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COMPARISON OF INTRA-PROVINCIAL GENERAL FREIGHT RATE REGULATION: SASKATCHEWAN AND MANITOBA

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COMPARISON OF INTRA-PROVINCIAL GENERAL FREIGHT RATE REGULATION: SASKATCHEWAN AND MANITOBA

INTRODUCTION

The motor transport boards of Saskatchewan and Manitoba regulate rates applicable to the intra-provincial transport of general freight by for-hire motor carriers. Between 1972-1981, important changes in the regulatory methods and procedures used to assess and effect rate adjustments have been implemented by the Saskatchewan board in particular. Further, significant changes in the nature, structure and level of the regulated intra-provincial general freight rates have occurred in both provinces.

The intra-provincial general freight trucking systems of the two provinces have several similarities:

- both are engaged in the transport of (primarily) less-than-truckload shipments of general freight from a limited number of distribution centres to several hundred rural communities.
- both are made-up of a relatively large number of 'small' truckers, and only a few medium-sized to large carriers.
- both are subject to similar de jure rate regulatory environments.
- both are subject to relatively similar unit costs for resource inputs.
- the viability of many of the smaller carriers is being challenged.

Given these similarities, it was felt useful to conduct a comparative analysis of the rate regulatory environments and procedures of the two provinces, and the direct outcome of those environments and procedures - that is, the resultant rate structures and levels. The overall purpose of the analysis was to attempt to establish the apparent rationale and justification for significant differences in resultant rate structures and levels in the two provinces through the study period.

This paper reports the results of part of this analysis, and in particular:

- documents and compares the regulatory environments governing rates to be assessed for the intra-provincial movement of general freight by truck in Manitoba and Saskatchewan.

- documents and compares the resultant rate structures and levels in the two provinces, and relates these to selected price indices.
- considers the apparent (possible?) rationale and justification for differences in the rate structures and levels in the two provinces, as a function of differences in operating costs and regulatory procedures and requirements.

The scope of the analysis has been restricted in the following manner:

- it focuses on the rate regimes in the two provinces over the period 1972-1981.
- it focuses on the general case (largely) ignoring 'exceptions to the rule' (e.g. exception list provisions, cubic weights, heating charges, etc.).

THE REGULATORY ENVIRONMENTS: 1972-1981

Saskatchewan: Through the course of the study period, the Saskatchewan Highway Traffic Board (HTB), pursuant to provisions of the Saskatchewan Vehicles Act and Regulations, has prescribed 'general merchandise' rates (or rate ranges) to be assessed on the for-hire movement of all shipments by truck within Saskatchewan, with the exception of the following commodities or situations: the 'exempt commodities' (meaning primary products of the farm, forest or lake in their initial movement, grain, livestock, newspapers, and a number of other (generally low-valued) items; explosives; household goods; petroleum products; milk and cream; for truckers operating principally in the north; and for movements occurring within an area defined by the corportate limits of cities, towns, villages and hamlets plus 5 miles.

There are no statutory requirements (e.g. compensatory rate provisions) or formalized policies or procedures (e.g. requiring public hearings) governing the exercise of the Board's rate-prescribing authority. The prescribed rate regime may be circumvented only by the filing and Board approval of alternative rates. In practice, this happens infrequently, and only for unique circumstances (e.g. the transport of truckload lots of beer from breweries to Liquor Board warehouses).

Since the rates are prescribed by regulation, and regulations require Lieutenant-Governor-in-Council approval, the rate prescription process in Saskatchewan is

vulnerable to direct political interference from the standpoint of 'stalling' promulgation of new rates which are prescribed by the regulatory board. In practice, particularly in recent years, there is no evidence that stalling tactics have been exercised by the Lieutenant-Governor-in-Council.

Manitoba: Through the course of the study period, the Manitoba Motor Transport Board (MTB), pursuant to the provisions of the Manitoba Highway Traffic Act and its Regulations, has prescribed a standard tariff of tolls to be assessed on the for-hire movement of all commodity shipments within the province, except where:

- other rates have been filed and approved.

  Separate rates are regularly filed and approved for household goods and specialized shipments (e.g. petroleum) or situations (e.g. backhaul movements of livestock). Only in unique circumstances are the filed rates for specialized shipments greater than the prescribed rates.

- the movements have been otherwise exempted from application of the prescribed tariff.

