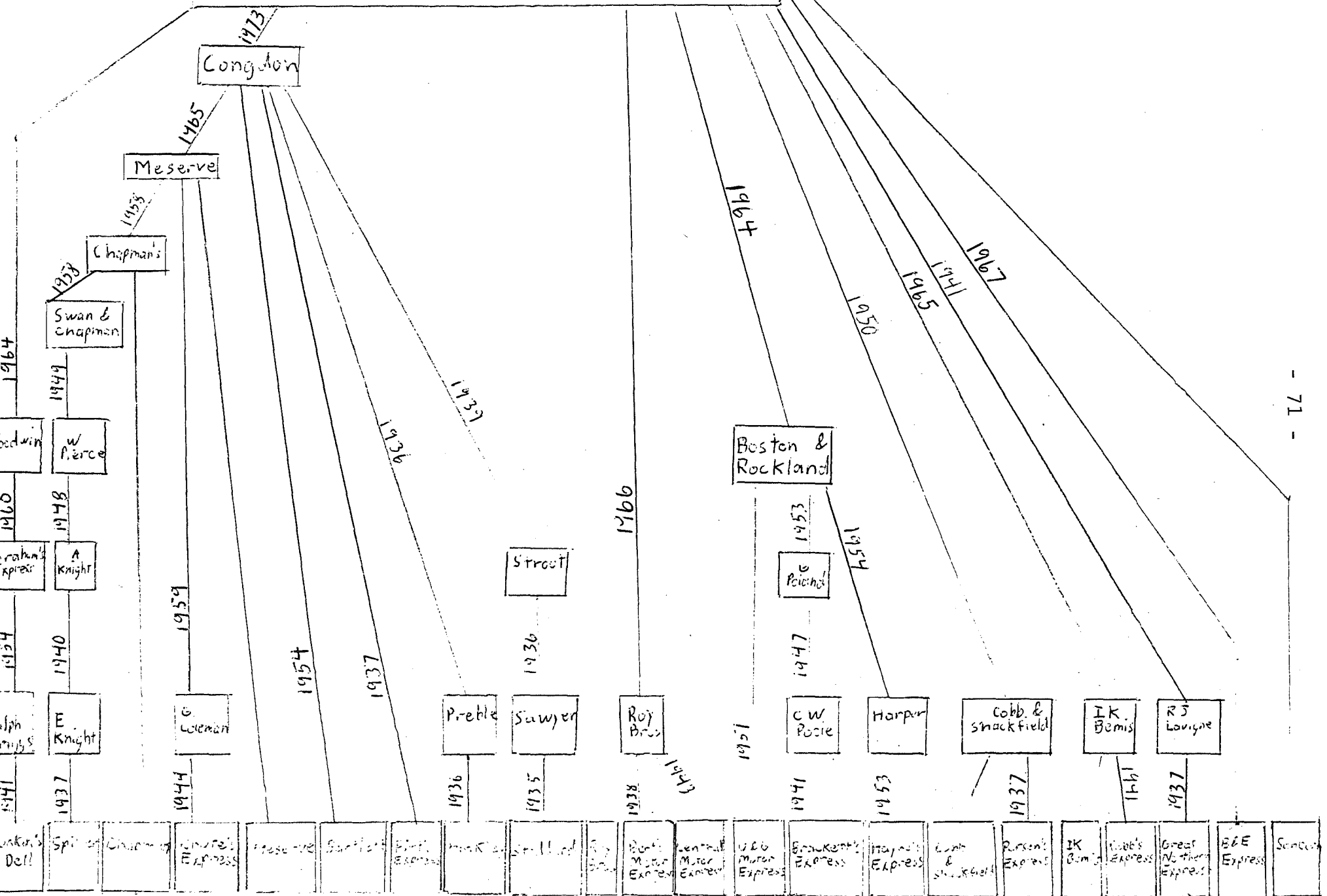


# FOX & GINN



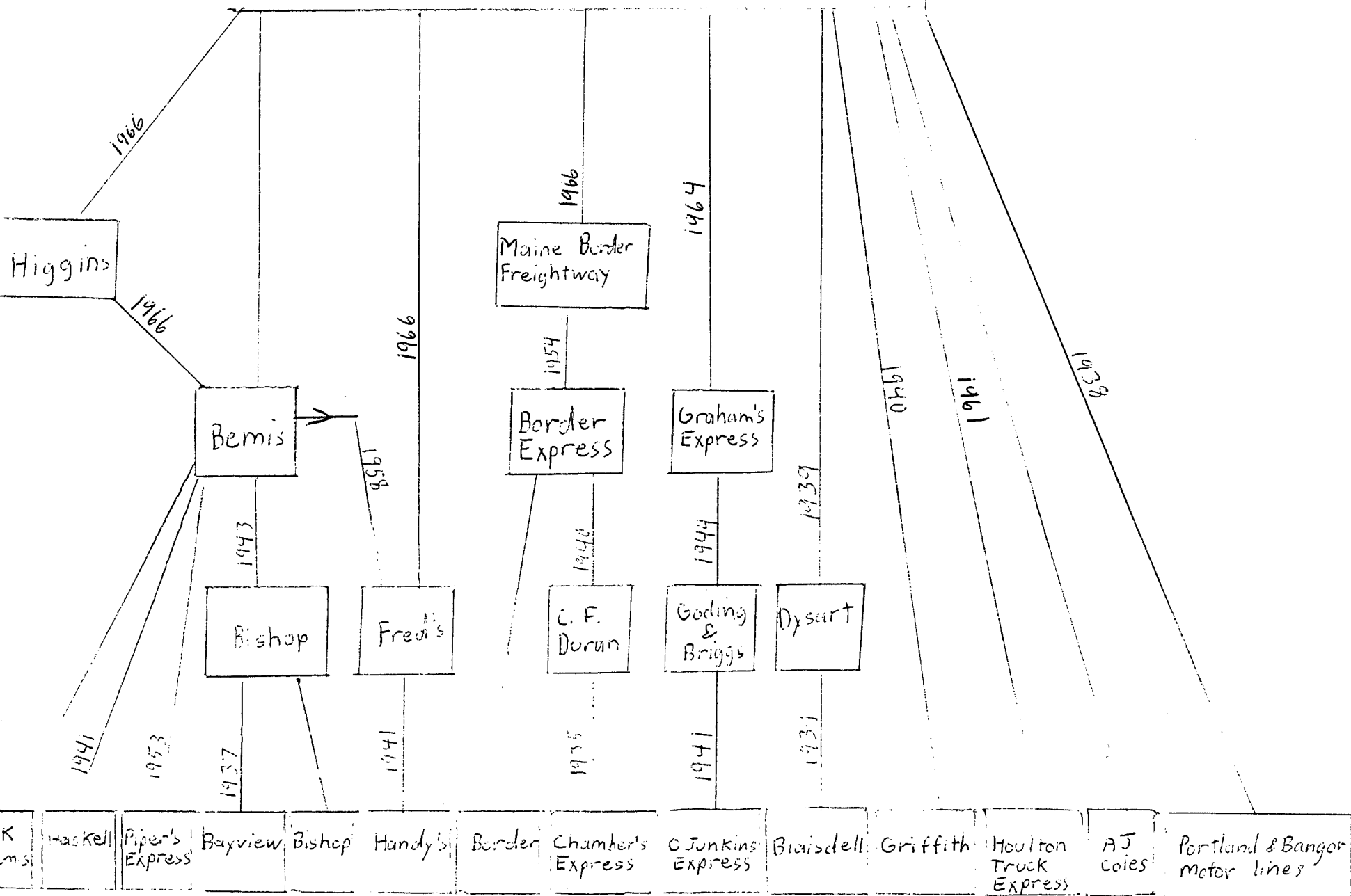


# SANBORN'S EXPRESS





COLE'S EXPRESS



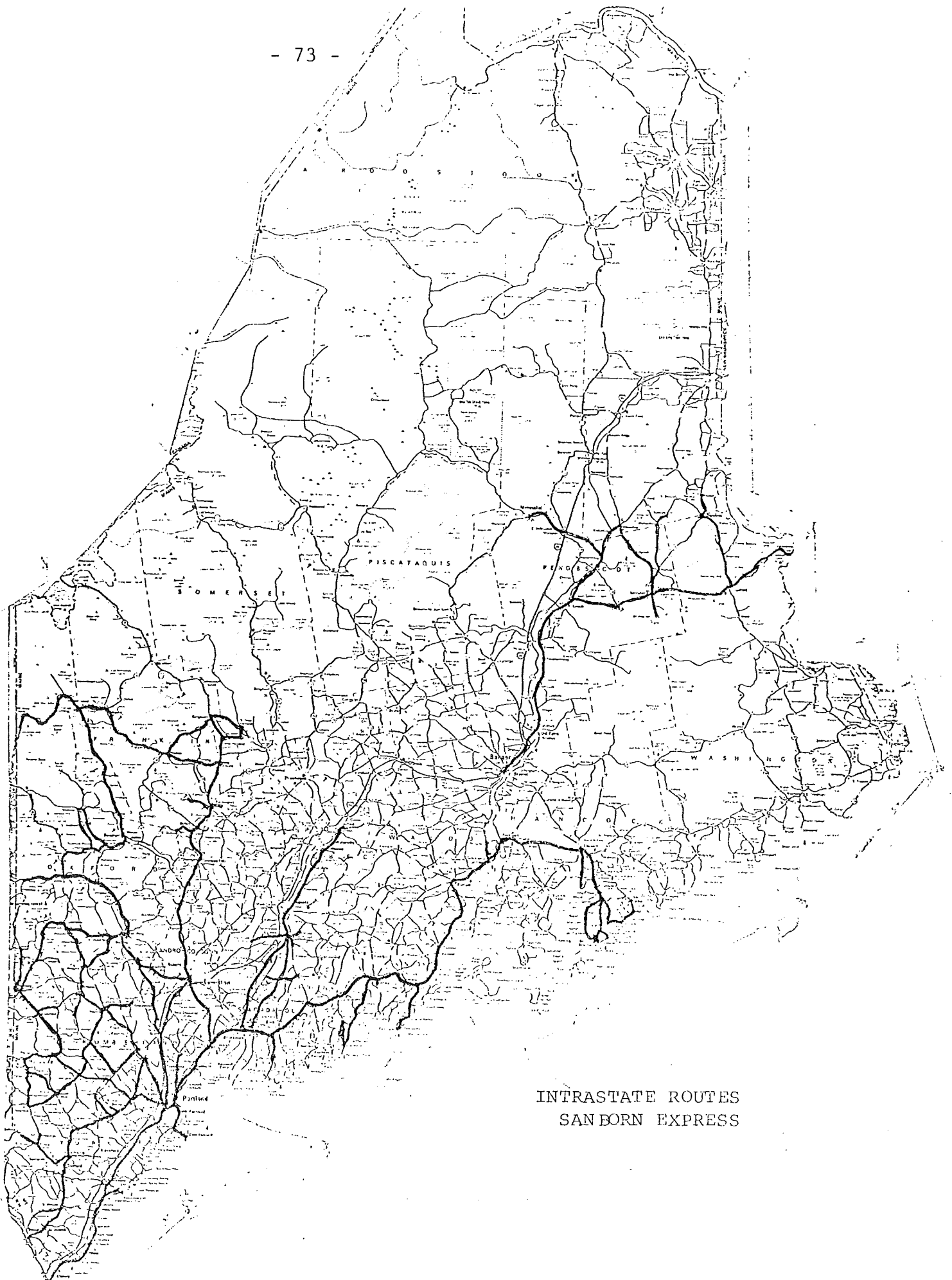


A P P E N D I X 2

M A P S

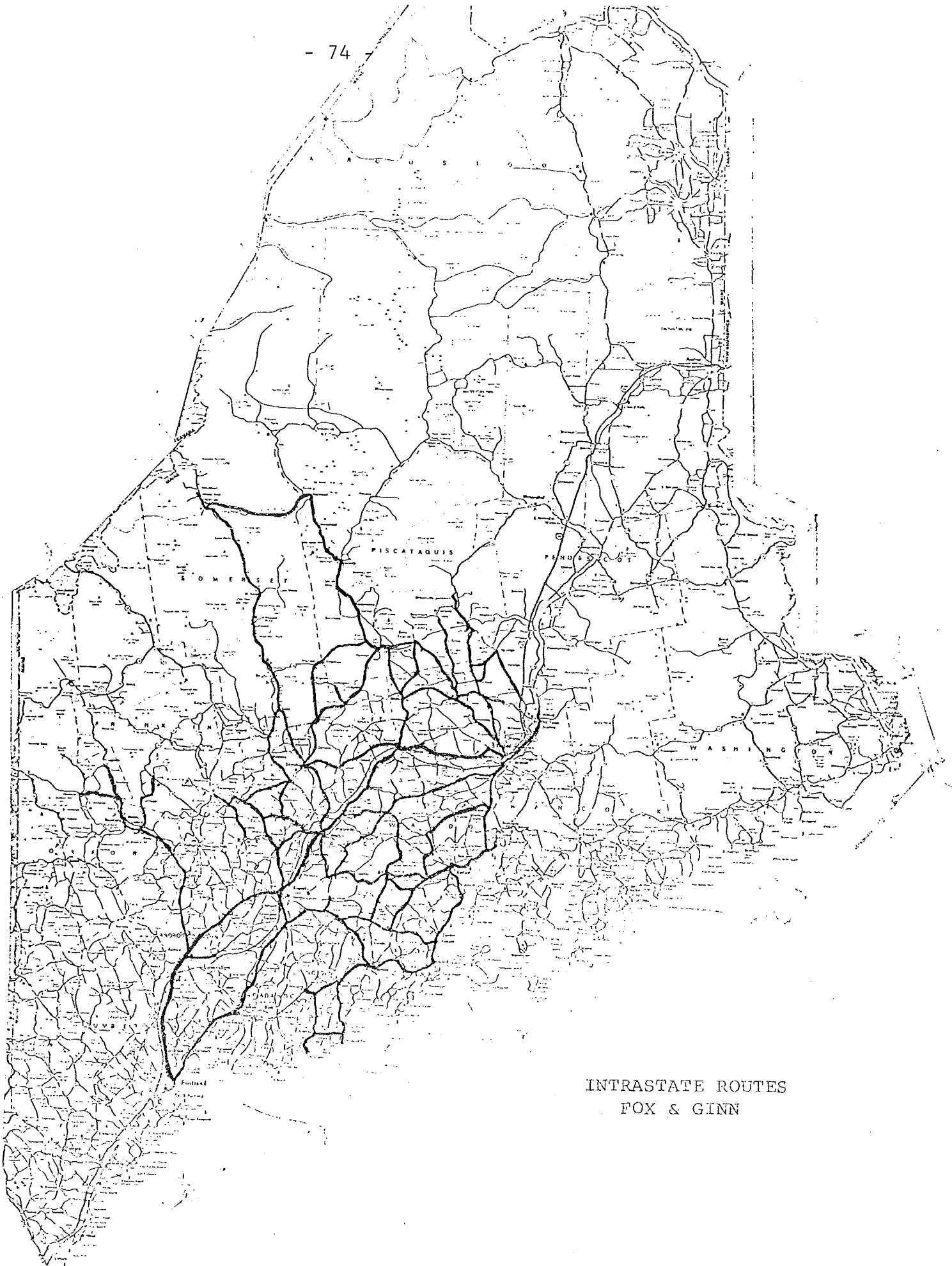






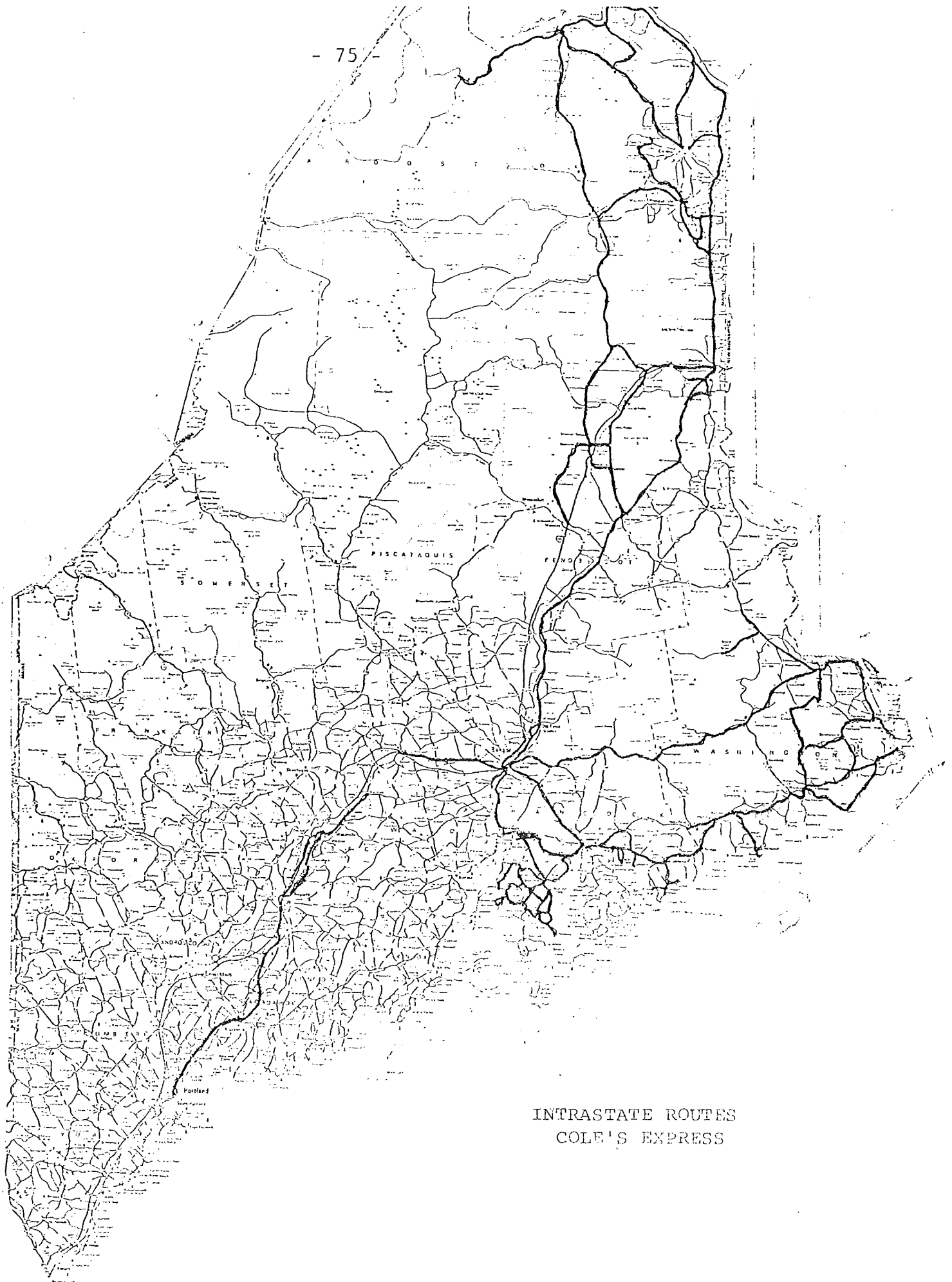
INTRASTATE ROUTES  
SANBORN EXPRESS





INTRASTATE ROUTES  
FOX & GINN





INTRASTATE ROUTES  
COLE'S EXPRESS



A P P E N D I X 3  
C R O S S S U B S I D I Z A T I O N

For simplicity, this appendix assumes that demand is equal in the rural and urban markets, costs are constant, and there is no monopoly pricing.\* Cross subsidization implies that both urban and rural areas are charged the same price ( $P_2$ ). Thus, the rural area pays a price lower than its average cost and the urban area pays a price higher than its average cost. Since the additional amount the urban area pays must equal the additional cost of servicing the rural area, Rectangle  $CBP_1P_2$  must equal Rectangle  $GC P_2P_3$ . The higher cost to urban areas results in a reduction of output to rural areas of  $Q_3-Q_2$ . The lower cost to rural areas results in an increase in output to rural areas of  $Q_2-Q_1$ . However, this results in a misallocation of resources (see Appendix b). Triangle  $ABC$  represents the loss due to reduction in output resulting from setting too high a price to urban areas. Triangle  $CFG$  represents the misallocation resulting from producing more goods than is economically efficient.

