

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF HAWAII

In the Matter of the Application of)
WESTERN MOTOR TARIFF BUREAU, INC.)
To Increase its Rates and Charges)
on Behalf of Motor Carriers)
Statewide Participating in WMTB)
Household Goods Tariff No. 1-B.)
WMTB Rate Notice No. 4343-1-B.)

DOCKET NO. 03-0076

ORDER NO. 20094

Filed March 24, 2003
At 1:00 o'clock P.M.

Karen Higashi
Chief Clerk of the Commission

DIV. OF CONSUMER ADVOCACY
DEPT. OF COMMERCE AND
CONSUMER AFFAIRS
STATE OF HAWAII

2003 MAR 24 P 4:15

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ATTEST: A True Copy
KAREN HIGASHI
Chief Clerk, Public Utilities
Commission, State of Hawaii.

K. Higashi

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ORDER

I.

Introduction

By Rate Notice No. 4343-1-B, filed on March 5, 2003, WESTERN MOTOR TARIFF BUREAU, INC. (WMTB) seeks to amend its Statewide Household Goods Tariff No. 1-B to reflect a five per cent increase in its rates and charges. WMTB supports its request with a cost study, dated March 4, 2003 (cost study II).

WMTB makes its request: (1) on behalf of all carriers statewide participating in Tariff No. 1-B; and (2) in accordance with Hawaii Revised Statutes (HRS) §§ 271-20 and 271-21. The proposed effective date of WMTB's tariff changes is April 5, 2003.

Copies of the rate notice and cost study II were served on the Department of Commerce and Consumer Affairs, Division of

Consumer Advocacy (Consumer Advocate). On March 13, 2003, the Consumer Advocate filed a statement of non-participation.¹

II.

Docket No. 00-0085

By Decision and Order No. 18679, filed on July 18, 2001, in Docket No. 00-0085, the commission approved an overall weighted increase in rates of 6.46 per cent for WMTB's statewide carriers of household goods. WMTB's rate increase took effect on July 20, 2001.²

III.

Docket No. 02-0361

By Decision and Order No. 19919, filed on December 20, 2002, in Docket No. 02-0361, the commission denied WMTB's request for a five per cent rate increase for its statewide carriers of household goods.³ The commission noted in detail certain deficiencies in WMTB's supporting cost study (cost study I).⁴ WMTB based its cost study I on the actual 2001 revenues and

¹Among the reasons cited by the Consumer Advocate for its non-participation: (1) limited resources; (2) competitive nature of the motor carrier industry and the absence of market barriers; and (3) its belief that "the same criteria should be applied to determine the reasonableness of all filings by WMTB and the independent carriers."

²See Order No. 18693, filed on July 24, 2001, in Docket No. 00-0085.

³See also Order No. 19949, filed on January 7, 2003, in Docket No. 02-0361 (denying reconsideration).

⁴See Decision and Order No. 19919, at 4.

expenses from nine sample carriers that participate in
Tariff No. 1-B.⁵

IV.

WMTB Rate No. 4343-1-B

A.

WMTB, in cost study II, essentially utilizes the same sample carriers' revenues and expenses data set forth in cost study I, except that in cost study II: (1) it drops three sample carriers from the study; and (2) certain disallowances are made for bonuses and incentives, charitable and political contributions, and penalties and fines. Cost study II, therefore, consists of six carriers instead of the nine carriers that previously comprised the sample in cost study I.⁶

At the outset, the commission notes that WMTB utilizes 2001 data for a general rate increase that proposes to take effect in April 2003. The commission finds outdated the 2001 data utilized in cost study II. Instead, WMTB's supporting cost study should be based on the revenues and expenses from the sample carriers' 2002 results of operations, for a general rate increase that WMTB proposes to implement in the year 2003.

⁵The sample carriers: (1) American Movers, Inc.; (2) Big Isle Moving & Draying, Inc.; (3) M. Dyer & Sons, Inc.; (4) Island Movers, Inc. - Maui; (5) Island Movers, Inc. - Oahu; (6) Kauai Commercial Company, Inc. (7) Kona Transportation Company, Inc.; (8) Pacific Transfer LLC; and (9) Tri Isle, Inc.