  These exemptions can be (roughly) summarized as follows: movements within municipal boundaries; certain northern (off-road) operations; and exempted commodities, including primary products of the farm and forest in their initial movement, some (generally bulk) farm supplies, some agricultural machinery, sand and gravel, and a limited number of other (generally) low-valued commodities.

As in Saskatchewan, there are no statutory requirements or formalized procedures which govern the Manitoba Board's rate-prescribing authority. Further, again like Saskatchewan, the Manitoba Board's rate-prescribing authority is vulnerable to political interference because of the need to submit Board prescribed changes to the Lieutenant-Governor-in-Council for approval of the regulation. There is, however, no evidence of significant interference in this regard.

In Summary: The rates under consideration in this paper are prescribed by the motor transport boards in Manitoba and Saskatchewan, and apply to the vast majority of intra-provincial shipments of freight by for-hire truckers in the two provinces. Major exceptions (common to both provinces) to application of the prescribed rates are: movements within urban municipalities; petroleum products; household goods; and

bulk shipments of the primary products of the farm and forest. For simplicity, the term 'general freight' will be used to refer to the traffic to which the prescribed rates under consideration apply in both provinces.

Neither board is subject to any stipulated criteria governing the nature, structure or level of rates which it can prescribe, or the method it must use to make its rate determination. Both boards can prescribe the rates they want, when and how they want, and can determine those rates by whatever means are deemed appropriate. At least in recent years, there is no evidence of significant political interference in the exercise of the rate-prescribing authority of either board.

DEVELOPMENT OF SASKATCHEWAN'S RATE SYSTEM: 1972-1981

Highlights in development of Saskatchewan's general freight rate system for truck transport for the period 1972-1981 are:

As of September 1, 1972: Saskatchewan's rate system had its origins in Canada's long-established less-than-carload lot (LCL) railway class rate system. As of 1972 (by which time incidentally, the railways had virtually terminated serving all LCL movements intra-provincially), the system was characterized by the following basic features:

- commodity class ratings, using the Canadian Freight Association's CFC system, modified such that commodities with ratings of less than Class 40 would be rated at Class 40 and with ratings of more than Class 100 would be rated at Class 100 (thus leaving six classes: 40, 45, 55, 70, 85 and 100).
- a ¢/cwt rate table, prescribed as a function of commodity class, shipment size and shipment distance, incorporating size and distance tapers.
- 'absolute' rates, with no flexibility.

The rate system made no pretentions of being cost-based (albeit it incorporated several cost-based concepts) and unabashadely acknowledged the likely existence of cross-subsidization between shipment types (high-valued commodities subsidizing low-valued commodities), shipment sizes (high weights subsidizing low weights) and

shipment distances (long-distances subsidizing short-distances).

1969-1972: Commencing in 1969, the Saskatchewan Trucking Association (STA) initiated a series of proposals to convert the class-based system to a so-called 'simplified price structure' (SPS) or 'freight-all-kinds' (FAK) rate system. (The SPS concept had been introduced in 1967 in the west by the railways with the implementation of the Express Traffic Association ETA-100 tariff).

STA's essential arguments for terminating the class-based system were:

- the classification method was too complicated, resulting in many errors in rating and unnecessary conflicts between shippers and carriers.
- CFC freight classifications did not properly reflect 'density' factors of relevance to truck costs, nor protect carriers against excessive liability claims.
- the system was inflexible.
- the system incorporated substantial cross-subsidization between commodity types, effecting important cost-rate distortions.

The STA proposal envisaged a 'classless' rate system, with rates being dependent on shipment weight and distance only, modified by a cube-rule (to provide for low-density traffic) and a limited liability/excessive valuation clause (to provide for high-valued traffic). To provide flexibility, STA further proposed the adoption of a 'rate-base' concept, where carriers would file, within the prescribed system, a rate base relevant to their particular costs and operating circumstances.

The STA proposal was considered at a public hearing in December, 1970. Opposition was voiced by many shippers/consignees and several shipper organizations, and in particular the Canadian Industrial Traffic League (CITL). CITL's basic argument was that STA had failed to prove that the proposed structure would provide a rate system more complimentary to carrier costs.

The Board postponed decision on the proposal, and established a committee of representatives of STA, CITL and HTB to investigate the 'costing' issue. In February, 1972, the committee reported that it could not resolve the matter.