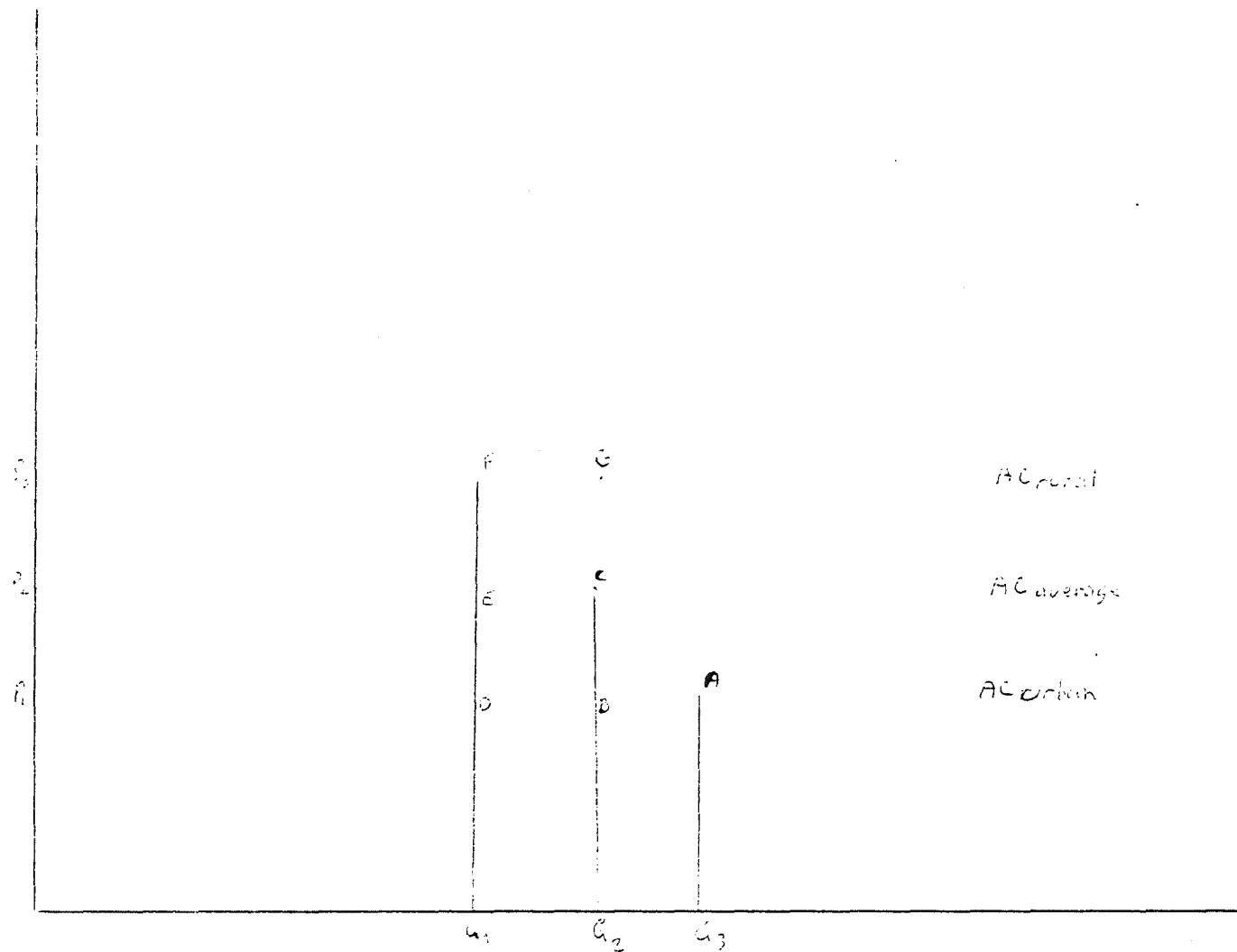
Without cross-subsidization the rural area would pay  $P_3$  with an output of  $Q_1$  and the urban area would pay  $P_1$  with an output of  $Q_3$ . Under this arrangement, there is no deadweight loss and the resources are allocated optimally.

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\*For a discussion of cross-subsidization without similar demand curves, see Alfred Kahn, pp. 190-193, footnote 1, part 2, and for a discussion of cross-subsidization with monopoly pricing, see Gloria Hurdle, Appendix A, pp. 41-3, footnote 13, part 1.









A P P E N D I X 4



STATE OF MAINE  
PUBLIC UTILITIES COMMISSION

Fox & Ginn, Inc. Re: Application to  
Amend Common Carrier Certificate No.  
135.

X-1708

NOTICE OF CONTINUED AND RESCHEDULED HEARINGS

July 18, 1978

On September 9, 1977, Fox & Ginn, Inc. filed so-called Application No. 3 to extend its present service to include those additional routes as described on Exhibit A attached hereto.

The Commission is of the opinion that additional public hearings on Fox & Ginn's Application No. 2 as well as initial public hearings on Application No. 3 should now be scheduled.

