

**SURREBUTTAL TESTIMONY OF**

**CARL D. HERBEIN, CPA**

**Appearing on Behalf of the Area 6 Milk Dealer Association**

**Testimony before Pennsylvania Milk Marketing Board**

**Small Delivery Cost Hearing**

**July 2, 2014**

## **Testimony of Carl D. Herbein, CPA**

### **Small Delivery Cost Hearing**

I am Carl D. Herbein, CPA, President and CEO of Herbein + Company, Inc. and my address is 2763 Century Blvd., Reading, PA 19610. I wish to present Surrebuttal Testimony on behalf of the Area 6 Milk Dealer Association. I attach my Curriculum Vitae, as Exhibit D-6 which outlines my education, and experience in the dairy industry.

### **Background and Purpose of Hearing**

Pursuant to Bulletin 1503 the Pennsylvania Milk Marketing Board is conducting a public hearing to receive testimony and exhibits concerning small delivery cost. The purpose of the hearing is to receive testimony and exhibits concerning the small delivery cost and incorporation of the small delivery cost into the minimum wholesale price buildup.

### **Study Conducted**

On behalf of the Area 6 Milk Dealer Association, I have reviewed the cost of making small deliveries. A small delivery in Area 6 is defined as a delivery of less than 200 points per stop. This definition includes delivery of both controlled and non-controlled products. Cross-section dealers were asked by me to stratify their deliveries into categories by size of delivery. One stratified group of routes had an average delivery size of less than 200 points per stop. From that stratified group of routes, representative "small delivery routes" were selected for detailed costing. The selected routes were discussed with dealer personnel that are familiar with the delivery function to understand the detailed characteristics of the routes to be assured the routes were in fact reflective of a small delivery route.

The month of October 2013 was selected as a representative month for delivering controlled and non-controlled products to customers in PMMB Area 6. October is a representative month for study because there are no unusual holidays that affect sales patterns, schools are in session, weather is reasonably predictable, and other conditions are relatively normal in Pennsylvania.

A cross-section of dealers providing small deliveries in Area 6 was chosen and is comprised of Galliker's Dairy, Schneider Valley Farms, Dean – Sharpville, and Dean – Meadow Brook. These four (4) dealers were studied because they provide a significant portion of direct store door deliveries to customers receiving less than 200 points per delivery and are representative of all small deliveries made in Area 6. Cross-section dealers have experienced significant cost increases in the delivery cost center. Upon analyzing these cost increases it has been determined that labor, and fuel have increased significantly more on a per point basis in the undiscounted sales area of less than 200 points per delivery than with the average and larger deliveries. This is caused by a considerably higher concentration of fuel and wages and fringe benefits on a small delivery route than an average route. Each route has one (1) driver and a truck that consumes fuel and with lower points on a small route the labor and fuel is much larger per point. Driver wages, benefit costs, and fuel amount to more than 70% of the small delivery cost.

Based upon a review of dealer route accounting information and interviews with dealer supervisory personnel, small delivery routes were selected and information obtained for the month of October 2013. The information utilized includes total points delivered, number of stops made by the route, miles driven, fuel consumed by the delivery truck, depreciation expense or lease cost for the delivery truck and payroll and related benefit information for the drivers that operate the routes selected. Additionally, other delivery expenses were obtained from the 2013 PMMB 60 – financial report – and added on a per point basis to each route analyzed. These expenses, in total are significant and must be included in a proper cost accounting of delivery expenses, however they are not of the same nature to require separate accounting between small deliveries, average deliveries, and large deliveries. These expenses are allocated proportionately (per point) to all deliveries and thus utilizing the delivery cost center as presented in the annual PMMB 60 is an acceptable cost accounting procedure.

The individual routes that were studied for the cross-section dealers were then combined on a weighted average basis by reflecting each cross-section dealer's small delivery volume and comparing that with the total small delivery volume for all cross-section dealers. This surrebuttal testimony includes modest revisions to the route study exhibits that we presented in our first submission based on further analysis and constructive comments from Board staff, based on their initial review of our work papers. Therefore, this surrebuttal testimony supersedes our original pre-submission.

## **Surrebuttal Exhibits**

Surrebuttal Exhibit D-1 presents the cost per point to deliver controlled and non-controlled products to a customer receiving less than 200 points per delivery. To measure this cost, we used the template developed by Board Staff the last time small delivery studies were performed. The total cost is \$0.2756 per point as determined utilizing October 2013 cross-section dealer financial information.

Surrebuttal Exhibit D-2 presents the adjustment methodology and results when incorporating the small delivery adjustment to arrive at an undiscounted base wholesale price. The most recent adjustment was calculated and incorporated into PMMB's pricing methodology when OGO A-956 was established in December 2008. Thus, an updating of this information was necessary due to the significant increase in delivery costs that significantly affect small deliveries.

Surrebuttal Exhibit D-3 is presented to show the effect of substituting the current small delivery cost and updating the average delivery cost in the minimum wholesale price buildup. It shows that the adjustment would result in a 15.82-cent increase in the wholesale price based on October 2013.

Surrebuttal Exhibit D-4 is presented to demonstrate the Pennsylvania Milk Marketing Board's minimum wholesale price buildup and to identify the portions of this buildup that are affected by the proposed update adjustments. Column I and Column J are the only portions of the minimum wholesale price buildup which are affected by this proposed update and change. This exhibit reflects the Pennsylvania Milk Marketing Board's minimum wholesale price buildup for the most recent Cost Replacement Hearing.

Surrebuttal Exhibit D-5 and D-5A is presented to demonstrate the extreme lack of profitability experienced by Pennsylvania's regulated milk dealers. These exhibits were previously submitted to the Milk Marketing Board and it is my opinion based on my review of the vast majority of PMMB 60s filed for the year 2013 and my work on behalf of a number of dealers this year to identify sources of profitability shortfalls, that the more recent profitability performance is even less successful than Surrebuttal Exhibits D-5 and D-5A reflect. This update is very important to the dealers both for the margin improvement that it can produce but also because I have determined that the dealers' profitability issues are not due to non-controlled sales, which is reinforced by Surrebuttal Exhibit D-5A but which is also the result of my review of many out of state accounts and tea and drink pricing on behalf of a number of the dealers this year.

### **Other Factors**

Based upon the results of the above described analysis I am bolstered in my opinion that the costs associated with small deliveries have increased significantly faster than the average delivery costs experienced by the Area 6 Dealers. This increase in cost when combined with the Board's methodology for the development of the minimum wholesale price has contributed significantly to the deteriorated profit margin experience by Pennsylvania's milk dealers. I have previously presented an exhibit (PMMB Statewide Profitability) on profit and loss information, which supports this fact and now is attached as Surrebuttal Exhibit D-5.

### **Index-Based Analysis**

Following consultation with PMMB staff I determined that testing our route study results with an index-based analysis would be helpful. I have now seen staff's final recommendation and while I agree that an index-based update could work, and while Board staff and I have generally followed the same methodology – (i) determine the labor component of small delivery as a percentage, (ii) update it using BLS statistics, and (iii) update other costs by measuring the change in average delivery over time, I am of the strong opinion that Board staff's approach to steps 1 and 2 is fundamentally flawed.

### **Analytical Approach Utilized**

The analysis begins with determining when the small delivery adjustment was last verified by PMMB. The year of most recent verification for Area 6 is 2006, which is the year used for the General Price Hearing when the last small delivery studies were performed.