In May, 1972, the HTB released its findings on the proposal, summarized as follows:

- while the class-based system had some weaknesses (and most particularly excessive cross-subsidization from large to small shipments, and excessive rigidity), the basic concept was sound and should be retained.
- the demands of the CITL for cost-based justification to proposed changes in the rate system were unrealistic.
- the Board would undertake studies of the rate system and initiate appropriate changes on its own account, without necessarily relying on proposals generated by others.

  This constituted a major change in Board policy, and set in motion a new approach to rate regulation in the province. Specifically, past practices of a public hearing confrontration-type approach between carriers and shippers, with the regulator sitting in judgement, were to be modified with the regulator now taking an active role in development of the rate system.

The only significant structural change in the rate system resulting from the STA proposal was the introduction of a 4th Class drop at 10,000 lbs., effecting a more sharply tapered decline of rates with increasing shipment size. Other changes directed at increasing system flexibility proved to be of no real consequence.

1973-1977: Developments of consequence during this period were:

- the demise of a public-hearing, confrontation-type rate-making process, replaced with a joint Board-carrier-shipper discussion-type approach.
- adoption of the practice of Board-initiated rate adjustments.
- development of a simple cost model permitting a more rational and consistent assessment of the effect of increased costs of resource inputs.

  This model, and subsequent developments of it, became the basis for establishing percent revenue increases required in rate adjustments to compensate for percentage cost increases. During this period, no significant attempt was made to relate shipment costs to rates.
- establishment of an exception-list classification for selected low-density and/or high-valued commodities to over-ride inadequacies in the CFC classes of specific import to trucking in Saskatchewan.
- introduction of the concept of a maximum-minimum range for prescribed rates, as distinct from the prescription of absolute rates.

  This constituted an important change in policy. No longer was it necessary that all shipments of the same class, weight and distance be rated the same. Variations in costs between carriers, and competitive circumstances, would now influence freight charges within the permitted range.

- in February, 1977 a consultant report (Ref. 1) commissioned by the HTB recommended conversion of the class system to a SPS system, of the same form and for essentially the same reasons presented by STA in 1969.

1978-1979: The Board implemented a SPS system in a series of staged moves designed to dampen impacts. The implementation process was geared to effecting a level of rates roughly equivalent to rates that would have applied to 'imaginary' Class 81 traffic, this being determined by weigh-bill surveys as the 'average' class of traffic handled by general freight carriers in the province.

Significant related developments for purposes of implementation of SPS, and through the implementation period, were:

- development by the Board of the following cost model, from which freight charges as a function of weight and distance are calculated:

$$C(w,m) = \left[5.20 + 1.49\left(\frac{w}{100}\right)^{0.665} + \frac{1.632(w)(m)}{0.72(w) + 14560}\right] K$$

where: $C(w,m)$ = $ cost per shipment, as a f(w,m)
w = shipment weight (lbs.)
m = shipment distance (miles)
K = factor used to modify the basic expression to account for changes in input costs since development of the basic expression.

Upon implementation of SPS, the initial K = 1.00. Subsequent adjustments to the rate table have been made by calculating changes in truck operating costs for the period between the current adjustment and the previous adjustment, using an industry-expense model developed by the Board in consultation with the trucking industry, and referencing jointly agreed-upon price indices. The expense model has varied somewhat since implementation of SPS. Its form at time of writing is: Labour (43.03%); Fuel (20.92%); Repairs (8.39%); Depreciation (9.15%); Tires (2.03%); License and Insurance (2.77%); Interest Expense (3.45%); Other-C.P.I. (10.26%). Based on this model, the % change in total cost (ΔC) to be accommodated by a 'current'rate adjustment is calculated, and used to adjust the K-factor in the following manner:

$$K(\text{current}) = K(\text{previous}) \times \left(1 + \frac{\Delta C}{100}\right)$$

For example, for determining C(w,m) and therefore the freight charge R(w,m) for the February, 1981 rate adjustment, K = 1.382. For the subsequent August, 1981 rate adjustment, ΔC was calculated = 11.75%. Therefore, K (August, 1981) = 1.382 x (1.1175) = 1.544. With this 'new' K value, C(w,m) for August, 1981 is calculated for all relevant combinations of (w,m). All values of C(w,m), based on mid-points of defined weight and distance bands, are rounded to the nearest dollar, and are prescribed

as the rate R(w,m) SUBJECT TO THE FOLLOWING QUALIFICATION:

The cost models establish in effect 'the first estimate' of required rate adjustments. The final prescribed rate table is 'worked-out' between the Board, the trucking industry and shippers, with the Board making the final ruling.