⁶Specifically, American Movers, Inc., M. Dyer & Sons, Inc., and Kauai Commercial Company, Inc. are no longer sample carriers in cost study II.

In addition, the commission finds that WMTB's cost study II fails to:

1. Explain how each sample carrier's operating expenses were allocated: (A) between the carrier's regulated and non-regulated operations; and (B) amongst the carrier's regulated operations.
2. Provide an account analysis of the sample carriers': (A) other transportation expenses of \$1,478,561; (B) bad debt expenses of \$165,060; (C) consulting services expenses of \$325,065; (D) other administrative and general expenses of \$249,606; (E) other salaries and wages expenses of \$410,465; and (F) repair expenses of \$1,058,994.⁷
3. Explain why Island Movers, Inc.'s workers' compensation experience modification factor is 14 per cent, when the other sample carriers report lower or negative experience modification factors.
4. Explain why Kona Transportation Company, Inc.'s and Pacific Transfer LLC's allocated operating expenses result in household goods operating ratios of 114.21 per cent and 102.31 per cent, respectively, while the other four sample carriers report operating ratios below 100 per cent.
5. Explain why, for subcontracting, the division of revenues between the origination and destination agents, respectively, is based on the 90 per cent rate, instead of the rates specified in WMTB's Joint Division Sheet No. 7-B.

The commission also notes that: (1) cost study II excludes Kauai Commercial Company, Inc.; and thus (2) no Kauai-based household goods carrier is represented in cost study II.

B.

It is the duty of every motor carrier of property "to establish, observe, and enforce just and reasonable rates,

⁷The analysis of repair expenses may indicate that certain repair costs should be capitalized and amortized, rather than being expensed in total in the year the expense was incurred.

charges, and classifications[.]” HRS § 271-20(b). All such charges “shall be just and reasonable, and every unjust and unreasonable charge for such service or any part thereof, is prohibited and declared to be unlawful.” HRS § 271-20(c).

In the interests of administrative efficiency and economy, the commission, at the outset, will dismiss without prejudice WMTB's Rate Notice No. 4343-1-B. Given the various deficiencies in cost study II, the commission is unable to conclude that WMTB has met its burden of establishing the lawfulness of the proposed increase in its rates.

WMTB, if it continues to seek an increase in its rates for its member carriers that participate in Tariff No. 1-B, shall: (1) utilize year 2002 data in its new, updated cost study; and (2) address the deficiencies noted in the instant decision and order, above.⁸

V.

THE COMMISSION ORDERS:

1. WMTB's Rate Notice No. 4343-1-B, filed on March 5, 2003, seeking a five per cent across-the-board increase in its rates for its household goods carriers that participate in WMTB's Statewide Household Goods Tariff No. 1-B, is dismissed without prejudice.

2. WMTB, prior to filing a new rate notice seeking an increase in its rates and charges, shall: (A) utilize year 2002


⁸The commission's "dismissal without prejudice" means that WMTB is not precluded from filing a new rate notice seeking an increase in its rates for its member carriers that participate in Tariff No. 1-B.

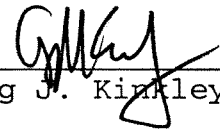
data in its new, updated cost study; and (B) address the deficiencies noted in the instant decision and order.

DONE at Honolulu, Hawaii this 24th day of March, 2003.


PUBLIC UTILITIES COMMISSION
OF THE STATE OF HAWAII

By 
Wayne H. Kimura, Chairman

By 
Janet E. Kawelo, Commissioner

By 
Gregg J. Kinkley, Commissioner

APPROVED AS TO FORM:


Michael Azama
Commission Counsel

WMTB.43431B.sl

CERTIFICATE OF SERVICE

I hereby certify that I have this date served a copy of the foregoing Order No. 20094 upon the following parties, by causing a copy hereof to be mailed, postage prepaid, and properly addressed to each such party.

DEPARTMENT OF COMMERCE AND CONSUMER AFFAIRS
DIVISION OF CONSUMER ADVOCACY
P. O. Box 541
Honolulu, HI 96809

ROBERT E. LEWIS
MANAGER
WESTERN MOTOR TARIFF BUREAU, INC.
P. O. Box 30268
Honolulu, HI 96820



Karen Higashi

DATED: March 24, 2003