It was then necessary to segregate the costs for updating and then to apply the appropriate index. As I mentioned, labor is by far the largest component of a small delivery cost. By analyzing the dealer Surrebuttal Exhibits D-1 for each PMMB Area (1 – 6), I found that 57% of the small delivery cost relates to labor and related fringe benefits. Surrebuttal Exhibit D-8, Labor Analysis demonstrates the calculation of this 57%. This number is consistent with what I would have expected based on my consulting work for dealers, including my profitability studies performed on behalf of individual dealers, but I went beyond that calculation to test this analysis since Board staff has presented a much lower, and in my opinion incorrect, percentage at 47 percent.

Surrebuttal Exhibit D-8A is presented to show the percentage of labor and fringe benefit costs as percent of total small delivery costs for route studies conducted at the cross-section dealers for this hearing. These routes

are a subset of the routes presented in Surrebuttal Exhibit D-1 because they represent the routes that were jointly selected by PMMB staff and Herbein + Company in consultation with the cross section dealer. Using the Staff-developed template for these routes I was able to segregate the labor component, including wages, fringe benefits and workers comp, from the other costs just like I did for the entire cross-section in Surrebuttal Exhibit D-8. The benefit of this analysis is that the Board can be confident that these routes are reflective of small delivery routes that their own staff agreed were appropriate for study. The resulting simple average of the routes jointly selected is that the labor component comprised 60.5% of the small delivery costs. This is clearly supportive of the statewide calculation of 57% presented on Surrebuttal Exhibit D-8 and supports my opinion that Staff's 47% calculation is far too low.

As a footnote to Surrebuttal Exhibit D-8A, I wish to advise that as to the routes that were not jointly selected, the PMMB staff was advised of the routes selected by dealer representatives and staff of Herbein + Company well in advance of the filing deadlines. Herbein + Company also provided all supportive work papers and it was our understanding that PMMB staff was going to raise questions as to the routes selected with the dealer representatives and Herbein + Company if further field work was needed. A request to proceed with a secondary selection was not received, which appears to be because of this alternative method presented, but I wish for the Board to know that cooperation was ongoing. More importantly, I stand by the route studies and the results presented in Surrebuttal Exhibits D-1, D-2, and D-3. All routes were selected using the same method used when Board staff was physically present. The costs were measured using the template developed by Staff for the General Price Hearings. And of great importance to my opinion, the resulting analysis was right in the ballpark of what I would have expected. The results passed the smell test based on my experience tearing apart the financials of ailing dealers this year. And of great solace to me, the route study results are bolstered by the cross check of the properly applied index method.

Support for updating 57% of the small delivery cost as labor also comes from the last round of small delivery studies where this Board adopted the results of joint studies between Staff and Herbein + Company at the last General Price Hearings. Surrebuttal Exhibit D-8B presents labor and fringe benefit costs as a percentage of total small delivery costs as determined at the cross-section dealers as part of the most recent General Price Hearings. The routes included in the small delivery study at that time were jointly selected by PMMB staff and

Herbein + Company in consultation with the dealers. The cross-section listed above does not include all dealers studied, as it reflects the Staff work papers from those General Price Hearings that I was able to find in my file following my review of Staff's rebuttal testimony and exhibits. In my opinion, they are very representative of small delivery costs as they existed at the time of the most recent General Price Hearings and they can serve as a further test to demonstrate that Staff's proposed 47% labor component is far off the mark of what has been the case historically and what is the case today. The results of this analysis 59.7% are clearly supportive of the statewide calculation presented on Surrebuttal Exhibit D-9 of 57%.

Based on this analysis and my working knowledge of the costs associated with a small delivery, I conclude that Board staff's use of 47% is not appropriate and explain further below additional reasons for this conclusion.

This 57% is then applied to the existing small delivery to determine the portion of this cost that is labor. This is shown on Surrebuttal Exhibit D-7 – \$0.1431 of the small delivery costs of \$.02096-cents from 2006 must be updated based on the appropriate index. The result of that calculation is what must then be updated.

Board staff suggested in rebuttal that the U.S. Bureau of Labor Statistics could be used to update the labor cost. The U.S. Bureau of Labor Statistics maintains and publishes significant economic data concerning labor costs in the United States. This information is found at [www.ncsinfo@bls.gov](mailto:www.ncsinfo@bls.gov) and [www.bls.gov/ect](http://www.bls.gov/ect). I have reviewed hundreds of pages of statistics from this website and have verified my understanding of the various indices in discussions with the point person for public inquiries at BLS. Surrebuttal Exhibit D-11 reflects the information that I conclude must be utilized to update the labor portion of small delivery. The information utilized in this analysis is taken from the Transportation and Material Moving category reflected on Table 1, page 10 of the "Employment Cost Index Historical Listing – Volume III – April 0214 – U.S. Bureau of Labor Statistics". This statistic includes milk delivery drivers (just as the Staff's statistic does) but unlike Staff's chosen index, the one I use includes labor as well as fringe benefits and overtime, which are included in the labor component of small delivery based on Staff's own template. As explained further herein, it is my opinion that Board staff has used the wrong statistic in its rebuttal filing; it fails to reflect the increases overtime of these other major categories of the labor component of the small delivery cost.

Utilizing the BLS Index that existed in 2007 and comparing that with the same index for 2014 it can be determined what increase in labor cost has occurred. The Area 6 calculations are shown on Surrebuttal Rebuttal Exhibit D-7 and the increase amounts to 16.67% over more than six (6) years. This results in an updated labor cost of \$.1431 per point shown on Surrebuttal Exhibit D-7.

The next step in this analysis is to determine the increase in other costs included in the small delivery adjustment and these costs are fuel, depreciation or lease expense, other delivery expenses, service center costs allocated to delivery and plant to depot costs when incurred. I agreed with Board staff that the most reasonable and acceptable method of estimating this increase is by calculating the percentage of increase which has occurred in the average delivery cost from the time of the existing General Order to the average delivery cost for the cross-section dealers for the year ending December 31, 2012. By making this calculation for all six (6) areas (1 – 6) it has been determined that the average delivery cost increased 13.22% over this more than six (6) year period. Surrebuttal Exhibit D-9 demonstrates the calculation of the 13.22%. By applying this increase to the costs other than labor for Area 6 Surrebuttal Exhibit D-7 shows that these other costs are now \$.1020 per point. This amount is added to the adjusted labor cost and the calculated small delivery cost using this updating method is \$.2451 per point. This economic calculation can then be compared to the dealer Surrebuttal Exhibit D-1 for Area 6 which shows a cost of \$.2756 per point. In my opinion, the statistical updating method is supportive of my route study results.

### **Statewide Averages**

Surrebuttal Exhibit D-8 and Surrebuttal Exhibit D-9 demonstrate calculations of statewide averages for labor and non-labor expenses. The Area 6 dealers recommend that the use of statewide averages is a preferable way of determining the amount of wages included in the small delivery cost and also in determining the increase in the average delivery. The utilization of these labor and non-labor statistics on an area by area basis show significant variance which may be caused by slightly different accounting classifications in the dealer cross-sections. By utilizing statewide calculations these differences are moderated and the resulting statewide average is clearly within the economic parameters for these categories.