- the SPS rates are maximum rates.
- to simplify ratings even further, the charges are stipulated in 'even-dollar' units, determined to the nearest dollar.
- implementation of a bi-annual rate adjustment schedule (February and August).

1979-1981: Detailed modifications in the SPS system, particularly relating to cubic-weighting, use of an exception list and the form of the industry-expense model, have transpired. However, no significant structural changes have occurred.

DEVELOPMENT OF MANITOBA'S RATE SYSTEM: 1972-1981

Highlights in development of Manitoba's general freight rate system for truck transport for the period 1972-1981 were:

As of September 1, 1972: As was the case for Saskatchewan, Manitoba's regulated rates for general freight had also originated in the railway class system. The system was still utilized at this time, and was of similar form to that already discussed for Saskatchewan.

1967-1973: The Manitoba Trucking Association (MTA) initiated discussions respecting development of a SPS system soon after the National Transportation Act was proclaimed. MTA submitted a proposal to the Manitoba board which was heard in public hearing in 1969. Arguments supporting the proposal were similar to those already discussed for Saskatchewan. The Manitoba board reportedly decided to accept the SPS proposal as a result of the 1969 hearing, and issued a board order detailing the new rate system. The Minister reportedly did not sign that order, thus leaving the class system in place for the time being. A subsequent public hearing in 1972 re-considered the proposal, referencing essentially the same arguments discussed previously.

This hearing led to adoption of the SPS system in Manitoba in April, 1973.

April, 1973: The SPS was implemented, incorporating the following important features:

- the rates were absolute, providing no flexibility.
- a table of shipment charges was prescribed for all shipments with a chargeable weight (the greater of actual or cubic weight) of 500 lbs. or less, as a function of weight and distance; a table of rates (in cents/cwt) was prescribed for all shipments with a chargeable rate greater than 500 lbs., also as a function of weight and distance.
- a weight taper, but no mileage taper.
- an exemption list of some 60+ items was implemented to ease administration of the cube rule.

1973-1981: No significant structural change has occurred in Manitoba's SPS system since implementation. The methodology employed by the board in making its rate determination is not apparent. To date the Board has continued to utilize a public hearing-adversary approach to rate matters, with all proposals being initiated by the MTA.

COMPARISON OF RATE LEVELS IN MANITOBA AND SASKATCHEWAN: 1972-1981

The following simplifications have been made to permit comparison of the levels of prescribed rates in the two provinces through the study period:

- comparisons are made in terms of maximum allowable freight charges as a function of shipment size for one mileage band (110-120 miles).

  This is (roughly) the mid-point of the range of haul distances (30-200 miles) which accounts for the vast majority of general freight movements in both provinces.

- where the class system remained in effect (e.g. Saskatchewan until 1978), freight charges are calculated for Class 85 traffic.

  In converting to SPS, the Saskatchewan board determined that the average class for all general freight traffic was about 81 (an imaginary class).

- comparisons are made for freight charges in effect as of September 1 of each year.

  There is no significance to choice of this date. Through the years, rate adjustments in both provinces have occurred sporadically.

Table 1 summarizes rate increases in both provinces through the study period. While many of these increases were of an 'across-the-board' nature, others, and most particularly those effected during conversion from the class system to SPS, involved differentials varying by class, weight and/or distance. Accordingly, they more correctly represent the revenue increase that an 'average' carrier handling an 'average' traffic mix would experience as a result of the rate adjustment, assuming no change in traffic volume or mix. In Table 1, the rate increases have been converted to a rate index, based on a value of 100 as of September 1, 1972. It is to be noted that since the rate levels in the two provinces were not equal at this date, the rate indices for the two provinces are not equivalent in absolute terms.

Also shown in Table 1 is the CPI (all items) and CPI (transportation) for both provinces, normalized to 100 as of September 1, 1972. In this instance, the '100' base is, for all practical purposes, equivalent in absolute terms, since the respective CPI's in both provinces at the time were basically equal [i.e. 'all items': Manitoba (104.6), Saskatchewan (104.2) and 'transportation': Manitoba (102.9), Saskatchewan (103.1)].