Therefore, it is

O R D E R E D

1. That additional public hearings on Fox & Ginn's Application No. 2 be held in the Council Chambers, Bangor City Hall, 73 Harlow Street, Bangor, Maine, on Friday, August 4, 1978, at 9:30 a.m., D.S.T.

2. That additional public hearings on Fox & Ginn's Application No. 2 be held in the Council Chambers, City Hall, Corner Pine and Park Streets, Lewiston, Maine, on Friday, August 11, 1978, at 9:30 a.m., D.S.T.

3. That a public hearing on Fox & Ginn's Application No. 3 be held in Regency Rooms 1 and 2, Holiday Inn-East, 500 Main Street, Bangor, Maine, on Wednesday, August 16, 1978, at 9:30 a.m., D.S.T.

X-1708

4. That additional public hearings on Fox & Ginn's Application No. 3 be held in the Council Chambers, City Hall, Corner Park and Pine Streets, Lewiston, Maine, on Friday, August 18, 1978, at 9:30 a.m., D.S.T.

5. That additional public hearings on Fox & Ginn's Application No. 2 be held in the Council Chambers, City Hall, 12 Second Street, Presque Isle, Maine, on Tuesday, August 29, 1978, at 9:30 a.m., D.S.T.

6. That petitions to intervene in the proceeding on Application No. 3 are due in this office no later than Wednesday, August 9, 1978.

7. That the Secretary of this Commission notify interested parties by causing an attested copy of this Notice of Hearing to be sent by certified mail on July 18, 1978, to:

- (1) Mr. David Fox, President  
Fox & Ginn, Inc.  
207 Perry Road  
Bangor, Maine 04401
- (2) Malcolm S. Stevenson, Esq.  
Blaisdell & Blaisdell  
210 Main Street  
Ellsworth, Maine 04605  
counsel for Fox & Ginn on Application No. 3
- (3) John R. McKernan, Jr., Esq.  
Verrill & Dana  
Two Canal Plaza, P. O. Box 586  
Portland, Maine 04112  
counsel for Auclair Transportation, Inc., proposed Intervenor
- (4) Peter L. Murray, Esq.  
Murray, Plumb & Murray  
30 Exchange Street  
Portland, Maine 04111  
counsel for Graf Bros. and Cole's Express, Intervenor
- (5) Harold C. Pachios, Esq.  
Preti, Flaherty & Beliveau  
443 Congress Street  
Portland, Maine 04111  
counsel for Sanborn's Motor Express, Inc., Intervenor

X-1708

8. That the Secretary of this Commission notify all other Maine common carriers by causing to be sent by regular first-class mail an attested copy of this Notice of Hearing.

9. That the Secretary of this Commission further notify interested parties by causing to be published in the July 30, 1978 issue of Bangor Daily News, Bangor, notice of said hearing on Application No. 3.

Datedat Augusta, Maine, this 18th day of July, A.D., 1978.

BY ORDER OF THE COMMISSION

Howard M. Cunningham

Howard M. Cunningham  
Secretary

A true copy.

Attest: *Howard M. Cunningham*  
Howard M. Cunningham, Secretary



APPLICATION FOR AMENDMENT - COMMON CARRIER

RECEIVED  
STATE OF MAINE  
PUBLIC UTILITIES COMMISSION  
SEP 11 9 41 AM  
MAINE PUBLIC  
UTIL. COMM.

In the matter of the certificate )  
issued to FOX & GINN, INC. )  
to operate as a common carrier )

X-1708 (1977-3)

TO THE PUBLIC UTILITIES COMMISSION OF THE STATE OF MAINE:

RESPECTFULLY REPRESENTS FOX & GINN, INC., a common  
carrier of Bangor, Penobscot County, in the State of  
Maine:-

That it holds certificate No 135 under Docket  
No. X-1708 granted by said Commission and renewed on  
January 3, 1977, and amended by decree of the Commission  
February 4, 1977, authorizing the operation of motor  
vehicles as a common carrier upon highways of the State  
of Maine serving various points.

That you applicant now seeks additional authority  
to serve between the points named in Group A on the one  
hand and the points named in Group B on the other hand, said  
Group A and Group B being page 2 and page 3 of this appli-  
cation respectively.

GROUP A

BANGOR

BREWER

BUCKSPORT

OLD TOWN

ORONO

ORRINGTON

HAMPDEN

MILFORD

VEAZIE

RECEIVED  
1977 SEP -9 AM 9:41  
MAINE PUBLIC  
UTIL. COMM.

GROUP B RECEIVED

1977 SEP -9 AM 9:41

MAINE PUBLIC  
UTIL. COMM.

JAY

LIVERMORE FALLS

MECHANIC FALLS

MINOT

NORWAY

OXFORD

PARIS

SO. PARIS

W. PARIS

WILTON

RECEIVED

1977 SEP -9 AM 9:41

MAINE PUBLIC  
SERVICE

1. It proposes to operate a service at such time or times as may be required to render adequate service to the public.

2. It proposes to charge just and reasonable rates for such transportation.

3. It proposes to use in such service the motor vehicles and trailers as are now registered with this Commission and such others as may be required to render adequate service to the public.

4. It is fit, willing and able, financially and otherwise, to provide adequate service consistent with the needs of the public.

5. Public convenience and necessity require the proposed service.

WHEREFORE, your applicant prays that this Commission will issue a certificate of public convenience and necessity, authorizing said applicant to operate motor vehicles as a common carrier upon the public ways of the State of Maine as heretofore set forth.

Dated at Bangor, Maine

FOX & GINN, INC.  
By *Malcolm S. Stevenson*  
Its Attorney

Blaisdell & Blaisdell  
210 Main Street  
Ellsworth, Maine 04605  
By: Malcolm S. Stevenson, Esq.

STATE OF MAINE  
PUBLIC UTILITIES COMMISSION

Fox & Ginn, Inc.  
Re: Application to Amend Common  
Carrier Certificate No. 135.

X-1708

NOTICE OF HEARING

Fox & Ginn, Inc., Bangor, Maine currently holds Common Carrier Certificate No. 135 and is authorized to operate motor vehicles as a Common Carrier upon the highways of the State of Maine.

Fox & Ginn, Inc. filed an application on August 9, 1977 to extend its present service to include those additional routes as described on Exhibit A attached hereto. The August 9, 1977 filing shall be referred to as an Application No. 1.

On August 19, 1977, Fox & Ginn, Inc. filed a second application to extend its present service to include those additional routes as described on Exhibit A-1 attached hereto. The August 19, 1977 filing shall be referred to as an Application No. 2.

On May 19, 1978, Fox & Ginn, Inc. filed an application to replace the August 19, 1977 application to provide service to include those additional routes as described on Exhibit B attached hereto.

The Commission is now of the opinion that public hearings on these applications should now commence.

Therefore, it is

O R D E R E D

1. That an initial public hearing on Application No. 1 be held in the Hearing Room of the Public Utilities Commission, 242 State Street, Augusta, Maine, on Wednesday, June 7, 1978 at 1:30 p.m., Daylight Saving Time.

NOTICE OF HEARING

X-170S

2. That an initial public hearing on Application No. 2 be held in the Hearing Room of the Public Utilities Commission on Thursday, June 8, 1978 at 9:30 a.m., Daylight Saving Time.

3. That additional public hearings on Application No. 1 be held in Portland and Lewiston at dates and locations to be announced.

4. That additional public hearings on Application No. 2 be held in Portland, Lewiston, Bangor and Prèsque Isle, at dates and locations to be announced.

5. That the Secretary of this Commission notify interested parties by causing an attested copy of the Notice of Hearing to be sent by certified mail on May 19, 1978 to:

- (1) Malcolm Stevenson, Esq., Blaisdell & Blaisdell, 210 Main Street, Ellsworth, Maine 04605, counsel for Fox & Ginn, Inc. on Application No. 1.
- (2) Gerald M. Amero, Esq., Pierce, Atwood, Scribner, Allen, Smith & Lancaster, One Monument Square, Portland, Maine 04101, counsel for Fox & Ginn, Inc. on Application No. 2
- (3) Peter L. Murray, Esq., Murray, Plumb & Murray, 30 Exchange Street, Portland, Maine 04111, counsel for Cole's Express, proposed Intervenor on Application No. 2.
- (4) Peter L. Murray, Esq., Murray, Plumb & Murray, 30 Exchange Street, Portland, Maine 04111, counsel for Graf Bros., Transportation, proposed Intervenor on Application No. 1.
- (5) Mark L. Haley, Esq., Fitzgerald, Donovan, Conley & Day, 746 High Street, Bath, Maine 04530, counsel for Lucien Bisson, Inc., proposed Intervenor on Application No. 1.

6. That the Secretary of this Commission notify all other Maine common carriers by causing to be sent by regular first-class mail an attested copy of this Notice of Hearing.

7. That the Secretary of this Commission further notify interested parties by causing to be published in the May 24 issue of Portland

NOTICE OF HEARING

X-1708

Press Herald, Portland; and the May 31 issue of Bangor Daily News  
Bangor, notice of said hearing.

Dated at Augusta, Maine, this 19th day of May, A.D., 1978,

BY ORDER OF THE COMMISSION

Howard M. Cunningham  
Howard M. Cunningham  
Secretary

A true copy.  
Attest:

  
Howard M. Cunningham, Secretary

GROUP A

1.  
X-1708

Belfast

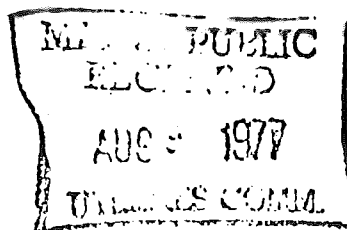
Camden

Rockland

Rockport

Thomaston

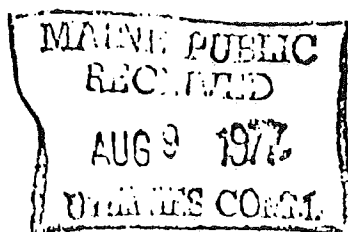
Warren





GROUP B

Auburn	Winslow
Augusta	Woolrich
Bath	Yarmouth
Bowdoinham	
Brunswick	
Cumberland	
Fairfield	
Falmouth	
Farmingdale	
Freeport	
Gardiner	
Hallowell	
Lewiston	
Lisbon	
Oakland	
Portland	
Randolph	
Scarboro	
Sidney	
South Portland	
Topsham	
Vassalboro	
Waterville	
Westbrook	



44-1

1

X-1708

EXHIBIT A-1

Applicant seeks to amend Common Carrier Certificate No. X-1708 by adding service as follows:

Service is authorized to any and all points listed in Group A from any and all points listed in Group B; and from any and all points listed in Group A to any and all points listed in Group B.

ABBOTT  
ALBION  
ANDOVER  
ANSON  
APPLETON  
ATHENS  
AUBURN  
AUGUSTA  
BELFAST  
BELGRADE  
BELMONT  
BRADFORD  
BROOKS  
BROWNVILLE  
BUCKFIELD  
CAMDEN  
CANAAN  
CANTON  
CARTHAGE  
CHARLESTON  
CHINA  
COOPERS MILLS  
CORINNA  
DEXTER  
DIXFIELD  
DIXMONT  
EA. SUMNER  
FAIRFIELD  
FARMINGTON  
FRANKFORT  
FREEDOM  
GARDINER  
GARLAND  
GRAY  
GREENE  
GREENVILLE  
GUILFORD  
HALLOWELL  
HAMPDEN  
HARTFORD  
HUDSON  
JACKMAN  
JEFFERSON  
KNOX  
LAGRANGE  
LEEDS  
LEWISTON  
LIBERTY  
LINCOLNVILLE  
LIVERMORE  
MADISON

MANCHESTER  
MERCER  
MEXICO  
MILO  
MONMOUTH  
MONROE  
MONSON  
MOOSE RIVER  
MORRILL  
NEWBURGH  
NEW SHARON  
NORRIDGEWOCK  
NORTHPORT  
ORNEVILLE  
PALERMO  
PARKMAN  
PERU  
PLYMOUTH  
PROSPECT  
RANDOLPH  
RIPLEY  
ROCKLAND  
ROCKPORT  
ROME  
RUMFORD  
SABATTUS  
SANGERVILLE  
SEARSMONT  
SEARSPORT  
SEBEC  
SHIRLEY  
SIDNEY  
SKOWHEGAN  
SMITHFIELD  
SOLON  
SO. HOPE  
STOCKTON SPRINGS  
THORNDIKE  
TOGUS  
TROY  
TURNER  
UNION  
UNITY  
VASSALBORO  
WALDOBORO  
WASHINGTON  
WATERVILLE  
WINDSOR  
WINSLOW  
WINTERPORT  
WINTHIROP

X-1708

A-1  
3  
X-1708

ALLAGASH PLT.  
ASHLAND  
BENEDICTA  
BLAINE  
BRIDGEWATER  
BUCKSPORT  
CARIBOU  
CASTLE HILL  
CASWELL PLT.  
CONNOR  
DYER BROOK  
EAGLE LAKE  
EASTON  
FORT FAIRFIELD  
FORT KENT  
FRENCHVILLE  
GRAND ISLE  
HOULTON  
ISLAND FALLS  
LIMESTONE  
LITTLETON  
LUDLOW  
MADAWASKA  
MAPLETON  
MARS HILL  
MONTICELLO  
NEW LIMERICK  
OAKFIELD  
ORRINGTON  
PATTEN  
PORTAGE LAKE  
PRESQUE ISLE  
ST. FRANCIS PLT.  
ST. JOHN PLT.  
SHERMAN  
SMYRNA  
VAN BUREN  
WALLAGRASS PLT.  
WASHBURN  
WESTFIELD  
WINTERVILLE PLT.