Surrebuttal Exhibit D-10 compares the results of the route studies performed and presented by Herbein + Company to the results of the index-based updating method just described. It can be seen that the difference per



point between the two approaches is less than \$.01 per point. The result of all of the exhibits and related analysis indicates a strong and urgent need to update the small delivery portion of the Pennsylvania Milk Marketing Board's pricing formula. I believe either updating method presented here would be appropriate and urge the Board to choose one due to the urgent need to improve the efficacy of the system. For the reasons discussed herein and below, I urge the Board not to adopt the Staff's indexing, which fails to reflect the evidence-based reality of small deliveries.

### **Board Staff Exhibits**

I have reviewed Board staff's testimony and related exhibits and disagree with Staff's approach in two key respects and also wish to explain why the Board can and should utilize the route study information presented herein.

As I mentioned, I agree that the use of the U.S. Bureau of Labor Statistics to present an alternative method for PMMB Board's consideration is a reasonable alternative to route studies given the exigency of the circumstances and the fact that indexing has been used in the past to accomplish updates.

However, I disagree with the Staff in two key respects. Staff Exhibit 1 is a properly presented summary of all costs for all cross-section dealers throughout the state for the delivery cost center. However, I do not believe that this summary can be used to calculate the labor component specific to small delivery. First of all, I do not believe that this data has been fully audited. If not, then I would expect that cost allocations may be off pending audit. So the compilation is not necessarily geared towards this use. Furthermore and most significantly in my opinion, the calculation performed which shows a wage related cost of 47.44% of all delivery costs is flawed because the wage and other costs captured by Board staff in this calculation includes all size of deliveries and this distorts significantly the results of the calculation needed for small delivery adjustment. The factual background to this comment is that the labor and related component of small delivery is far larger than it is on a large supermarket tractor trailer type delivery. When one considers that these two (2) types of routes both have one (1) driver and their related fringe benefits and the volume of delivery is 12,000 points on a small delivery truck and 24,000 points on a tractor trailer it is quite clear that the wage component of a small delivery is far larger. Surrebuttal Exhibit D-8 is a calculation of wages and benefit costs for small deliveries. This calculation removes the distortion of combining all routes. Board staff can disagree with the selection of individual routes,

however the separation by cross-section dealers of their routes into undiscounted routes (small delivery) and all others has not been questioned and that is the source of the details and calculations which appear on Surrebuttal Exhibit D-8. I recommend that the statistical analysis performed should utilize 57% as the labor component which requires updating.

### **Staff Exhibit 3**

The information utilized by staff is based simply upon the change in hourly rates and ignores significant other costs which have changed in a much more dramatic fashion than the base hourly rate (see Surrebuttal Exhibit D-12, page 4). Surrebuttal Exhibit D-11 presents a more comprehensive economic statistic as it includes wages, salaries, and employer costs for employee benefits as well as overtime. Page 21 of Surrebuttal Exhibit D-11 reflects this footnote disclosure. Additionally, page 4 of Surrebuttal Exhibit D-12 reflects Q&As to explain what is included in wages – the very statistic used by Board Staff and it explains that the statistic used by Board staff only includes wages and salaries based on a 40-hour week. That means that the Staff's statistic does not reflect overtime pay which is a huge component of the labor component for deliveries. Nor does the statistic reflect fringe benefits associated with labor also a huge factor that I know has risen faster than wages based on my involvement with negotiations with labor unions during the past year on behalf of milk dealers. As a result, Staff's statistic is incomplete and would understate the increases in labor costs since the last small delivery study.

I recommend that the Bureau of Labor Statistics reflected on Surrebuttal Exhibit D-11 and utilized in Surrebuttal Exhibit D-7 be adopted by the Board if the Board chooses the statistical update method. These statistics have been properly applied to the time period from the Base Order study period to current and to utilize Staff Exhibit 3 seriously understates the increase in labor and related costs which we now need to update.

### **General Comments**

I agree with Board staff's comments that Official General Order A-956 is not operating in a manner that fully addresses the percentage discount increase in an increasing price environment. PAMD agrees that this situation should be addressed, however the dealers highly recommend that the requested small delivery adjustment and the Cost Replacement Hearings be the first order of business due to continued cost increases which are coupled with decreases in controlled product sales causing severe profitability problems for Pennsylvania's regulated fluid milk industry.

### **Summary and Recommendations**

The Area 6 Milk Dealer Association recommends that the Pennsylvania Milk Marketing Board update and adjust the minimum wholesale price buildup to include the small delivery cost of either \$0.2756 per point (Surrebuttal Exhibit D-1) or \$.2451 (Surrebuttal Exhibit D-7) and also update the average delivery cost to \$0.1020 per point. This update and adjustment is necessary to reflect updated costs and will contribute significantly to improving dealer financial performance, which in many cases is negative. Thank you for your consideration of my analysis, exhibits and opinions.

**AREA 6 MILK DEALER ASSOCIATION**

**SMALL DELIVERY COST HEARING  
SURREBUTTAL EXHIBITS**

**JULY 2, 2014**

**AREA 6 MILK DEALER ASSOCIATION**  
**SMALL DELIVERY COST HEARING**  
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## SMALL DELIVERY COST

## Area 6

October 2013

Galliker's Dairy, Schneider Valley Farms, Dean – Sharpsville, and Dean – Meadow Brook

	<u>Cost Per Point</u>
Fuel	\$.0480
Depreciation or lease expense	.0149
Driver wages and benefit costs <sup>1</sup>	.1134
Other delivery expenses <sup>2</sup>	.0256
Service cost centers allocated to delivery	.0271
Plant to depot costs	<u>.0466</u>
<b>Total cost per point</b>	<b><u>\$.2756</u></b>

<sup>1</sup> Includes payroll taxes, workmen's compensation insurance, employee health benefit costs, pension costs, uniforms and other employee relations expenses.

<sup>2</sup> Includes repairs and maintenance, tires, supplies, license, tolls, and other delivery costs.

**SMALL DELIVERY COST ADJUSTMENT**

**Area 6**

**October 2013**

**Galliker's Dairy, Schneider Valley Farms, Dean – Sharpsville, and Dean – Meadow Brook**

	<u>Cost Per Point</u>
Less: average delivery cost – OGO A-956 – CRO4	\$(.1410)
Add: small delivery cost	<u>.2756</u>
Adjustment	<u>\$ .1346</u>
Current order OGO A-956 average delivery	\$.1219/point (\$.4876/gallon)
Current order OGO A-956 small delivery	\$.2096/point (\$.8384/gallon)

**SMALL DELIVERY COST**

**Effect of Adjustment**

**Area 6 – Whole Milk Gallon**

**October 2013**

**Galliker’s Dairy, Schneider Valley Farms, Dean – Sharpsville, and Dean – Meadow Brook**

**Pennsylvania Milk Marketing Board Wholesale Price Buildup  
Attachment 4 – OGO A-956 – CRO 4**

**Current**

Column H – Exhibit D-4	\$3.5996
Less: average delivery	(.4876)
Add: small delivery	<u>.8384</u>
	<u>\$3.9798</u>

**Proposed**

Column H – Exhibit D-4	\$3.5996
Less: average delivery (.1410 x 4)	(.5640)
Add: small delivery (.2756 x 4)	<u>1.1024</u>
	<u>\$4.1380</u>