Points of interest illustrated in Table 1 are:

- between September 1, 1972 and September 1, 1981, the average annual compounded rate of increase in general freight rates was 14%/year in Saskatchewan and 13%/year in Manitoba.
- these rates of increase substantially out-paced the (relatively steady) rates of increase in the CPI (all items) through the period (about 9.5%/year compounded in both provinces).
- similarly, they out-paced increases in the CPI (transportation) through the period (9.5%/year compounded in Saskatchewan and 10+%/year compounded in Manitoba).

  However, while the prescribed rates increased at a relatively steady (13-14%/year) through the period, the CPI's (transportation) increased more slowly between 1972 and 1978 (about 8%/year) and more rapidly between 1978 and 1981 (about 11%/year) than the approximately 10%/year average.

  In other words, between 1972 and 1978, the prescribed freight charges increased at about 170% of the rate of increase of the CPI (transportation) in both provinces. Since 1978, the prescribed rates have increased at about 125% of the rate of increase of the CPI (transportation).

TABLE 1

General Freight Rate Adjustments Compared With Changes in CPI (All Items) and CPI (Transportation)

Saskatchewan and Manitoba: 1972-1981

Date	SASKATCHEWAN				MANITOBA			
	Rate Adjustment %[a]	Rate Index (RI)S	CPI(S) All items Adjusted[b]	CPI(S) Transport Adjusted[b]	Rate Adjustment %[c]	Rate Index (RI)M	CPI(M) All Items Adjusted[d]	CPI(M) Transport Adjusted[d]
Sept.1/72	-	100(S)	100	100	-	100(M)	100	100
Oct.21/72	-	100(S)			+9	109(M)		
Dec.1/72	+11	111(S)			-	109(M)		
Sept.1/73	-	111(S)	108	103	-	109(M)	108	102
Oct.3/73	-	111(S)			+15	125(M)		
Jan.24/74	+6	118(S)			-	125(M)		
Mar.2/74	-	118(S)			+9	137(M)		
July 26/74	+12	132(S)			-	137(M)		
Sept.1/74	-	132(S)	118	112	-	137(M)	120	112
Nov.16/74	-	132(S)			+15	157(M)		
Aug.29/75	+9	144(S)			-	157(M)		
Sept.1/75	-	144(S)	132	127	-	157(M)	134	129
Feb.2/76	-	144(S)			+7	168(M)		
May 28/76	+12.5	162(S)			-	168(M)		
Sept.1/76	-	162(S)	143	135	-	168(M)	146	140
Nov.15/76	-	162(S)			+15	193(M)		
Nov.19/76	+10.8	179(S)			-	193(M)		
May 20/77	+6.3	190(S)			-	193(M)		
Sept.1/77	-	190(S)	156	149	-	193(M)	158	147
Nov.15/77	-	190(S)			+9	211(M)		
Feb.3/78	+9.5	208(S)			-	211(M)		
Sept.1/78	-	208(S)	169	158	-	211(M)	171	158
Jan.15/79	-	208(S)			+4	219(M)		
Mar.1/79	+6.5	222(S)			-	219(M)		
Aug.24/79	+5.5	234(S)			-	219(M)		
Sept.1/79	-	234(S)	184	173	-	219(M)	187	175
Feb.1/80	+9.67	257(S)			-	219(M)		
May 15/80	-	257(S)			+17	256(M)		
Aug.4/80	+4.4	268(S)			-	256(M)		
Sept.1/80	-	268(S)	205	196	-	256(M)	206	196
Dec.1/80	-	268(S)			+8	277(M)		
Feb.2/81	+7.2	287(S)			-	277(M)		
June 1/81	-	287(S)			+8	299(M)		
Aug.4/81	+11.75	321(S)			-	299(M)		
Sept.1/81		321(S)	228	232	-	299(M)	232	239

a as reported by the Saskatchewan HTB.
b based on average for Regina and Saskatoon, modified to a 100 base reference as of Sept.1/72.
c as reported by the Manitoba MTB between Sept.1/72 and Sept.1/75, and thereafter estimated from the resultant rate tables.
d based on Winnipeg, modified to a 100 base reference as of Sept./72.