GROUP A

ABBOTT  
ALBION  
ANDOVER  
ANSON  
APPLETON  
ATHENS  
AUBURN  
AUGUSTA  
BANGOR  
BELFAST  
BELGRADE  
BELMONT  
BENTON  
BINGHAM  
BOOTHBAY  
BOOTHBAY HARBOR  
BOWDOINHAM  
BRADFORD  
BRADLEY  
BREWER  
BROOKS  
BROWNVILLE  
BRUNSWICK  
BUCKFIELD  
BURNHAM  
BYRON  
CAMDEN  
CANAAAN  
CANTON  
CARATUNK  
CARTHAGE  
CHARLESTON  
CHINA  
CLINTON  
COOPERS MILLS  
CORINNA  
CUMBERLAND  
DAMARISCOTTA  
DANVILLE JUNCTION  
DEXTER  
DIXFIELD  
DIXMONT  
DOVER-FOXCROFT  
EA. CORINTH  
EA. HAMPDEN  
EDGECOMB  
EA. SUMNER  
FAIRFIELD

FALMOUTH  
FALMOUTH FORESIDE  
FARMINGTON  
FRANKFORT  
FREEDOM  
FREEPORT  
GARDINER  
GARLAND  
GRAY  
GREENE  
GREENVILLE  
GUILFORD  
HALLOWELL  
HAMPDEN  
HARTFORD  
HUDSON  
JACKMAN  
JEFFERSON  
KENDUSKEAG  
KNOX  
LAGRANGE  
LEEDS  
LEWISTON  
LIBERTY  
LINCOLNVILLE  
LIVERMORE  
MADISON  
MANCHESTER  
MERCER  
MEXICO  
MILFORD  
MILO  
MONMOUTH  
MONROE  
MONSON  
MOOSE RIVER  
MORRILL  
NEWBURGH  
NEWCASTLE  
NEW SHARON  
NOBLEBORO  
NORRIDGEWOCK  
NORTHPORT  
OAKLAND  
OLD TOWN  
ORNEVILLE  
ORONO  
PALERMO

Group A (Cont'd.)

PARKMAN  
PERU  
PLYMOUTH  
PORTLAND  
PROSPECT  
RANDOLPH  
RIPLEY  
ROCKLAND  
ROCKPORT  
ROME  
ROXBURY  
RUMFORD  
SABATTUS  
SANGERVILLE  
SEARSMONT  
SEARSPORT  
SEBEC  
SHIRLEY  
SIDNEY  
SKOWHEGAN  
SMITHFIELD  
SOLON  
SO. BRISTOL  
SO. HOPE  
SOUTHPORT  
SO. PORTLAND  
STOCKTON SPRINGS  
THE FORKS  
THORNDIKE  
TOGUS  
TOPSHAM  
TROY  
TURNER  
UNION  
UNITY  
VASSALBORO  
VEASIE  
WALDOBORO  
WASHINGTON  
WATERVILLE  
WELD  
WESTBROOK  
WINDSOR  
WINSLOW  
WINTERPORT  
WINTHROP  
WISCASSET  
YARMOUTH

GROUP B

ALLAGASH PLT.  
ASHLAND  
BENEDICTA  
BLAINE  
BRIDGEWATER  
BUCKSPORT  
CARIBOU  
CASTLE HILL  
CASWELL PLT.  
CONNOR  
DYER BROOK  
EAGLE LAKE  
EASTON  
FORT FAIRFIELD  
FORT KENT  
FRENCHVILLE  
GRAND ISLE  
HOULTON  
ISLAND FALLS  
LIMESTONE  
LITTLETON  
LUDLOW  
MADAWASKA  
MAPLETON  
MARS HILL  
MONTICELLO  
NEW LIMERICK  
OAKFIELD  
ORRINGTON  
PATTEN  
PORTAGE LAKE  
PRESQUE ISLE  
ST. FRANCIS PLT.  
ST. JOHN PLT.  
SHERMAN  
SMYRNA  
VAN BUREN  
WALLAGRASS PLT.  
WASHBURN  
WESTFIELD  
WINTERVILLE PLT.

STATE OF MAINE  
PUBLIC UTILITIES COMMISSION

Cole's Express  
Re: Application to Amend Common Carrier  
Certificate No. 103.

X-10

May 30, 1978

NOTICE OF CONTINUED AND RESCHEDULED HEARINGS

On May 19, 1978, public hearings on Cole's Express so-called Applications Nos. 1 and 2 were scheduled for June 5 and 6.

On May 24, 1978, the Commission received a communication from counsel for Cole's Express requesting a continuation of the above hearings.

Based on this request, the Commission will reschedule the above hearings. Therefore, it is

O R D E R E D

1. That a public hearing on Application No. 1 of Cole's Express be held in the Council Chambers, South Portland City Hall, 25 Cottage Road, South Portland, Maine, on Monday, June 26, 1978, at 9:30 a.m., Daylight Saving Time, and continue to the Hearing Room of the Public Utilities Commission, 242 State Street, Augusta, on Thursday, July 20, 1978, at 9:30 a.m., Daylight Saving Time.

2. That a public hearing on Application No. 2 of Cole's Express be held at the Hearing Room of the Public Utilities Commission, 242 State Street, Augusta, on Thursday, August 17, 1978, at 9:30 a.m., Daylight Saving Time.



Notice of Continued and  
Rescheduled Hearings

X-10

3. That additional public hearings be held in Bangor and Presque Isle at dates and locations to be announced.

4. That the Secretary of this Commission notify interested parties by causing an attested copy of the Notice of Continued and Rescheduled Hearings to be sent by certified mail on May 30, 1978, to:

- (1) Peter L. Murray, Esq., Murray, Plumb & Murray, 30 Exchange Street, Portland, Maine 04111, counsel for Cole's Express
- (2) Mark L. Haley, Esq., Fitzgerald, Donovan, Conley & Day, 746 High Street, Bath, Maine 04530, counsel for Lucien Bisson, Inc., proposed Intervenor.
- (3) Malcolm S. Stevenson, Esq., Blaisdell & Blaisdell, 210 Main Street, Ellsworth, Maine 04605, counsel for Moore's Motor Express, Inc., proposed Intervenor.
- (4) John R. McKernan, Jr., Esq., Verrill & Dana, Two Canal Plaza, P. O. Box 586, Portland, Maine 04112, counsel for Auclair Transportation, Inc., proposed Intervenor.
- (5) Everett P. Ingalls, Esq., Pierce, Atwood, Scribner, Allen, Smith & Lancaster, One Monument Square, Portland, Maine 04111, counsel for Fox & Ginn, Inc., proposed Intervenor.
- (6) Harold C. Pachios, Esq., Preti, Flaherty & Beliveau, 443 Congress Street, Portland, Maine, 04101, counsel for Sanborn's Motor Express, Inc., proposed Intervenor.

5. That the Secretary of this Commission notify all other Maine common carriers by causing to be sent by regular first-class mail an attested copy of this notice of continued and rescheduled hearings.

Dated at Augusta, Maine, this 30th day of May, A.D., 1978.

BY ORDER OF THE COMMISSION

Howard M. Cunningham  
Howard M. Cunningham  
Secretary

A true copy.

Attest:

Howard M. Cunningham, Secretary

STATE OF MAINE  
PUBLIC UTILITIES COMMISSION

Cole's Express  
Re: Application to Amend Common Carrier  
Certificate No. 103.

X-10

NOTICE OF HEARING

Cole's Express, Bangor, Maine, currently holds Common Carrier Certificate No. 103 and is authorized to operate motor vehicles as a Common Carrier upon the highways of the State of Maine.

Cole's Express filed an application on August 8, 1977 to extend its present service to include those additional routes as described on Exhibit A attached hereto and on August 23 filed an amended application for additional routes described on page 7 of Exhibit A. These filings shall be referred to as Application No. 1.

On September 2, 1977, Cole's Express filed a second application to amend its August 9 and August 23, 1977 applications. On October 3, 1977, Cole's Express filed a further application to amend Part 3 of the second application dated September 2, 1977 as described on page 11 of Exhibit B attached hereto. The September 2, 1977 and October 3, 1977 applications shall be referred to as Application No. 2.

The Commission is now of the opinion that public hearings on these applications should now commence.

Therefore, it is

O R D E R E D

1. That an initial public hearing on Application No. 1 be held in the Hearing Room of the Public Utilities Commission, 242 State Street, Augusta, Maine on Monday, June 5, 1978 at 1:30 p.m., Daylight

NOTICE OF HEARING

X-10

Saving Time, and continue at 9:30 a.m., Tuesday, June 6, 1978.

2. That an initial public hearing on Application No. 2 be held in the Hearing Room of the Public Utilities Commission, 242 State Street, Augusta, Maine, on Tuesday, June 6, 1978 at 1:30 p.m., Daylight Saving Time and continue to 9:00 a.m., Wednesday, June 7, 1978.

3. That additional public hearings be held in Portland, Bangor and Presque Isle at dates and locations to be announced.

4. That the Secretary of this Commission notify interested parties by causing an attested copy of the Notice of Hearing to be sent by certified mail on May 19, 1978 to:

- (1) Peter L. Murray, Esq., Murray, Plumb & Murray, 30 Exchange Street, Portland, Maine 04111, counsel for Cole's Express.
- (2) Mark L. Haley, Esq., Fitzgerald, Donovan, Conley & Day, 746 High Street, Bath, Maine 04530, counsel for Lucien Bisson, Inc., proposed Intervenor.
- (3) Malcolm S. Stevenson, Esq., Blaisdell & Blaisdell, Ellsworth, Maine 04605, counsel for Moore's Motor Express, Inc. proposed Intervenor.
- (4) John R. McKernan, Jr., Esq., Verrill & Dana, Two Canal Plaza, P.O. Box 586, Portland, Maine 04112, counsel for Auclair Transportation, Inc., proposed Intervenor.

5. That the Secretary of this Commission notify all other Maine common carriers by causing to be sent by regular first-class mail an attested copy of this Notice of Hearing.

NOTICE OF HEARING

X-10

6. That the Secretary of this Commission further notify interested parties by causing to be published in the May 24 issue of Portland Press Herald, Portland and the May 31 issue of Bangor Daily News, Bangor, notice of said hearing.

Dated at Augusta, Maine, this 19th day of May, A.D., 1978.

BY ORDER OF THE COMMISSION

Howard M. Cunningham  
Howard M. Cunningham  
Secretary

A true copy.

Attest:

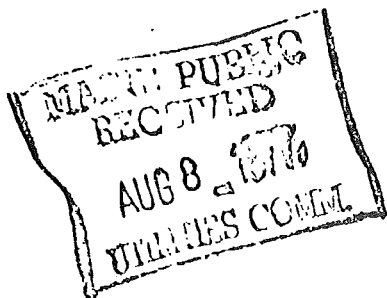
Howard M. Cunningham  
Howard M. Cunningham, Secretary

EXHIBIT A

Applicant seeks to amend Common Carrier Certificate No. X-10 by adding service as follows:

Service is authorized:

- (1) Between points listed in Group A1, on the one hand, and points listed in Group B3, on the other hand.
- (2) Between points listed in Group A2, on the one hand, and points listed in Group B3, on the other hand.
- (3) Between points listed in Group A3, on the one hand, and points listed in Groups B1 and B5, on the other hand.
- (4) Between points listed in Group A4, on the one hand, and Groups B1, B2 and B3, on the other hand.
- (5) Between points listed in Group A5, on the one hand, and Groups B1, B2, B3 and B6, on the other hand.
- (6) Between points listed in Group A6, on the one hand, and Group B4, on the other hand.