PENNSYLVANIA MILK MARKETING BOARD  
MILK MARKETING AREA 6

WHOLESALE PRICE BUILDUP  
JANUARY 2014 MILK PRICES

Container Size	A	B	C	D	E	F	G	H	I	J	K	L	M
	EX. 6 Milk Cost	EX. 3 Container Cost	EXS. 7, 8 & 9 (1) Cost Update & Energy Add-On Adjustments	Container Efficiency Adjustment	EX. 2 Processing Cost	(A+B+C+D+E) Average Delivered Cost	Profit at 3.40%	(F + G) Price with Profit	Less Average Delivery	Plus High Cost Delivery	(H + I + J) Proposed Wholesale Price	Current Wholesale Price	Increase (Decrease)
STANDARD MILK													
Gallon	\$ 2.2609	\$ 0.2031	\$ 0.0208	\$ (0.0836)	\$ 1.0860	\$ 3.4772	\$ 0.1224	\$ 3.5996	\$ (0.4876)	\$ 0.8394	\$ 3.9504	\$ 3.9798	\$ (0.0284)
1/2 Gallon	\$ 1.1305	\$ 0.1408	\$ 0.0104	\$ (0.0324)	\$ 0.5430	\$ 1.7923	\$ 0.0631	\$ 1.8554	\$ (0.2438)	\$ 0.4192	\$ 2.0308	\$ 2.0414	\$ (0.0106)
Quart	\$ 0.5652	\$ 0.1767	\$ 0.0052	\$ 0.0264	\$ 0.2715	\$ 1.0450	\$ 0.0368	\$ 1.0818	\$ (0.1219)	\$ 0.2096	\$ 1.1809	\$ 1.1809	\$ (0.0114)
Pint	\$ 0.2826	\$ 0.1379	\$ 0.0026	\$ 0.0249	\$ 0.1358	\$ 0.5938	\$ 0.0205	\$ 0.6043	\$ (0.0610)	\$ 0.1048	\$ 0.6481	\$ 0.6577	\$ (0.0096)
12 Ounce	\$ 0.2120	\$ 0.0367	\$ 0.0020	\$ 0.0194	\$ 0.1018	\$ 0.3719	\$ 0.0131	\$ 0.3850	\$ (0.0457)	\$ 0.0796	\$ 0.4179	\$ 0.4200	\$ (0.0021)
10 Ounce	\$ 0.1786	\$ 0.0548	\$ 0.0016	\$ 0.0139	\$ 0.0848	\$ 0.3317	\$ 0.0117	\$ 0.3434	\$ (0.0381)	\$ 0.0655	\$ 0.3708	\$ 0.3727	\$ (0.0019)
1/2 Pint	\$ 0.1413	\$ 0.0294	\$ 0.0013	\$ 0.0139	\$ 0.0679	\$ 0.2538	\$ 0.0089	\$ 0.2627	\$ (0.0305)	\$ 0.0524	\$ 0.2846	\$ 0.2863	\$ (0.0017)
4 Ounce	\$ 0.0707	\$ 0.0284	\$ 0.0007	\$ 0.0200	\$ 0.0339	\$ 0.1537	\$ 0.0054	\$ 0.1591	\$ (0.0153)	\$ 0.0262	\$ 0.1700	\$ 0.1696	\$ 0.0004
Bulk per Quart	\$ 0.5852	\$ 0.0937	\$ 0.0052	\$ 0.1078	\$ 0.2715	\$ 1.0434	\$ 0.0367	\$ 1.0801	\$ (0.1219)	\$ 0.2096	\$ 1.1678	\$ 1.1771	\$ (0.0093)
REDUCED FAT (2%) MILK													
Gallon	\$ 2.0626	\$ 0.2031	\$ 0.0208	\$ (0.0836)	\$ 1.0860	\$ 3.2989	\$ 0.1161	\$ 3.4150	\$ (0.4876)	\$ 0.8394	\$ 3.7951	\$ 3.7951	\$ (0.0293)
1/2 Gallon	\$ 1.0413	\$ 0.1408	\$ 0.0104	\$ (0.0324)	\$ 0.5430	\$ 1.7031	\$ 0.0589	\$ 1.7630	\$ (0.2438)	\$ 0.4192	\$ 1.9384	\$ 1.9490	\$ (0.0106)
Quart	\$ 0.5206	\$ 0.1767	\$ 0.0052	\$ 0.0264	\$ 0.2715	\$ 1.0004	\$ 0.0295	\$ 1.0356	\$ (0.1219)	\$ 0.2096	\$ 1.1233	\$ 1.1347	\$ (0.0114)
Pint	\$ 0.2603	\$ 0.1379	\$ 0.0026	\$ 0.0249	\$ 0.1358	\$ 0.5615	\$ 0.0188	\$ 0.5813	\$ (0.0610)	\$ 0.1048	\$ 0.6251	\$ 0.6346	\$ (0.0095)
12 Ounce	\$ 0.1948	\$ 0.0367	\$ 0.0020	\$ 0.0194	\$ 0.1018	\$ 0.3647	\$ 0.0125	\$ 0.3762	\$ (0.0457)	\$ 0.0796	\$ 0.4001	\$ 0.4027	\$ (0.0026)
10 Ounce	\$ 0.1627	\$ 0.0548	\$ 0.0016	\$ 0.0139	\$ 0.0848	\$ 0.3178	\$ 0.0112	\$ 0.3290	\$ (0.0381)	\$ 0.0655	\$ 0.3564	\$ 0.3582	\$ (0.0018)
1/2 Pint	\$ 0.1302	\$ 0.0294	\$ 0.0013	\$ 0.0139	\$ 0.0679	\$ 0.2427	\$ 0.0085	\$ 0.2512	\$ (0.0305)	\$ 0.0524	\$ 0.2731	\$ 0.2747	\$ (0.0016)
4 Ounce	\$ 0.0651	\$ 0.0284	\$ 0.0007	\$ 0.0200	\$ 0.0339	\$ 0.1481	\$ 0.0052	\$ 0.1533	\$ (0.0153)	\$ 0.0262	\$ 0.1642	\$ 0.1639	\$ 0.0003
Bulk per Quart	\$ 0.5206	\$ 0.0937	\$ 0.0052	\$ 0.1078	\$ 0.2715	\$ 0.9888	\$ 0.0362	\$ 1.0340	\$ (0.1219)	\$ 0.2096	\$ 1.1217	\$ 1.1310	\$ (0.0093)
LOW-FAT (1%) MILK													
Gallon	\$ 1.9429	\$ 0.2031	\$ 0.0208	\$ (0.0836)	\$ 1.0860	\$ 3.1592	\$ 0.1112	\$ 3.2704	\$ (0.4876)	\$ 0.8394	\$ 3.6212	\$ 3.6532	\$ (0.0320)
1/2 Gallon	\$ 0.9715	\$ 0.1408	\$ 0.0104	\$ (0.0324)	\$ 0.5430	\$ 1.6333	\$ 0.0575	\$ 1.6908	\$ (0.2438)	\$ 0.4192	\$ 1.8662	\$ 1.8781	\$ (0.0119)
Quart	\$ 0.4857	\$ 0.1767	\$ 0.0052	\$ 0.0264	\$ 0.2715	\$ 0.9655	\$ 0.0290	\$ 0.9995	\$ (0.1219)	\$ 0.2096	\$ 1.0872	\$ 1.0983	\$ (0.0111)
Pint	\$ 0.2429	\$ 0.1379	\$ 0.0026	\$ 0.0249	\$ 0.1358	\$ 0.5441	\$ 0.0192	\$ 0.5633	\$ (0.0610)	\$ 0.1048	\$ 0.6071	\$ 0.6168	\$ (0.0097)
12 Ounce	\$ 0.1822	\$ 0.0367	\$ 0.0020	\$ 0.0194	\$ 0.1018	\$ 0.3421	\$ 0.0120	\$ 0.3541	\$ (0.0457)	\$ 0.0796	\$ 0.3870	\$ 0.3893	\$ (0.0023)
10 Ounce	\$ 0.1518	\$ 0.0548	\$ 0.0016	\$ 0.0139	\$ 0.0848	\$ 0.3069	\$ 0.0108	\$ 0.3177	\$ (0.0381)	\$ 0.0655	\$ 0.3451	\$ 0.3472	\$ (0.0021)
1/2 Pint	\$ 0.1214	\$ 0.0294	\$ 0.0013	\$ 0.0139	\$ 0.0679	\$ 0.2339	\$ 0.0082	\$ 0.2421	\$ (0.0305)	\$ 0.0524	\$ 0.2640	\$ 0.2659	\$ (0.0019)
4 Ounce	\$ 0.0607	\$ 0.0284	\$ 0.0007	\$ 0.0200	\$ 0.0339	\$ 0.1437	\$ 0.0051	\$ 0.1488	\$ (0.0153)	\$ 0.0262	\$ 0.1597	\$ 0.1594	\$ 0.0003
Bulk per Quart	\$ 0.4857	\$ 0.0937	\$ 0.0052	\$ 0.1078	\$ 0.2715	\$ 0.9639	\$ 0.0339	\$ 0.9978	\$ (0.1219)	\$ 0.2096	\$ 1.0855	\$ 1.0956	\$ (0.0101)
NON-FAT (SKIM) MILK													
Gallon	\$ 1.8511	\$ 0.2031	\$ 0.0208	\$ (0.0836)	\$ 1.0860	\$ 3.0674	\$ 0.1080	\$ 3.1754	\$ (0.4876)	\$ 0.8394	\$ 3.5262	\$ 3.5601	\$ (0.0239)
1/2 Gallon	\$ 0.9256	\$ 0.1408	\$ 0.0104	\$ (0.0324)	\$ 0.5430	\$ 1.5874	\$ 0.0559	\$ 1.6433	\$ (0.2438)	\$ 0.4192	\$ 1.8187	\$ 1.8265	\$ (0.0078)
Quart	\$ 0.4628	\$ 0.1767	\$ 0.0052	\$ 0.0264	\$ 0.2715	\$ 0.9426	\$ 0.0282	\$ 0.9758	\$ (0.1219)	\$ 0.2096	\$ 1.0635	\$ 1.0735	\$ (0.0100)
Pint	\$ 0.2314	\$ 0.1379	\$ 0.0026	\$ 0.0249	\$ 0.1358	\$ 0.5326	\$ 0.0187	\$ 0.5513	\$ (0.0610)	\$ 0.1048	\$ 0.5951	\$ 0.6039	\$ (0.0088)
12 Ounce	\$ 0.1735	\$ 0.0367	\$ 0.0020	\$ 0.0194	\$ 0.1018	\$ 0.3334	\$ 0.0117	\$ 0.3451	\$ (0.0457)	\$ 0.0796	\$ 0.3780	\$ 0.3797	\$ (0.0017)
10 Ounce	\$ 0.1446	\$ 0.0548	\$ 0.0016	\$ 0.0139	\$ 0.0848	\$ 0.2987	\$ 0.0105	\$ 0.3102	\$ (0.0381)	\$ 0.0655	\$ 0.3376	\$ 0.3391	\$ (0.0015)
1/2 Pint	\$ 0.1157	\$ 0.0294	\$ 0.0013	\$ 0.0139	\$ 0.0679	\$ 0.2282	\$ 0.0080	\$ 0.2362	\$ (0.0305)	\$ 0.0524	\$ 0.2581	\$ 0.2594	\$ (0.0013)
4 Ounce	\$ 0.0578	\$ 0.0284	\$ 0.0007	\$ 0.0200	\$ 0.0339	\$ 0.1408	\$ 0.0050	\$ 0.1458	\$ (0.0153)	\$ 0.0262	\$ 0.1587	\$ 0.1582	\$ 0.0005
Bulk per Quart	\$ 0.4628	\$ 0.0937	\$ 0.0052	\$ 0.1078	\$ 0.2715	\$ 0.9410	\$ 0.0331	\$ 0.9741	\$ (0.1219)	\$ 0.2096	\$ 1.0618	\$ 1.0698	\$ (0.0080)