Figure 1 illustrates, for both provinces, the maximum freight charges applicable to movement of a Class 85 shipment (irrelevant post SPS) 115 miles, as of September 1, 1972, 1975, 1978 and 1981. Points of interest illustrated in Figure 1 are:

- in 1972, Manitoba rates were substantially greater [10-20% for small to medium (<5000 lbs.) shipments and 20-100+% for large (5000 lbs.+) shipments] than Saskatchewan rates.
- by 1975, Saskatchewan class rates had surpassed Manitoba SPS rates, except for small (<1000 lbs.) shipments.
- this relative positioning remained the same through 1978, although the differential favoring Manitoba for small shipments had been reduced, and the differential favoring Saskatchewan for medium and large had been generally increased.
- by 1981, Saskatchewan SPS rates had surpassed (by 10-30%) Manitoba rates in all weight categories.

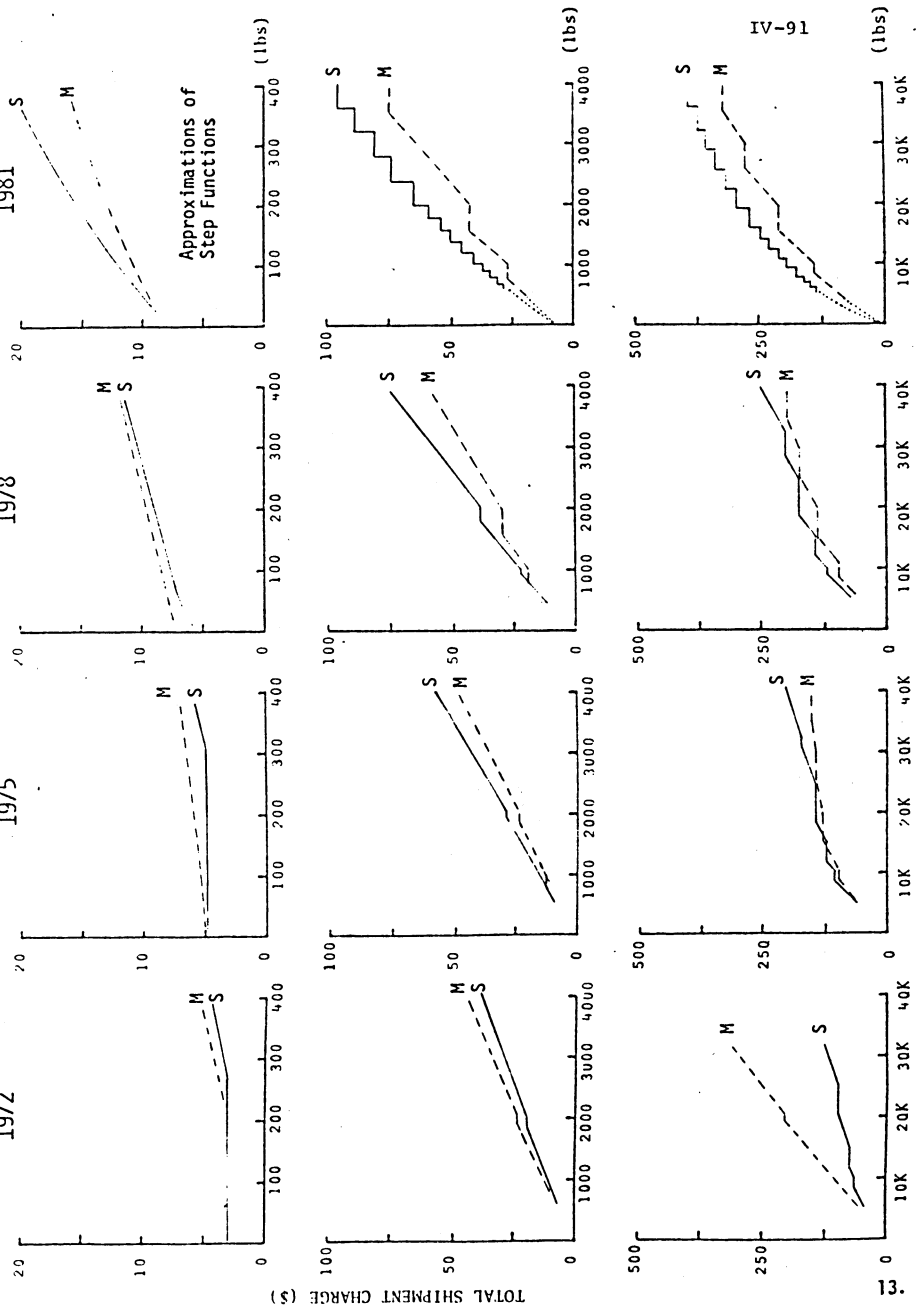
These general positionings of the respective rate curves hold across the full range of shipment distance which accounts for the vast majority of shipments (i.e. up to 200 miles). However, the magnitude of the differentials does, of course, vary somewhat, because of differences in mileage tapers in the two systems.