A-2  
X-10

Group A1

Bangor	Brewer	East Hampden
--------	--------	--------------

Group A2

Benton	Clinton	Old Town	Veazie
Burnham	Milford	Orono	
Corinna	Oakland	Vassalboro	

Group A3

East Millinocket	Mattawamkeag	Millinocket	Winn
Lincoln			

Group A4

(1) All points in Aroostook County, except:

Bancroft	Orient	Weston	Wytovitlock
----------	--------	--------	-------------

(2) Points in Penobscot County, Viz.:

Grindstone	Patten	Shin Pond	Stacyville
Medway			

Group A5

(1) All points in Washington County, except:

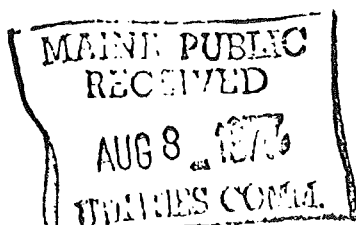
Brookton	Danforth	Lambert Lake	Vanceboro
Codyville	Forest Station	Topsfield	

(2) Points in Hancock County, Viz.:

Aurora	Dedham	Marlboro	Sullivan
Amherst	Eastbrook	Mariaville	Surry
Blue Hill	Franklin	Orland	Verona
Brooklin	Gouldsboro	Otis	Waltham
Brooksville	Hancock	Penobscot	Winter Harbor
Bucksport	Lamoine	Sedgwick	
Castine		Sorrento	

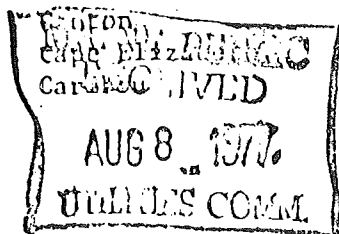
(3) Points in Penobscot County, Viz.:

Clifton	Eddington	Orrington
---------	-----------	-----------



Group A6

Addison	Cary	Gouldsboro	Mapleton
Albany	Casco	Grand Isle	Mariaville
Albion	Castine	Grand Lake Stream	Marion
Alexander	Caswell	Gray	Marlboro
Alfred	Centerville	Greene	Mars Hill
Allagash	Charlotte	Grindstone	Marshfield
Amherst	Chelsea	Guilford	Masardis
Amity	Cherryfield	Gurette	Mattawamkeag
Andover	China	Hallowell	Mechanic Falls
Anson	Clifton	Hamlin	Meddybemps
Appleton	Clinton	Hampden	Medway
Arundel	Columbia	Hancock	Mercer
Ashland	Columbia Falls	Hanover	Mexico
Athens	Connor	Harrington	Milbridge
Auburn	Cooper	Harrison	Milford
Augusta	Corinna	Hartford	Millinocket
Aurora	Cornville	Hartland	Minot
Baileyville	Crawford	Haynesville	Monmouth
Bangor	Crystal	Hersey	Monticello
Bar Harbor	Cumberland	Hodgdon	Moro
Baring	Cutler	Holden	Morrill
Bath	Daigle	Hollis	New Gloucester
Beals	Damariscotta	Houlton	New Limerick
Beddington	Debois	Island Falls	New Portland
Belfast	Dedham	Jay	New Sharon
Belgrade	Dennysville	Jefferson	New Sweden
Benedicta	Detroit	Jonesboro	New Vineyard
Benton	Dexter	Jonesport	Newport
Berwick	Dixfield	Kennebunk	Newry
Bethel	Dover Foxcroft	Kennebunkport	Norridgewock
Biddeford	Dyer Brook	Kingfield	North Berwick
Blaine	Eagle Lake	Kittery	North Yarmouth
Blue Hill	East Machias	Leeds	Northfield
Bowdoin	East Millinocket	Lewiston	Northport
Bowdoinham	Eastbrook	Liberty	Norway
Brewer	Easton	Limerick	Oakfield
Bridgewater	Eastport	Limestone	Oakland
Brooklin	Eddington	Limington	Ogunquit
Brooksville	Edgecomb	Lincoln	Old Town
Brownfield	Eliot	Lincolnville	Orland
Brunswick	Ellsworth	Lisbon	Orono
Bryant Pond	Fairfield	Litchfield	Orrington
Buckfield	Falmouth	Littleton	Otis
Bucksport	Farmingdale	Livermore	Otisfield
Burnham	Farmington	Livermore Falls	Ouellette
Buxton	Fort Fairfield	Lubec	Owls Head
Calais	Fort Kent	Machias	Oxbow
Camden	Franklin	Machiasport	Oxford
Canaan	Freedom	Macwahoc	Palermo
	Freeport	Madawaska	Palmyra
	Frenchville	Madison	Paria
	Gardiner	Manchester	Patten



A-4  
A-10

Pembroke	Thomaston
Penobscot	Thorndike
Perham	Togus
Peru	Topsham
Pittsfield	Turner
Pittston	Union
Poland	Unity
Poland Spring	Van Buren
Portage Lake	Vassalboro
Portland	Veazie
Pownal	Verona
Presque Isle	Wade
Princeton	Waite
Randolph	Waldoboro
Raymond	Wallagras
Reed	Waltham
Richmond	Warren
Ripley	Washburn
Robbinston	Washington
Rockland	Waterboro
Rockport	Waterford
Roque Bluffs	Waterville
Rome	Wells
Rumford	Wesley
Saco	West Gardiner
Sanford	West Paris
Sangerville	Westbrook
Scarborough	Westfield
Searsmont	Whitefield
Searsport	Whiting
Sebago	Whitneyville
Sedgwick	Wilton
Sherman	Windsor
Sidney	Winn
Skowhegan	Winslow
Smithfield	Winterville
Solon	Winthrop
Sorrento	Wiscasset
South Berwick	Woodland
South Portland	Woolwich
St. Agatha	Yarmouth
St. Albans	
St. Francis	
St. George	
St. John	
Stacyville	
Standish	
Steuben	
Stockholm	
Strong	
Sullivan	
Surry	
Talmadge	

95 MC  
AUG 8 1977



Group B1

Albion  
Anson  
Appleton  
Athens  
Belgrade  
Belmont Corner  
Buckfield  
Canaan  
Canton  
Carthage  
China  
Coopers Mills  
Dexter  
Dixfield  
East Sumner  
Freedom  
Greene  
Guilford

Hampden  
Hartford  
Jefferson  
Knox  
Leeds  
Liberty  
Madison  
Manchester  
Mercer  
Mexico  
Monmouth  
Morrill  
New Sharon  
Norridgewock  
Northport  
Palermo  
Peru  
Ripley

Rome  
Sabattus  
Sangerville  
Searsmont  
Sidney  
Skowhegan  
Smithfield  
Solon  
South Hope  
South Lagrange  
Thorndike  
Togus  
Union  
Unity  
Washington  
(Knox County)  
Windsor  
Winthrop

Group B2

Andover  
Auburn  
Belfast  
Camden  
Farmington  
Gray

Hale  
Lewiston  
Lincolnton  
Livermore  
Rockland  
Rockport

Rumford  
Searsport  
Turner  
Waldoboro

Group B3

Albany  
Berwick  
Bethel  
Bowdoin  
Bryant Pond  
Buxton  
Cape Elizabeth  
Chelsea  
Dresden  
East Baldwin  
East Lebanon  
Eliot  
Farmingdale  
Gilead  
Hanover  
Hollis  
Jay  
Kennebunk.  
Kennebunkport

Kingfield  
Kittery  
Limerick  
Limington  
Litchfield  
Livermore Falls  
Locke Mills  
Maplewood  
Mechanic Falls  
Minot  
New Portland  
Newry  
Norway  
New Vineyard  
North Berwick  
Ogunquit  
Otisfield  
Owls Head  
Oxford

Paris  
Phillips  
Pittston  
Poland  
Richmond  
St. George  
South Berwick  
South Thomaston  
Strong  
Warren  
Waterboro  
Waterford  
Wells  
West Gardiner  
West Paris  
Wilton  
York

A-6  
X-10

Group B4

Avon  
Chester  
Chesterville  
Cushing  
Days Mills  
Durham  
Embden  
Fayette  
Friendship  
Georgetown

Greenwood  
Hebron  
Hope  
Industry  
Montville  
Mount Vernon  
Readfield  
Salem  
Somerville  
South Thomston

Starks  
Stetson  
Sumner  
Vienna  
Waldo  
Wales  
Wayne  
Webster  
(Androscobgin Cour  
Woodstock

Group B5

Augusta  
Benton  
Bowdoinham  
Burnham  
Brunswick  
Clinton  
Corinna

Fairfield  
Freeport  
Gardiner  
Hallowell  
Oakland  
Randolph

Richmond Corner  
Topsham  
Vassalboro  
Waterville  
Winslow  
Yarmouth

Group B6

Milford  
Old Town

Orono

Veazie

A-7  
X-10

APPLICATION FOR AMENDMENT - COMMON CARRIER

X-10 (1977-1)

STATE OF MAINE

RECEIVED

PUBLIC UTILITIES COMMISSION AUG 23 AM 6 24

In the matter of the certificate )  
issued to Cole's Express to operate )  
as a common carrier )

MAINE PUBLIC  
UTIL. COMM.

TO THE PUBLIC UTILITIES COMMISSION OF THE STATE OF MAINE:

Cole's Express amends Exhibit A of its Application For Extension Of  
Authority As Follows:

ADD TO:

Group A6

Bridgeton	Ludlow	Perry	Windham
Gorham	Naples	Phillips	Winter Harbor
Linneus	Newcastle	W. Bath	

GROUP B1

Cornville	New Gloucester
-----------	----------------

GROUP B2

Cumberland	Falmouth	Scarborough	Wiscasset
Damariscotta	Newcastle		

GROUP B3

Alfred	Casco	Saco	Thomaston
Arundel	Gorham	Sanford	West Bath
Bath	Harrison	Sebago	Windham
Biddeford	Naples	Standish	Woolwich
Bridgeton	Raymond		

CHANGE:

GROUP B2

Belmont Corner To Read Belmont

GROUP B3

South Thomaston To Read Thomaston

GROUP B4

South Thomston To Read South Thomaston

DELETE FROM:

GROUP A6

Bar Harbor

GROUP B3

Gilead

PART 1

Group 1

Albion	East Sumner	Mercer	Searsmont
Appleton	Freedom	Mexico	Sidney
Belgrade	Greene	Monmouth	Smithfield
Belmont	Guilford	Morrill	South Hope
Buckfield	Hampden	New Sharon	Thorndike
Canton	Hartford	Northport	Togus
Carthage	Jefferson	Palermo	Union
China	Knox	Peru	Unity
Coopers Mills	Leeds	Ripley	Washington
Dexter	Liberty	Rome	(Knox County)
Dixfield	Manchester	Sabattus	Windsor
			Winthrop

Service is authorized between points listed in Group 1 and between points listed in Group 1 on the one hand and points listed in Groups 2 and 4 to 55 inclusive on the other hand.

Group 2

Albany	Hanover	Maplewood	Richmond
Berwick	Hollis	Minot	St. George
Bethel	Jay	New Portland	South Berwick
Bowdoin	Kennebunk	Newry	Strong
Bryant Pond	Kennebunkport	New Vineyard	Thomaston
Buxton	Kingfield	North Berwick	Waterboro
Cape Elizabeth	Kittery	Ogunquit	Waterford
Chelsea	Limerick	Otisfield	Wells
Dresden	Limington	Owls Head	West Gardiner
East Lebanon	Litchfield	Phillips	Wilton
Eliot	Livermore Falls	Pittston	York
Farmingdale	Locke Mills	Poland	

Service is authorized between points listed in Group 2 and between points listed in Group 2 on the one hand and points listed in Groups 3, 5 to 9 inclusive, 11, 12, 14 to 17 inclusive, 20 to 28 inclusive, 30 to 49 inclusive, 51, 53 and 55 on the other hand.

Group 3

East Millinocket	Mattawamkeag	Millinocket	Winn
Lincoln			

Service is authorized between points listed in Group 3 and between points listed in Group 3 on the one hand and points listed in Groups 6 to 8 inclusive, 10 to 12 inclusive, 14, 17, 19, 21, 23, 25 to 27 inclusive, 29, 32 to 34 inclusive, 37 to 39 inclusive, 41, 43, 44, 46, 47, 51, 52, 54 and 55 on the other hand.

B-2  
X-11

Group 4

Corinna                      Oakland

Service is authorized between points listed in Group 4 on the one hand and between points listed in Groups 5, 7, 8, 10, 12, 15, 16, 19, 21 to 23 inclusive, 26 to 29 inclusive, 31, 32, 35 to 38 inclusive, 46, 48 to 52 inclusive and 54 to 56 inclusive on the other hand.

Group 5

Bowdoinham                      Richmond Corner

Service is authorized between points listed in Group 5 and between points listed in Group 5 on the one hand and Groups 6 to 56 inclusive on the other hand.