Footnote:  
1, per O.G.O. A-958, also includes an adjustment for the 'Discount Effect' in the amount of \$0.0029 per quart equivalent.  
Submitted: June 26, 2014

**SURREBUTTAL EXHIBIT D-5**

**PMMB STATE-WIDE PROFITABILITY**

**WHOLESALE DISCOUNT HEARING**

**Lehigh Valley Dairies – Lansdale, H.P. Hood, Wawa, Balford Farms, Clover Farms, Turkey Hill, Swiss Premium, Lehigh Valley Dairies – Schuylkill Haven, Schneider valley Farms, Guers Dairy, Pocono Mountain, Galliker’s Dairy, Harrisburg Dairies, Rutter’s, Turner Dairy, United Dairy – Fikes, United Dairy – Martins Ferry, Dean Foods – Sharpsville, Dean Foods – Meadow Brook, and Schneider’s Dairy**

**COMPARATIVE INCOME STATEMENT SUMMARY**

	<u>2011</u>	<u>2010</u>	<u>2009</u>
Net Sales	\$ 2,068,609,849	\$ 1,914,710,984	\$ 1,707,884,295
Cost of goods sold	<u>1,450,984,570</u>	<u>1,283,936,406</u>	<u>1,063,716,907</u>
Gross margin	<u>\$ 617,625,279</u> 29.9%	<u>\$ 630,774,578</u> 32.9%	<u>\$ 644,167,388</u> 37.7%
Cost center costs	<u>594,857,657</u>	<u>582,747,350</u>	<u>584,449,070</u>
Operating income	<u>\$ 22,767,622</u> 1.1%	<u>\$ 48,027,228</u> 2.5%	<u>\$ 59,718,318</u> 3.5%

**DEALER PROFITABILITY ANALYSIS**

**WHOLESALE DISCOUNT HEARING**

**Lehigh Valley Dairies – Lansdale, H.P. Hood, Wawa, Balford Farms, Clover Farms, Turkey Hill, Swiss Premium, Lehigh Valley Dairies – Schuylkill Haven, Schneider valley Farms, Guers Dairy, Pocono Mountain, Galliker’s Dairy, Harrisburg Dairies, Rutter’s, Turner Dairy, United Dairy – Fikes, United Dairy – Martins Ferry, Dean Foods – Sharpsville, Dean Foods – Meadow Brook, and Schneider’s Dairy**

	2011	
	All Twenty Cross Section Dealers (A)	Ten Dealers With Mostly PMMB Price Controlled Sales (B)
Net sales	\$2,068,609,849	\$1,033,830,890
Cost of goods sold	\$1,450,984,570	\$729,141,204
Gross margin	\$617,625,279 29.9%	\$304,689,686 29.5%
Cost center costs	\$594,857,657	\$305,252,412
Operating income	\$22,767,622 1.1%	(\$562,726) -0.1%

(A) Corresponds to PAMD Exhibit D7 (submitted August 23, 2013)

(B) Eliminates six (6) dealers from the cross-section that sell more than 60% of their milk sales outside Pennsylvania and eliminates four (4) dealers that have more than 40% of their bottling points from non-dairy packaging (juices, drinks, and teas).