It is to be noted, that these general differences in the rate curves do not necessarily translate into equivalent revenue differences. For example, as of September 1, 1978, Figure 1 shows Saskatchewan rates to be generally higher than Manitoba rates, except for the small shipment category. Where small shipments dominate the traffic mix, the Manitoba rate schedule may produce greater revenue than the Saskatchewan schedule, other things being equal. As well as variations in shipment size, variations in shipment distance and commodities are also working to reverse, dampen or intensify revenue effects that might be expected from a simple comparison of rate schedules. (It is also to be recalled that the Saskatchewan rates shown for 1978 are the 'maximums' of a maximum-minimum range. In certain situations, some carriers were not assessing the maximum allowable freight charges).

What can be concluded with confidence from Figure 1 isthat, between 1972 and 1981, the prescribed maximum freight charges in Saskatchewan changed from being (say) 15%

FIGURE 1

General Freight Rates: Saskatchewan and Manitoba: September 1, 1972-75-78-81
BASED ON CLASS 85 TRAFFIC (WHERE APPLICABLE) AND 115 MILES



below Manitoba rates to (say) 15% above Manitoba rates. This would suggest some problem with the increase in rate indices presented in Table 1. Specifically, it would suggest that either the Manitoba index is shown to have increased too much, or the Saskatchewan index has increased too little, or some combination of both. The most likely explanation is that the Manitoba index is inflated. Reasons for this are:

- there is some evidence (see Ref. 2) that the October 3, 1973 rate adjustment for Manitoba (estimated by the Manitoba Board at +15%) was substantially over-stated.
- Manitoba rate adjustments post September 1, 1975, had to be (relatively crudely) estimated by comparing rate tables, incorporating widely varying adjustments as a function of weight and distance.

CONCLUDING REMARKS

De jure rate regulation regimes governing intra-provincial general freight trucking in Manitoba and Saskatchewan are similar. De facto regulation, however, has been substantially different, in terms of:

- procedures used to assess required rate adjustments.

  Manitoba has used a confrontation-type hearing process through the study period, relying on industry-generated proposals. Saskatchewan replaced this type of procedure with a more 'round-table' negotiation-type approach, involving both industry and regulator-generated proposals.

- at least on the surface, particularly in recent years, Saskatchewan appears to have taken a more open and analytical approach to rate prescription than is evidenced in Manitoba.

  Development and dissemination of cost and industry-expense models in Saskatchewan are the prime example of this approach. Industry-wide weigh bill surveys conducted by the Saskatchewan board in 1976 and 1979, designed to assist in estimating revenue impacts, are another important example.

- time taken by the boards to effect major structural changes, in particular from a class-based to SPS rate system.

  Manitoba converted 4 years after the initial proposal; Saskatchewan converted 9 years after the initial proposal. These lag-times may reflect the tendency towards excessive rigidity in regulated environments.

In terms of rate levels, there has been a relatively dramatic shift over the course of the study period. In 1972, Saskatchewan rates were about 15% lower than Manitoba

rates (on average). By 1981, Saskatchewan rates were about 15% higher. In both provinces, the rate increases substantially outpaced increases in two CPI indices (i.e. 'all items' and 'transportation'). Based on a comparison of these CPI indices in the two provinces through the study period (i.e. both started and ended at about the same level in both provinces), there would appear to be questionable 'cost-based' justification for the relatively dramatic shift in the relationship between the two prescribed rate levels outlined above. This in turn suggests that the approach to regulation itself, and what might be characterized as the 'whim' of the regulator, has much to do with resultant rate levels in a regulated environment. Whatever the case, there is no obvious 'number-based' reason why the prescribed rate levels in the two provinces should have differed (as they did) at any particular time, and more particularly why they should have changed position (as they did).

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