Group 6

Alfred                      Arundel                      Sanford

Service is authorized between points listed in Group 6 on the one hand and between points listed in Groups 7 to 9 inclusive, 11, 12, 14 to 17 inclusive, 20 to 28 inclusive, 31, 32, 34 to 49 inclusive and 55 on the other hand.

Group 7

Andover                      Hale                      Rumford

Service is authorized between points listed in Group 7 on the one hand and points listed in Groups 8 to 55 inclusive on the other hand.

Group 8

Auburn                      Lewiston

Service is authorized between points listed in Group 8 on the one hand and points listed in Groups 9 to 22 inclusive, 24 to 27 inclusive, 29 to 36 inclusive, 38 to 42 inclusive and 44 to 55 inclusive on the other hand.

Group 9

Augusta

Service is authorized between the point listed in Group 9 on the one hand and points listed in Groups 11, 12, 14, 15, 17, 21 to 23 inclusive, 25 to 29 inclusive, 32 to 34 inclusive, 36 to 39 inclusive, 41, 43, 44, 46 to 49 inclusive, 51, 52, 55 and 56 on the other hand.

Group 10

Bangor

Service is authorized between the point listed in Group 10 on the one hand and points listed in Groups 12, 15, 16, 21 to 24 inclusive, 26 to 29 inclusive, 31, 32, 35 to 38 inclusive, 42, 45, 46, 48 to 53 inclusive, and 55 on the other hand.

Group 11

Bath

Service is authorized between the point listed in Group 11 on the one hand and points listed in Groups 12, 14, 16, 17, 20, 21, 23 to 25 inclusive, 28, 31, 33 to 35 inclusive, 37, 38, 40, 42 to 45 inclusive, 49, 51 and 55 on the other hand.

Group 12

Belfast

Service is authorized between the point listed in Group 12 on the one hand and points listed in Groups 13 to 31 inclusive, and 33 to 55 inclusive on the other hand.

Group 13

Benton

Burnham

Service is authorized between points listed in Group 13 on the one hand and Groups 15, 21 to 23 inclusive, 26 to 29 inclusive, 31, 32, 35 to 38 inclusive, 46, 48 to 52 inclusive and 55 on the one hand.

Group 14

East Baldwin

Gorham

Standish

Service is authorized between points listed in Group 14 on the one hand and points listed in Groups 15 to 17 inclusive, 20 to 28 inclusive, 31 to 41 inclusive, 43 to 49 inclusive, 51 and 55 on the other hand.

Group 15

Brunswick

Service is authorized between the point listed in Group 15 and points listed in Groups 16 to 19 inclusive, 21, 23 to 25 inclusive, 28, 29, 31, 33 to 35 inclusive, 37, 42 to 45 inclusive, 49 to 52 inclusive and 54 to 56 inclusive on the other hand.

Group 16

Canaan

Service is authorized between the point listed in Group 16 on the one hand and points listed in Groups 17, 19, 21 to 34 inclusive, 36 to 39 inclusive, 41 to 44 inclusive, 46 to 48 inclusive and 51 to 55 inclusive on the other hand.

Group 17

Casco

North Yarmouth

Service is authorized between points listed in Group 17 on the one hand and points listed in Groups 20 to 28 inclusive, 31 to 49 inclusive, 51 and 55 on the other hand.

Group 18

Clinton

Service is authorized between the point listed in Group 18 and points listed in Groups 21 to 23 inclusive, 26 to 29 inclusive, 31, 32, 36 to 38 inclusive, 46, 48, 49, 51, 52 55 and 56 on the other hand.

Group 19

East Hampden

Service is authorized between the point listed in Group 19 on the one hand and points listed in Groups 21 to 24 inclusive, 26 to 28 inclusive, 31, 32, 35 to 38 inclusive, 42, 45, 46, 48 to 53 inclusive, 55 and 56 on the other hand.

Group 20

Fairfield

Service is authorized between the point listed in Group 20 on the one hand and points listed in Groups 21, 23, 25 to 29 inclusive, 31 to 34 inclusive, 37 to 39 inclusive, 41, 43, 44, 46, 47, 49 to 52 inclusive, 55 and 56 on the other hand.

Group 21

Falmouth

Cumberland

Service is authorized between the points listed in Group 21 on the one hand and points listed in Groups 22 to 29 inclusive, 31 to 47 inclusive, 49 to 52 inclusive, 54 and 55 on the other hand.

Group 22

Freeport

Service is authorized between the points listed in Group 22 on the one hand and points listed in Groups 23 to 26 inclusive, 28, 29, 31 to 35 inclusive, 37 to 40 inclusive, 42 to 45 inclusive, 48 to 52 inclusive and 54 to 56 inclusive on the other hand.

Group 23

Gray

Service is authorized between the point listed in Group 23 on the one hand and points listed in Groups 24 to 27 inclusive, 29, 31 to 52 inclusive, 54 and 55 on the other hand.

Group 24

Gardiner

Hallowell

Service is authorized between points listed in Group 24 on the one hand and points listed in Groups 25 to 29 inclusive, 32 to 39 inclusive, 41, 43, 44, 46 to 52 inclusive and 54 to 56 inclusive on the other hand.

B-5  
X-10

Group 25

Bridgeton

Harrison

Naples

Raymond

Service is authorized between points listed in Group 25 on the one hand and points listed in Groups 26 to 28 inclusive, 31 to 41 inclusive, 43, 45 to 49 inclusive, 51 and 55 on the other hand.

Group 26

Lisbon

Service is authorized between the point listed in Group 26 on the one hand and points listed in Groups 27 to 35 inclusive and 37 to 56 inclusive on the other hand.

Group 27

Damariscotta

Newcastle

Service is authorized between points listed in Group 27 on the one hand and points listed in Groups 28, 29, 31, 33 to 35 inclusive, 37, 40, 42 to 45 inclusive, 48 to 52 inclusive, 54 and 55 on the other hand.

Group 28

New Gloucester

Service is authorized between the point listed in Group 28 on the one hand and points listed in Groups 29, 31 to 52 inclusive, 54 and 55 on the other hand.

Group 29

Old Town

Service is authorized between the point listed in Group 29 on the one hand and points listed in Groups 30 to 32 inclusive, 35 to 38 inclusive, 40, 42, 45, 46 and 48 to 55 inclusive on the other hand.

Group 30

Portland

Service is authorized between the point listed in Group 30 on the one hand and points listed in Groups 32, 35, 38, 39, 43, 49, 50, 52, 54 and ff on the other hand.

Group 31

Randolph

Service is authorized between the point listed in Group 31 on the one hand and points listed in Groups 32 to 44 inclusive, 46 to 52, inclusive and 54 to 56 inclusive on the other hand.



B-6  
X-10

Group 32

Camden                      Rockland                      Rockport

Service is authorized between the points listed in Group 32 on the one hand and points listed in Groups 33 to 35 inclusive, 37, 39 to 45 inclusive and 48 to 55 inclusive on the other hand.

Group 33

Biddeford                      Saco

Service is authorized between points listed in Group 33 on the one hand and points listed in Groups 34 to 49 inclusive and 55 on the other hand.

Group 34

Sebago

Service is authorized between the point listed in Group 34 on the one hand and points listed in Groups 35 to 41 inclusive, 43 to 49 inclusive, 51 and 55 on the other hand.

Group 35

Anson                      Norridgewock                      Skowhegan                      Solon  
Madison

Service is authorized between points listed in Group 35 on the one hand and points listed in Groups 36 to 39 inclusive, 41 to 44 inclusive, 46 to 48 inclusive and 50 to 55 inclusive on the other hand.

Group 36

Topsham

Service is authorized between the point listed in Group 36 on the one hand and points listed in Groups 37, 40, 42 to 45 inclusive, 49 to 52 inclusive and 54 to 56 inclusive on the other hand.

Group 37

Livermore                      Turner

Service is authorized between points listed in Group 37 on the one hand and points listed in Groups 38 to 52 inclusive, 54 and 55 on the other hand.

Group 38

Waldoboro

Service is authorized between the point listed in Group 38 on the one hand and points listed in Groups 39 to 45 inclusive and 48 to 55 inclusive on the other hand.

B-7  
X-10

Group 39

Thomaston

Warren

Service is authorized between points listed in Group 39 and between points listed in Group 39 on the one hand and points listed in Groups 40 to 45 inclusive, 48, 49, 51, 53 and 55 on the other hand.

Group 40

Waterville

Service is authorized between the point listed in Group 40 on the one hand and points listed in Groups 41, 43, 44, 46 to 49 inclusive, 51, 52 55 and 56 on the other hand.

Group 41

West Bath

Service is authorized between the point listed in Group 41 on the one hand and points listed in Groups 42 to 45 inclusive, 49, 51 and 55 on the other hand.

Group 42

Westbrook

Service is authorized between the point listed in Group 42 on the on hand and points listed in Groups 43, 44, 46 to 52 inclusive, 54 and 55 on the other hand.

Group 43

Mechanic Falls  
Norway

Oxford

Paris

West Paris

Service is authorized between points listed in Group 43 on the one hand and points listed in Group 44 to 49 inclusive, 51, 53 and 55 on the other hand.

Group 44

Windham

Service is authorized between the points listed in Group 44 on the one hand and points listed in Groups 45 to 49 inclusive, 51 and 55 on the other hand.

Group 45

Winslow

Service is authorized between the point listed in Group 45 on the one hand and points listed in Groups 46 to 49 inclusive, 51, 52 and 54 to 56 inclusive on the other hand.

Group 46

Wiscasset

Service is authorized between the point listed in Group 46 on the one hand and points listed in Groups 48 to 52 inclusive, 54 and 55 on the other hand.

Group 47

Woolwich

Service is authorized between the point listed in Group 47 on the one hand and points listed in Groups 48, 49, 51 and 55 on the other hand.

Group 48

Yarmouth

Service is authorized between the point listed in Group 48 on the one hand and points listed in Groups 49 to 56 inclusive on the other hand.

Group 49

Athens

Cornville

Service is authorized between points listed in Group 49 on the one hand and points listed in Groups 50 to 55 inclusive on the other hand.

Group 50

Vassalboro

Service is authorized between the point listed in Group 50 on the one hand and points listed in Groups 51 to 56 inclusive on the other hand.

Group 51

Scarborough

Service is authorized between the point listed in Group 51 on the one hand and points listed in Groups 52, 54 and 55 on the other hand.

Group 52

Milford

Orono

Veazie

Service is authorized between the points listed in Group 52 and between the points listed in Group 52 on the one hand and points listed in Groups 53 to 55 inclusive on the other hand.

B-9  
X-10

GROUP B

(1) All points in Washington County, except:

Brookton	Danforth	Lambert Lake	Vanceboro
Codyville	Forest Station	Topsfield	

(2) Points in Hancock County, Viz.:

Aurora	Dedham	Mariaville	Surry
Amherst	Eastbrook	Orland	Verona
Blue Hill	Franklin	Otis	Waltham
Brooklin	Gouldsboro	Penobscot	Winter Harbor
Brooksville	Hancock	Sedgwick	
Bucksport	Lamoine	Sorrento	
Castine	Marlboro	Sullivan	

(3) Points in Penobscot County, Viz.:

Clifton	Eddington	Orrington
---------	-----------	-----------

Service is authorized between points listed in Group B on the one hand and points listed in Group C on the other hand.

GROUP C

Alna	North Yarmouth	Pownal	Whitefield
Lisbon			

GROUP D

Ellsworth

B-10  
X-10

Group 53

South Portland

Service is authorized between the point listed in Group 53 on the one hand and points listed in Groups 54 and 55 on the other hand.

Group 54

Brewer

Service is authorized between the point listed in Group 54 on the one hand and points listed in Group 55 on the other hand.

Group 55

Alna	Farmington	Pownal	Whitefield
Ellsworth	Lincolntonville	Searsport	

Service is authorized between the points listed in Group 55 and between the points listed in Group 55 on the one hand and points listed in Group 56 on the other hand.

Group 56

Bucksport                      Orrington

Service is authorized between the points listed in Group 56.

PART 2

- (A) Service is authorized from Benton, Burnham and Clinton on the one hand to Bangor, Brewer and East Hampden on the other hand.
- (B) Service is authorized from Westbrook on the one hand to Portland on the other hand.
- (C) Service is authorized from Randolph on the one hand to Winslow on the other hand.

PART 3

Group A

- (1) All points in Aroostook County, except:

Bancroft	Orient	Weston	Wyetopitlock
----------	--------	--------	--------------

- (2) Points in Penobscot County, Viz.:

Grindstone	Patten	Shin Pond	Stacyville
Medway			

Service is authorized between points listed in Group A on the one hand and points listed in Groups C and D on the other hand.