Compares statewide profitability to ten (10) dealers with mostly PMMB price controlled sales.

# Carl D. Herbein, CPA

## *Curriculum Vitae*

### EDUCATION

Elizabethtown College – B.S. Degree in Accounting (1968)  
Delta Mu Delta – National Honor Society – Co-captain Cross Country Team

### EMPLOYMENT

Herbein + Company, Inc., Reading, PA  
October, 2004 to present  
President and CEO

July, 1985 to October, 2004  
Managing Partner

1974 to June, 1985  
Partner  
Reading, PA

Carl D. Herbein, CPA – Reading, PA  
1972 to 1974

Ernst & Young, Reading, PA  
1967 to 1972  
Staff/Senior Accountant

### PROFESSIONAL AND CIVIC ASSOCIATIONS AND DESIGNATIONS

CPA – Commonwealth of Pennsylvania (1971)

Member – American Institute of CPAs – Council (1990 – 1991)

Member – Pennsylvania Institute of CPAs – President (1988 – 1989)

Firm Member – PKF North American Network – Board of Directors (1993 – 1994)

Chairman – Reading Redevelopment Authority (1992 – 1998) Board of Directors (1984 – 1998)

#### Board Member

- Greater Berks Development Fund (1995 – present)
- Berks County Convention Center Authority - Treasurer (1996 – present)
- Alvernia University (2012 – present)

#### Berks County Chamber of Commerce (1980 – present)

- Chairman of the Board (1994 – 1996)
- Treasurer (1992 – 1993)
- Treasurer (2007-2009)

#### Greater Reading Economic Partnership (2005 – present)

#### Elizabethtown College

- Board of Trustees (1987 – 1992)
- Chair – Leadership Council (2007 – 2009)

#### Berkshire Country Club

- Board of Directors and Treasurer (October 2001 – 2007)

C.H. Briggs Hardware, Reading, PA  
Member of Board of Directors  
2008 to 2012

Submitted: June 23, 2014

**Carl D. Herbein, CPA**

**PUBLICATIONS**

"Product Costing In A Volatile Environment," which appeared in the *National Ice Cream Mix Association, Inc.* publication

"Milk Costing and Regulation - Is There a Conflict?" which appeared in the 2003 *International Association of Milk Control Agencies'* publication

"Benchmarking," which appeared in the August 2004, *422 Business Advisor*

"Financing Agribusiness Growth", which appeared in the *Pennsylvania CPA Journal*

"Processors Improve Profits With Benchmarking", which appeared in the October 2011, *Dairy Foods Magazine*

**COMMUNITY AWARDS**

2006 Eugene L. Shirk Community Builder Award

2010 Corporate Honoree – March of Dimes

2012 Franciscan Award – Alvernia University

2013 Business Weekly Unity Award

2014 YMCA Champion of Youth

**EXPERT REPORTS, DEPOSITION AND TESTIMONY**

**COURT AND OTHER TESTIMONY**

Montana Department of Agriculture – Testimony concerning Montana Milk pool. (hearing held July 23, 2008)

State of Vermont – Expert testimony concerning establishment floor price – raw milk. (hearing held October 9, 2008)

Windsong Farms v. Telemark – Expert testimony – lender liability November 17, 2008

Niagara Milk Cooperative, Inc. v. Thomas J. Krenzer et al. – determination of fair value of dissenter's interest February 23, 2009

State of New Jersey Department of Agriculture – Expert testimony - Farmer premium establishment. (hearing held November 19, 2009, December 17, 2009 and January 28, 2010)

Sweetwater Valley Farm, Inc. v. Dairy Farmers of America, Inc. – June 15, 2010

Bross v. Bross – domestic matter. Testimony October 16, 2010.

Van Peenen Dairy, Inc. v. Tuscan/Lehigh Dairies, Inc. – contractual dispute, November 22, 2011

Nicholas Meat Packing Co. v. Brigandi, Gleghorn and Associates – August 20, 2011 and July 2013.

Supports Coordination Organization Modeled Rate Review – payment rate dispute - July 15, 2013.

Allen S. Fisher, et. al. v. Dominion Transmission, Inc. – crop damage – loss calculation – October 2013.

DeVries Dairy v. White Eagle Cooperative Association – expert testimony – economic discrimination – October 2013.

Submitted: June 23, 2014

**Carl D. Herbein, CPA**

**COMMONWEALTH OF PENNSYLVANIA MILK MARKETING BOARD APPEARANCES**

**2007**

Expert witness appearing on behalf of dealer association concerning licensee to licensee discounts.

Expert witness appearing on behalf of dealer association concerning cost replacement hearings for Areas 1, 2, 3, 4, 5, and 6.

**2008**

Expert witness appearing on behalf of dealer association concerning cost replacement hearings for Areas 1, 2, 3, 4, 5, and 6.

Expert witness appearing on behalf of dealer association concerning bulk milk cream, shrinkage, producer premium related to recombinant bovine growth hormone, and milk prices and percentage discounts.

**2009**

Expert witness appearing on behalf of dealer association concerning cost replacement hearings for Areas 1, 2, 3, 4, 5 and 6.

Expert witness appearing on behalf of dealer association concerning emergency hearing related to level of Class I Over-order Premium.

**2010**

Expert witness appearing on behalf of dealer association concerning formula for calculating the Over Order Premium.

Expert witness appearing on behalf of dealer association concerning cost replacement in Area 4 and Area 5.

**2011**

Expert witness appearing on behalf of dealer associations concerning cost replacement in Areas 1, 2, 3, 4, 5, and 6.

**2012**

Expert witness appearing on behalf of dealer associations concerning multi-store discounts in Area 5 and Area 6.

Expert witness appearing on behalf of dealer associations concerning Over Order Premium duration and level.

Expert witness appearing on behalf of dealer associations concerning cost replacement in Areas 1, 2, 3, 4, 5, and 6.

**2013**

Expert witness appearing on behalf of dealer associations concerning wholesale milk discounts in Areas 1, 2, 3, 4, 5, and 6.

Expert witness appearing on behalf of dealer associations concerning over-price premium in Areas 1, 2, 3, 4, 5, and 6.

Expert witness appearing on behalf of dealer associations concerning cost replacement in Areas 1, 2, and 5.

**2014**

Expert witness appearing on behalf of dealer associations concerning cost replacement in Areas 1, 2, 3, 4, and 5.

Expert witness appearing on behalf of dealer associations concerning cost replacement in Areas 3, 4, and 6.