AMENDMENT TO EXHIBIT O OF COLE'S EXPRESS 2ND APPLICATION,  
DATED SEPTEMBER 2, 1977, TO CHANGE PART 3 TO READ:

B-11  
X-1D

PART 3

Group A

(1) All Points in Aroostook County, except:

Bancroft	Orient	Weston	Wytopitlock
----------	--------	--------	-------------

(2) Points in Penobscot County, viz:

Grindstone	Patten	Shin Pond	Stacyville
Medway			

Service is authorized between points listed in Group A and between points listed in Group A on the one hand and points listed in Groups B, C and D on the other hand.

Group B

(1) All points in Washington County, except:

Brookton	Danforth	Lambert Lake	Vanceboro
Codyville	Forest Station	Topsfield	

(2) Points in Hancock County, viz:

Aurora	Dedham	Marlboro	Sullivan
Amherst	Eastbrook	Mariaville	Surry
Blue Hill	Ellsworth	Orland	Verona
Brooklin	Franklin	Otis	Waltham
Brooksville	Gouldsboro	Penobscot	Winter Harbor
Bucksport	Hancock	Sedgwick	
Castine	Lamoine	Sorrento	

(3) Points in Penobscot County, viz:

Clifton	Eddington	Orrington
---------	-----------	-----------

Service is authorized between points listed in Group B and between points listed in Group B on the one hand and points listed in Groups C and D on the other hand.

Group C

Alna	North Yarmouth	Pownal	Whitefield
Lisbon			

Group D

Augusta	Corinna	Old Town	Topsham
Bangor	Fairfield	Orono	Vassalboro
Benton	Freeport	Pittsfield	Veazie
Bowdoinham	Gardiner	Portland	Waterville
Brewer	Hallowell	Randolph	Westbrook
Brunswick	Milford	Richmond Corner	Winslow
Burnham	Newport	South Portland	Yarmouth
Clinton	Oakland		

STATE OF MAINE  
PUBLIC UTILITIES COMMISSION

Cole's Express  
Re: Application to Amend Common Carrier  
Certificate No. 103.

X-10

NOTICE OF CONTINUED AND RESCHEDULED HEARINGS

July 18, 1978

It is necessary to schedule additional public hearings on Applications No. 1 and No. 2 of Cole's Express.

Therefore, it is

O R D E R E D

1. That an additional public hearing on Application No. 1 be held in the Council Chambers, Bangor City Hall, 73 Harlow Street, Bangor, Maine, on Tuesday, August 1, 1978, at 9:30 a.m., D.S.T.
2. That an additional public hearing on Application No. 2 be held in the Regency Room 1 and 2, Holiday Inn-East, 500 Main Street, Bangor, Maine, on Wednesday, August 2, 1978, at 9:30 a.m., D.S.T.
3. That an additional public hearing on Application No. 2 be held in the Council Chambers, South Portland City Hall, 25 Cottage Road, South Portland, Maine, on Tuesday, August 15, 1978, at 9:30 a.m., D.S.T.
4. That an additional public hearing be held on Application No. 2 in the Hearing Room, Public Utilities Commission, 242 State Street, Augusta, Maine, on Thursday, August 17, 1978, at 9:30 a.m., D.S.T.
5. That an additional public hearing on Application No. 2 be held in the Council Chambers, City Hall, 12 Second Street, Presque Isle, Maine, on Wednesday, August 30, 1978, at 9:30 a.m., D.S.T.

X-10

6. That additional public hearings on Application No. 1 be held in the Council Chambers, City Hall, 12 Second Street, Presque Isle, Maine, on Thursday and Friday, August 31, 1978 and September 1, 1978, at 9:30 a.m., D.S.T.

7. That the Secretary of this Commission notify interested parties by causing an attested copy of the Notice of Continued and Rescheduled Hearings to be sent by certified mail on July 18, 1978, to:

- (1) Peter L. Murray, Esq.  
Murray, Plumb & Murray  
30 Exchange Street  
Portland, Maine 04111  
counsel for Cole's Express
- (2) Mark L. Haley, Esq.  
Fitzgerald, Donovan, Conley & Day  
746 High Street  
Bath, Maine 04530  
counsel for Lucien Bisson, Inc., Intervenor
- (3) Malcolm S. Stevenson, Esq.  
Blaisdell & Blaisdell  
210 Main Street  
Ellsworth, Maine 04605  
counsel for Moore's Motor Express, Inc., Intervenor
- (4) John R. McKernan, Jr., Esq.  
Verrill & Dana  
Two Canal Plaza, P. O. Box 586  
Portland, Maine 04112  
counsel for Auclair Transportation, Inc., Intervenor
- (5) Everett P. Ingalls, Esq.  
Pierce, Atwood, Scribner, Allen, Smith & Lancaster  
One Monument Square  
Portland, Maine 04101  
Counsel for Fox & Ginn, Inc., Intervenor
- (6) Harold C. Pachios, Esq.  
Preti, Flaherty & Beliveau  
443 Congress Street  
Portland, Maine 04111  
counsel for Sanborn's Motor Express, Inc., Intervenor



X-10

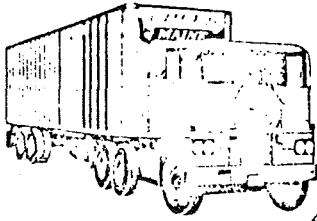
8. That the Secretary of this Commission notify all other Maine common carriers by causing to be sent by regular first-class mail an attested copy of this Notice of Continued and Rescheduled Hearings.

Dated at Augusta, Maine, this 18th day of July, A.D., 1978.

BY ORDER OF THE COMMISSION

Howard M. Cunningham  
Howard M. Cunningham  
Secretary

A true copy. *Howard M. Cunningham*  
Attest: \_\_\_\_\_  
Howard M. Cunningham, Secretary



# *Coles Express*

DEPENDABLE SERVICE SINCE 1917

444 PERRY ROAD

GENERAL OFFICES  
BANGOR, MAINE 04401

TELEPHONE 207 942-7311

*Our 60th Anniversary*

July 14, 1978

Mr. Howard M. Cunningham, Secretary  
Maine Public Utilities Commission  
242 State Street  
Augusta, Maine 04333

Dear Mr. Cunningham:

This is our request to amend Exhibit A of Cole's Express 2nd Application, dated September 2, 1977 to:

- (1) Correct a typeographical error in Part 1, Group 30 that presently shows . . . "54 and ff on the other hand." To read, "54 and 55 on the other hand".
- (2) Add the points of Dayton and Lyman to Group 55 of Part 1.
- (3) Delete Paragraphs (B) and (C) in Part 2 and to add the points of Dayton and Lyman to Group C of the amended Part 3.

Sincerely,

A handwritten signature in dark ink, appearing to read 'Lee M. Greiner'.

Lee M. Greiner  
Vice President-Traffic

RECEIVED  
1978 JUL 17 AM 6:50  
MAINE PUBLIC  
UTIL. COMM.  
50 MG/egh



AMENDMENT TO EXHIBIT A OF COLE'S EXPRESS 2ND APPLICATION,  
DATED SEPTEMBER 2, 1977, TO CHANGE PART 3 TO READ:

PART 3

Group A

(1) All Points in Aroostook County, except:

Bancroft	Orient	Weston	Wytovitlock
----------	--------	--------	-------------

(2) Points in Penobscot County, viz:

Grindstone	Patten	Shin Pond	Stacyville
Medway			

Service is authorized between points listed in Group A and between points listed in Group A on the one hand and points listed in Groups B, C and D on the other hand.

Group B

(1) All points in Washington County, except:

Brookton	Danforth	Lambert Lake	Vanceboro
Codyville	Forest Station	Topsfield	

(2) Points in Hancock County, viz:

Aurora	Dedham	Marlboro	Sullivan
Amherst	Eastbrook	Mariaville	Surry
Blue Hill	Ellsworth	Orland	Verona
Brooklin	Franklin	Otis	Waltham
Brooksville	Gouldsboro	Penobscot	Winter Harbor
Bucksport	Hancock	Sedgwick	
Castine	Lamoine	Sorrento	

(3) Points in Penobscot County, viz:

Clifton	Eddington	Orrington
---------	-----------	-----------

Service is authorized between points listed in Group B and between points listed in Group B on the one hand and points listed in Groups C and D on the other hand.

Group C

Alna	Lisbon	North Yarmouth	Whitefield
Dayton	Lyman	Pownal	

Group D

Augusta	Corinna	Old Town	Topsham
Bangor	Fairfield	Orono	Vassalboro
Benton	Freeport	Pittsfield	Veazie
Bowdoinham	Gardiner	Portland	Waterville
Brewer	Hallowell	Randolph	Westbrook
Brunswick	Milford	Richmond Corner	Winslow
Burnham	Newport	South Portland	Yarmouth
Clinton	Oakland		

A P P E N D I X 5

SUBSIDIARY HOLDINGS



1976

# COLES EXPRESS

- 124 -

Vehicle Repair 636,168  
Tire Sales 198,014  
Terminal Maintenance 60,308

Interest on AR 43,035  
Vehicle Leases 498,579  
Terminal Leases 144,600  
Management Fee 35,000

Terminal Lease 14,400

Fuel Purchase 368,879

AJ COLE & SONS  
Direct Ownership  
Total Sales to  
Cole - 894,490

210,109  
Equipment  
Maintenance  
66,000  
Building  
Rent

WJ FOLEY Co.  
Direct Ownership  
Total Sales to  
Cole - 643,179

COLE REALTY  
Indirect Ownership  
Total Sales to  
Cole - 14,400

GALEN & GERALD COLE  
d/b/a COLE BROS.  
Indirect Ownership  
Total Sales to  
Cole - 368,879

19,800  
Management Fees



1976 - 125 -

FOX & GINN

Real Estate  
Lease 1978

NEILMARK  
Indirect Ownership  
Total Sales to  
Fox & Ginn 193,836

SANBORN

Car & Real Estate  
Leases 83,468

Lease Terminals  
?

TRANSPORT LEASING  
Indirect Ownership  
Total Sales to  
Sanborn - 83,468

B & D REALTY  
Ownership - ?  
Total Sales to  
Sanborn - ?





A P P E N D I X 6  
ALLOCATIVE INEFFICIENCIES

To an economist, the greatest problem with excessive regulation is that it results in a misallocation of scarce resources. This misallocation stems from the higher prices that are charged due to monopoly power and excessive expenses.

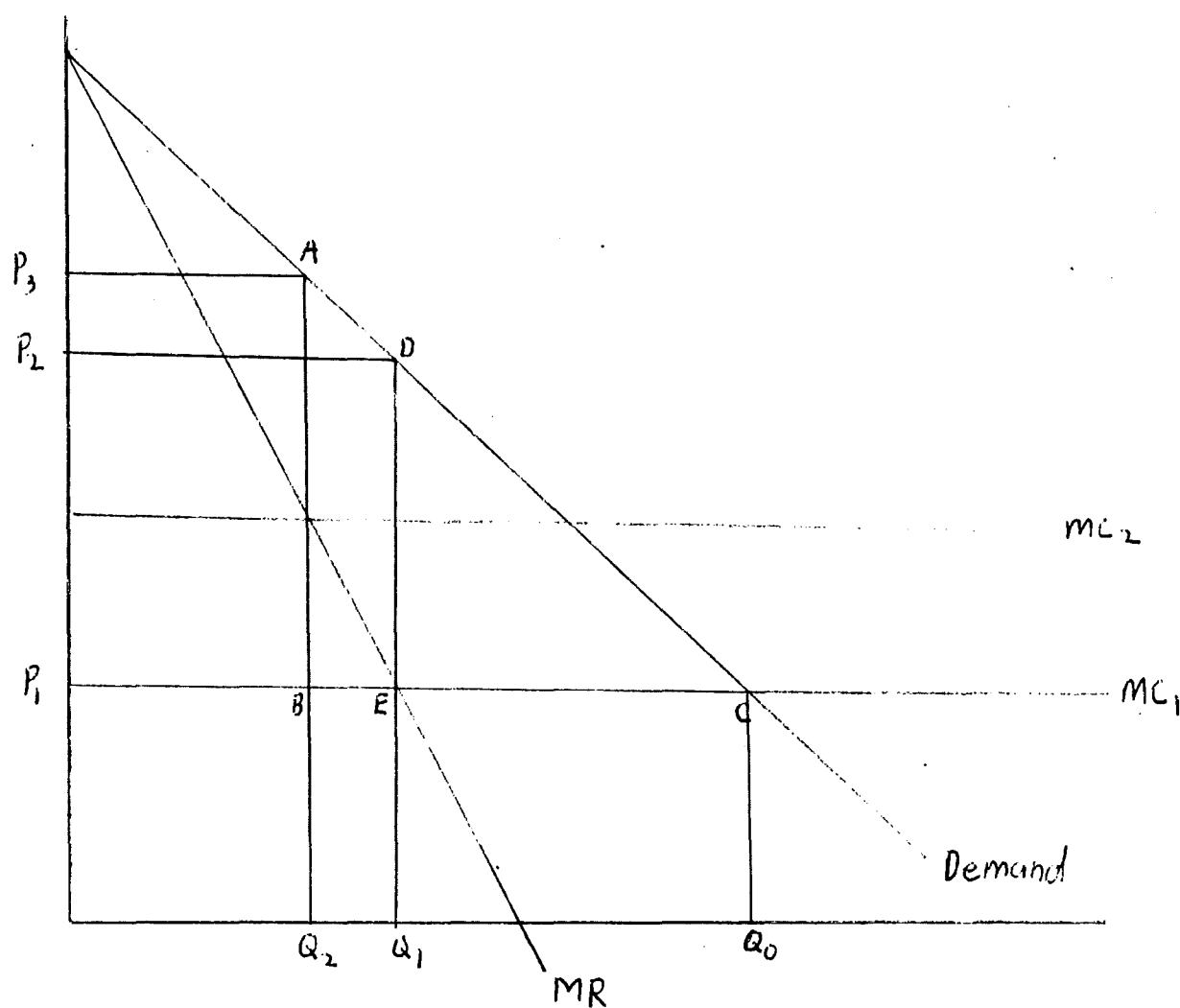
In a competitive market, the price will be  $P_1$  (see diagram). The price will equal marginal cost. This means that the cost of producing that last unit of the commodity will equal the price consumers pay. In addition, the cost of the commodity will be the lowest attainable cost.