Submitted: June 23, 2014

INDEXING SMALL DELIVERY ANALYSIS

Area 6

BLS statistics:

2006	100.5
2014	<u>120.4</u>
	19.9 ÷ 100.5 = 19.80%

Labor factor 57%

		<u>Per Point</u>
Small delivery - 2006		\$ 0.2096
		<u>x .57</u>
		0.1195
		<u>x 1.1980</u>
		0.1431
Other cost adjusted ("Other costs" - source D-9)		
2006 small delivery	0.2096	
less labor	<u>(0.1195)</u>	
	0.0901	
increase in average delivery	x <u>1.1322</u>	
2006 - 2012	0.1020	<u>0.1020</u>
		<u>\$ 0.2451</u>

**SURREBUTTAL EXHIBIT D-8**

**LABOR AS PERCENTAGE OF SMALL DELIVERY COST**

**October 2013 Routes - All Cross-sections**

**Statewide Calculations**

**Driver wages and benefit costs:**

(Source D-1)

Area 1	\$ 0.1653
Area 2	\$ 0.1877
Area 3	\$ 0.1172
Area 4	\$ 0.1615
Area 5	\$ 0.1269
Area 6	<u>\$ 0.1134</u>
	<u><u>\$ 0.8720</u></u>

**Total small delivery cost:**

Area 1	\$ 0.2703
Area 2	\$ 0.2384
Area 3	\$ 0.2418
Area 4	\$ 0.2702
Area 5	\$ 0.2330
Area 6	<u>\$ 0.2756</u>
	<u><u>\$ 1.5293</u></u>

**Summary**

$$\$0.8720 \div 1.5293 = \underline{57\%}$$



**SURREBUTTAL EXHIBIT D-8A**

**LABOR AS PERCENTAGE OF SMALL DELIVERY COST**

**Select October 2013 Routes**

**Cross-section: Schneider's Dairy, Turner Dairy, Clover Farms, and Galliker's Dairy**

Labor and fringe benefit cost on a % of total small delivery cost:	<u>Routes<sup>1</sup></u>
	.6164
	.6050
	.5015
	.7786
	.7045
	.5380
	.5420
	<u>.5520</u>
	4.8380

$$4.8380 \div 8 = 60.5\%$$

<sup>1</sup> Note: Route selections done jointly by dealer, PMMB staff and Herbein + Company. Routes 127, 128, 346, 65, 120, 134, 144, and 43 are reflected in the above calculations.

LABOR AS PERCENTAGE OF SMALL DELIVERY COST

2007 / 2008 Routes

Cross-section: Schneider's Dairy, Turner Dairy, Clover Farms, Harrisburg Dairies, and Galliker's Dairy

Labor and fringe benefit cost on a % of total small delivery cost:	Route <sup>1</sup>
	.5400
	.5544
	.6083
	.5400
	.5011
	.8400
	<hr/>
	3.5838

$$3.5838 \div 6 = 59.7\%$$

<sup>1</sup> Note: Route selections done jointly by dealer, PMMB staff and Herbein + Company. Routes 2, 34, 322, 128, 9, and 66 are reflected in the above calculation. These route costs were used in the development of the small delivery cost utilized in the most recent General Price Hearings.

**SURREBUTTAL EXHIBIT D-9**

**NON-LABOR ANALYSIS**

**Small Delivery**

**Statewide Calculations**

	<u>Area 1</u>	<u>Area 2</u>	<u>Area 3</u>	<u>Area 4</u>	<u>Area 5</u>	<u>Area 6</u>
Base Order average delivery	\$ 0.1161	\$ 0.0772	\$ 0.1071	\$ 0.0927	\$ 0.1166	\$ 0.1219
Current average delivery (12.31.12)	\$ 0.1267	\$ 0.0839	\$ 0.1248	\$ 0.1088	\$ 0.1305	\$ 0.1410
% of cost increase	9.13%	8.68%	16.53%	17.37%	11.92%	15.67%
Total area % increase	79.30 ÷ 6 = 13.22%					
State average	13.22%					

**SURREBUTTAL EXHIBIT D-10**

**ROUTE STUDY vs. STATISTICAL ANALYSIS**

**State Average**

	<u>Route Study</u>	<u>Statistical Analysis</u>
Area 1	\$ 0.2703	\$ 0.2697
Area 2	\$ 0.2384	\$ 0.2397
Area 3	\$ 0.2418	\$ 0.2340
Area 4	\$ 0.2702	\$ 0.2384
Area 5	\$ 0.2330	\$ 0.2458
Area 6	<u>\$ 0.2756</u>	<u>\$ 0.2451</u>
	\$ 1.5293 ÷ 6 = \$0.2579	\$ 1.4727 ÷ 6 = \$0.2455

# Employment Cost Index Historical Listing – Volume III



April 2014

[www.bls.gov](http://www.bls.gov)

## Current Dollar, March 2001-March 2014 (December 2005=100)

*The estimates from 2001 to 2005 in this listing are not official; they are presented only to aid users in interpreting the industry and occupational classification systems that were introduced in March 2006.*

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This is the third volume of five historical listings for the Employment Cost Index. The other four are:

- I. Current Dollar, September 1975-December 2005
- II. Constant Dollar, September 1975-December 2005
- IV. Constant Dollar, March 2001-current reference period
- V. Continuous Occupational and Industry Series, September 1975-current reference period

*The listings are available at [www.bls.gov/ect/#tables](http://www.bls.gov/ect/#tables)*

**Table 1. Employment Cost Index for total compensation<sup>1</sup>, by occupational group and industry — Continued**

(Seasonally adjusted)

Occupational group and industry	Indexes (Dec. 2005 = 100)				Percent changes for 3-months ended—			
	Mar.	June	Sep.	Dec.	Mar.	June	Sep.	Dec.
<b>Production</b>								
2006 .....	100.3	100.9	101.6	102.2	0.2	0.6	0.7	0.6
2007 .....	102.0	102.7	103.2	104.1	-.2	.7	.5	.9
2008 .....	104.7	105.2	105.8	106.3	.6	.5	.6	.5
2009 .....	107.1	107.5	107.9	108.4	.8	.4	.4	.5
2010 .....	109.4	110.0	110.6	110.9	.9	.5	.5	.3
2011 .....	111.6	113.2	113.3	113.9	.6	1.4	.1	.5
2012 .....	113.8	114.3	114.8	115.1	-.1	.4	.4	.3
2013 .....	115.6	116.1	116.3	116.9	.4	.4	.2	.5
2014 .....	117.7	—	—	—	.7	—	—	—
<b>Transportation and material moving</b>								
2002 .....	89.7	90.3	91.0	91.6	1.1	.7	.8	.7
2003 .....	92.5	93.4	94.0	94.6	1.0	1.0	.6	.6
2004 .....	95.8	96.7	97.4	98.0	1.3	.9	.7	.6
2005 .....	98.4	98.9	99.7	100.1	.4	.5	.8	.4
2006 .....	100.5	101.2	101.8	102.7	.4	.7	.6	.9
2007 .....	103.2	104.1	104.8	105.4	.5	.9	.7	.6
2008 .....	106.5	107.1	107.6	108.0	1.0	.6	.5	.4
2009 .....	108.5	108.9	109.4	109.8	.5	.4	.5	.4
2010 .....	110.5	111.1	112.1	112.6	.6	.5	.9	.4
2011 .....	113.1	114.0	114.2	114.9	.4	.8	.2	.6
2012 .....	115.6	116.1	116.9	117.6	.6	.4	.7	.6
2013 .....	118.2	118.6	119.1	119.7	.5	.3	.4	.5
2014 .....	120.4	—	—	—	.6	—	—	—
<b>Service occupations</b>								
2002 .....	90.3	90.7	91.6	92.1	.9	.4	1.0	.5
2003 .....	93.0	93.5	94.4	95.1	1.0	.5	1.0	.7
2004 .....	95.9	96.7	97.2	97.8	.8	.8	.5	.6
2005 .....	98.4	99.0	99.6	100.1	.6	.6	.6	.5
2006 .....	100.8	101.5	102.2	103.2	.7	.7	.7	1.0
2007 .....	104.4	105.2	106.3	107.2	1.2	.8	1.0	.8
2008 .....	107.8	108.7	109.4	109.9	.6	.8	.6	.5
2009 .....	110.6	111.0	111.6	112.0	.6	.4	.5	.4
2010 .....	112.3	112.7	113.2	113.6	.3	.4	.4	.4
2011 .....	114.4	114.7	115.0	115.5	.7	.3	.3	.4
2012 .....	115.9	116.4	116.9	117.5	.3	.4	.4	.5
2013 .....	117.8	118.3	118.4	119.0	.3	.4	.1	.5
2014 .....	119.0	—	—	—	.0	—	—	—
<b>Industry</b>								
<b>Goods-producing industries<sup>3</sup></b>								
2001 .....	84.0	84.7	85.4	86.2	1.0	.8	.8	1.0
2002 .....	87.1	87.7	88.2	89.2	1.0	.7	.6	1.1
2003 .....	90.6	91.4	92.1	92.8	1.6	.9	.8	.8
2004 .....	94.5	95.4	96.4	97.1	1.8	1.0	1.0	.7
2005 .....	98.0	98.9	99.7	100.2	.9	.9	.8	.5
2006 .....	100.3	101.2	101.9	102.7	.1	.9	.7	.8
2007 .....	102.9	103.8	104.4	105.2	.2	.9	.6	.8
2008 .....	106.0	106.7	107.2	107.7	.8	.7	.5	.5
2009 .....	107.9	108.1	108.3	108.8	.2	.2	.2	.5
2010 .....	109.7	110.2	110.9	111.3	.8	.5	.6	.4