The firm with monopoly power will maximize its profits by charging a price  $P_2$  and reducing its output from  $Q_0$  to  $Q_1$ . When there is a monopoly, price exceeds the marginal cost of producing the item. This means the consumer pays more than it costs to produce the commodity. Furthermore, the consumer would be willing to buy up to  $Q_0$  goods if price reflected the cost of producing the good. Thus, the loss in social welfare is Triangle DEC. This means that less than the optimal amount of goods are produced because the monopolist has set a price that is too high. Therefore, some people who would buy the good in a competitive market will not do so in a monopoly market.

$MC_2$  represents a higher cost of producing a good as a result of regulation. This higher cost can be from expenses caused by regulatory proceedings (e.g., lawyers at rate hearings), failure to hold down costs or deliberately inflating costs. In a

competitive market, a firm that does not hold down costs to the lowest possible level will eventually go out of business. However, regulation and monopoly power allows a firm to incur high expenses without being penalized. This combination of monopoly power and excessive cost leads to price  $P_3$ , quantity  $Q_2$  and welfare loss of triangle ABC.

Thus, a misallocation of resources resulting from regulation is clearly undesirable. It results in higher prices to the consumer and less than an optimal level of output.



$MC_1$  - marginal cost under perfect competition

$MC_2$  - marginal cost with inflated expense

$P_1$  - price under perfect competition

$P_2$  - monopoly price

$P_3$  - monopoly price with inflated expenses

$\triangle DEC$  - social loss from monopoly

$\triangle ABC$  - social loss from monopoly and excessive expenses

$Q_0$  - quantity produced in perfect competition

$Q_1$  - quantity produced with perfect monopoly

$Q_2$  - quantity produced with perfect monopoly and excessive expenses



A P P E N D I X    7



# SANBORN'S EXPRESS

	1976	1975	1974	1973	1972	1971	1970
Net carrier operating property	3,909,005	3,435,030	2,718,701.5	2,162,172	1,723,636.5	1,377,906.5	1,474,750.5
Current assets	3,297,152	2,298,060.5	2,103,473.5	1,957,933.5	2,111,380.5	1,933,900.5	1,730,974
Current liabilities	2,248,865.5	1,549,972.5	1,514,850.5	1,393,034	1,719,986.5	1,640,907.5	1,286,596.5
Net investment base	4,957,291.5	4,183,118	3,307,324.5	2,727,071.5	2,115,030.5	1,670,899.5	1,919,128
Net carrier operating income	1,693,762	721,912	887,042	1,006,057	930,704	745,140	329,139
Return on investment	34.2%	17.3%	26.8%	36.9%	44.0%	44.6%	17.2%

AVE. 31.6%

	1972	1973	1974	1975	1976
Net Income	542,016	694,740	612,760	314,627	815,721
Stockholders Equity	2,153,836	2,843,576	3,062,265	3,544,462	4,355,183
Rate of Return on Stockholders Equity	25.17	24.43	20.01	8.87	18.73
Operating Ratio	91.4	92.1	93.5	94.6	92.1
AVE. RATE OF RETURN	19.44				



FOX & GINN

	1976	1975	1974	1973	1972	1971	1970
Net carrier operating property	1,387,577.5	1,551,343.5	1,604,155	1,294,701	1,148,198.5	1,018,761.5	848,865
Current assets	856,885	896,934.5	951,524	933,135.5	869,973	819,255.5	725,481.5
Current liabilities	598,918.5	571,801	612,955	548,754.5	592,032.5	603,127	488,761.5
Net investment base	1,645,544	1,876,477	1,942,724	1,679,082	1,426,139	1,234,890	1,085,585
Net carrier operating income	97,546	-30,055	165,907	276,143	374,101	340,228	155,915
Return on investment	5.9%	-1.6%	8.5%	16.4%	26.2%	27.1%	14.4%

AVE. 13.8%

	1972	1973	1974	1975	1976
Net Income	206,314	217,918	86,617	137,577	69,956
Stockholders Equity	1,201,290	1,437,408	1,271,526	1,233,949	1,294,930
Rate of Return on Stockholders Equity	5.98	15.16	6.8	-3.04	5.40
Operating Ratio	93.9	95.7	97.4	100.5	98.6
AVE. RATE OF RETURN			8.06		

COLES EXPRESS

	1976	1975	1974	1973	1972	1971	1970
Net carrier operating property	1,224,708	1,219,315.5	1,087,220.5	944,853	890,811	710,249	520,371
Current assets	2,587,924	1,760,891	1,669,693	1,653,911.5	1,671,949.5	1,658,680	1,436,773
Current liabilities	1,472,277.5	1,009,335.5	993,777	1,015,080	1,198,742.5	1,275,230.5	1,038,786.5
Net investment base	2,340,354.5	1,970,871	1,763,136.5	1,583,684.5	1,364,018	1,093,698.5	918,357.5
Net carrier operating income	1,024,548	277,788	488,371	431,585	458,306	480,956	303,594
Return on investment	43.8%	14.1%	27.7%	27.3%	33.6%	44.0%	33.1%

AVE. 31.9%

	1972	1973	1974	1975	1976
Net Income	288,347	263,668	442,707	478,847	868,984
Stockholders Equity	1,861,593	2,066,284	3,786,707	4,176,328	5,069,320
Rate of Return on Stockholders Equity	15.49	12.76	11.69	11.46	17.14
Operating Ratio	93.7	94.4	94.0	96.6	90.5

AVE. RATE OF RETURN 13.71

1976

	<u>Sanborn</u>	<u>Cole</u>	<u>Fox</u>
Salaries - Officers & Supervisory Personnel			
Officers:	1.582%	1.830	2.854
Terminal, Department, & Division Managers	--	3.064	2.170
Supervisory & Administrative Personnel	7.163%	4.766	3.415
TOTAL	8.745%	9.660	8.439
Salaries and Wages:			
Clerical and Administrative	3.301%	4.391	3.095
Drivers and Helpers	23.913%	22.511	26.847
Cargo Handlers	9.515	10.385	8.426
Vehicle Repair & Service	2.310	0.208	2.960
Owner-Operator Drivers	--	--	--
Other Labor	0.036	0.543	0.219
TOTAL	39.076	38.039	41.547
Miscellaneous Paid Time Off			
Clerical and Administrative	0.366	0.383	0.209
Drivers and Helpers	2.433	2.504	4.375
Cargo Handlers	1.041	1.124	1.238
Vehicle Repair & Service	0.234	0.035	0.552
Owner-Operator Drivers	--	--	--
Other Labor	0.004	0.030	0.018
TOTAL	4.078	4.077	6.391
Other Fringes			
Federal Payroll Taxes	2.542	2.466	2.805
State Payroll Taxes	0.523	0.401	0.459
Workmen's Compensation	1.744	1.548	1.398
Group Insurance	0.490	0.851	0.646
Pension and Retirement Plans	1.989	1.243	0.640
Health, Welfare, and Pensions	4.522	4.717	5.952
Other Fringes	--	0.009	0.193
TOTAL	11.810	11.234	12.067

1976 (2)

	<u>Sanborn</u>	<u>Cole</u>	<u>Fox</u>
Operating Supplies & Expenses			
Fuel for Motor Vehicles	4.758	4.142	4.570
Oil, Lubricants, and Collants	0.267	0.174	0.166
Vehicle Parts	3.091	--	1.902
Vehicle Maintenance	0.805	6.582	0.872
Tires & Tubes	2.473	2.049	2.766
Other Operating Supplies and Expenses	2.093	1.324	2.766
TOTAL	13.486	14.271	12.081
General Supplies and Expenses			
Office Supplies	0.670	0.620	0.601
Tariffs and Schedules	0.267	0.288	0.526
Advertising	0.053	0.417	0.202
Commission Agent Fees	--	0.002	--
Solicitation/Commission Fees	0.016	--	0.193
Officers & Supervisory Personnel Expenses	1.616	0.894	0.757
Other Employees Expenses	0.016	0.022	0.026
Other General Supplies & Expenses	1.615	1.838	0.839
TOTAL	4.199	4.082	3.145
Operating Taxes & Licenses			
Gas, Diesel Fuel, and Oil Taxes	0.449	0.562	0.506
Vehicle License & Registration Fees	0.162	1.915	0.223
Other Federal Taxes	--	--	--
Real Estate & Personal Property Tax	0.238	0.605	0.040
Gas, Oil, Diesel Fuel Tax	0.978	0.977	1.070
Vehicle License & Registration - Ownership	0.926	--	1.234
Vehicle License & Registration - Usage	--	0.004	0.001
TOTAL	2.910	30.053	3.072

	<u>Sanborn</u>	<u>Cole</u>	<u>Fox</u>
Insurance			
Public Liability & Property Damage Research	0.805	0.004	0.004
Cargo Loss and Damage Insurance	1.522	0.022	0.009
Fire, Theft, & Collision Insurance	0.051	0.002	0.002
Insurance on Buildings & Structures	0.076	0.000	--
Other Insurance	0.104	0.000	0.001
TOTAL	2.558	0.028	0.016
Communications and Utilities			
Communication Expenses	1.602	0.014	0.014
Utilities Expense	0.676	0.007	0.009
TOTAL	2.278	0.021	0.023
Depreciation and Amortization			
Building and Structures	0.248	0.002	--
Revenue Equipment	2.511	0.023	0.053
Service Cars and Equipment	0.175	0.003	0.003
Shop and Garage Equipment	0.030	--	0.000
Furniture and Office Equipment	0.092	0.003	0.000
Miscellaneous Equipment	0.167	0.002	0.002
Improvements to Leasehold Property	0.346	0.000	0.002
Undistributed Property	--	--	--
Amortization	--	0.000	--
TOTAL	3.569	0.034	0.060
Revenue Equipments Rents and Purchased Transportation			
Vehicle Rents with Driver	1.980	--	--
Vehicle Rents with Driver - Vehicle Portion Only	--	--	--
Vehicle Rents without Driver	1.453	0.069	0.007
Other Purchased Transportation - Motor Carrier	3.084	--	0.003
Other Purchased Transportation - Railroad	--	--	--
Other Purchased Transportation - Water Carrier	--	--	--
Other Purchased Transportation - Airline and Other	--	--	--

	<u>Sanborn</u>	<u>Cole</u>	<u>Fox</u>
Allowances to Shippers	--	--	--
Equipment Rents - Credit	0.167	(0.018)	0.006
TOTAL	4.570	0.051	0.005
Building and Office Equipment Rents			
Building Operating Rents	0.1933	0.018	0.001
Office Equipment Rents	0.232	--	0.001
TOTAL	2.165	0.018	0.031
Gain or Loss on Disposition of Operating Assets			
Gains on Disposition of Operating Assets	0.142	(0.003)	0.008
Losses on Disposition of Operating Assets	0.019	0.000	0.000
TOTAL	0.123	(0.003)	0.008
Miscellaneous Expenses			
Joint Facility Expense - Debit	--	--	--
Joint Facility Expense - Credit	--	--	--
Professional Services - Debit	0.443	0.004	0.002
Professional Services - Credit	--	--	--
Uncollectible Revenue	0.237	0.003	0.003
TOTAL	0.630	0.007	0.005
GRAND TOTAL	19,320,141	9,773,978	7,004,358