See footnotes at end of table.

**Table 1. Employment Cost Index for total compensation<sup>1</sup>, by occupational group and Industry — Continued**

(Seasonally adjusted)

Occupational group and Industry	Indexes (Dec. 2005 = 100)				Percent changes for 3-months ended—			
	Mar.	June	Sep.	Dec.	Mar.	June	Sep.	Dec.
<b>Health care and social assistance<sup>5</sup></b>								
2011 .....	118.9	119.3	119.8	120.3	0.8	0.3	0.4	0.4
2012 .....	121.0	121.5	121.8	122.4	.6	.4	.2	.5
2013 .....	123.0	123.6	124.4	125.2	.5	.5	.6	.6
2014 .....	124.8	—	—	—	-.3	—	—	—
<b>Hospitals</b>								
2003 .....	90.9	91.4	92.5	93.2	.6	.6	1.2	.8
2004 .....	93.9	94.8	95.9	96.6	.8	1.0	1.2	.7
2005 .....	97.6	98.4	99.2	100.0	1.0	.8	.8	.8
2006 .....	100.8	101.6	103.0	104.3	.8	.8	1.4	1.3
2007 .....	105.6	106.6	107.3	108.3	1.2	.9	.7	.9
2008 .....	109.1	109.9	110.7	111.4	.7	.7	.7	.6
2009 .....	112.3	113.5	113.8	114.4	.8	1.1	.3	.5
2010 .....	114.9	115.6	116.1	117.2	.4	.6	.4	.9
2011 .....	118.0	118.3	118.9	119.3	.7	.3	.5	.3
2012 .....	119.9	120.5	120.9	121.4	.5	.5	.3	.4
2013 .....	121.9	122.5	123.2	123.9	.4	.5	.6	.6
2014 .....	123.4	—	—	—	-.4	—	—	—
<b>Public administration</b>								
2003 .....	89.3	90.2	91.4	92.1	1.0	1.0	1.3	.8
2004 .....	93.0	94.1	95.1	95.8	1.0	1.2	1.1	.7
2005 .....	97.0	97.8	98.9	100.0	1.3	.8	1.1	1.1
2006 .....	100.5	101.4	102.3	103.8	.5	.9	.9	1.5
2007 .....	105.6	106.9	107.9	109.1	1.7	1.2	.9	1.1
2008 .....	109.6	110.3	111.5	112.0	.5	.6	1.1	.4
2009 .....	112.9	113.7	114.0	114.6	.8	.7	.3	.5
2010 .....	115.0	115.6	116.5	116.9	.3	.5	.8	.3
2011 .....	117.4	117.8	117.9	118.2	.4	.3	.1	.3
2012 .....	119.0	119.7	120.3	120.7	.7	.6	.5	.3
2013 .....	121.3	121.8	122.6	123.5	.5	.4	.7	.7
2014 .....	124.1	—	—	—	.5	—	—	—

<sup>1</sup> Includes wages, salaries, and employer costs for employee benefits.

<sup>2</sup> Includes workers in the private nonfarm economy except those in private households, and workers in the public sector, except the federal government.

<sup>3</sup> Includes mining, construction, and manufacturing.

<sup>4</sup> Includes the following industries: wholesale trade; retail trade; transportation and warehousing; utilities; information; finance and insurance; real estate and rental and leasing; professional and technical services; management of companies and enterprises; administrative and waste services; educational services; health care and social assistance; arts, entertainment and recreation; accommodation and food services; other services, except public administration; and public administration.

<sup>5</sup> Includes ambulatory health care services and social assistance, not shown separately.

<sup>6</sup> Includes the following occupational groups: management, business, and financial; professional and related; sales and related; and office and administrative support.

<sup>7</sup> Series discontinued beginning March 2007.

<sup>8</sup> Includes the following occupational groups: farming, fishing, and forestry; construction and extraction; installation, maintenance, and repair; production; and transportation and material moving.

<sup>9</sup> Includes the following industries: wholesale trade; retail trade; transportation and warehousing; utilities; information; finance and insurance; real estate and rental and leasing; professional and technical services; management of companies and enterprises; administrative and waste services; educational services; health care and social assistance; arts, entertainment and recreation; accommodation and food services; and other services, except public administration.

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# OES Survey Respondents

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## Occupational Employment Statistics (OES) Survey

### Information to Help You Complete the Report



Welcome to the Occupational Employment Statistics Respondent home page!

This is your source for information to assist you in filling out the Occupational Employment Report.

Your participation makes a difference! See [why the OES Survey is important](#) to you and others in today's job market.

- [Contacts/Help](#)
- [Download Forms](#)
- [Instructions](#)
- [Frequently Asked Questions](#)
- [OES Data Tables](#)

[Questions about submitting data?](#)

The OES Survey is a cooperative effort between the US Department of Labor and your State Department of Labor Workforce Agency.

Still can't find what you are looking for? Have a suggestion? Send questions or comments about OES Respondent site content to [oesrespondent@bls.gov](mailto:oesrespondent@bls.gov)

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# OES Survey Respondents

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## Frequently Asked Questions (FAQs)

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### Can I submit an electronic file or printout with my employees' job titles and wages instead of filling out the form?

Yes. You can fax or mail a printout of your data, or email an electronic file. [Contact](#) your state agency for specific instructions. If you have an IDCF number, you can securely upload your data file via the Occupational Employment Statistics Internet Data Collection Facility at <https://idcfoes.bls.gov>.

### Can I complete the form online?

Yes, you can enter your data online at <https://idcfoes.bls.gov>. Contact your State office with any questions or to obtain your IDCF number.

**Can I send my information by e-mail?**

If you wish, you can e-mail an electronic file containing the data we have requested. E-mail addresses are found on our contacts page.

**Can I phone in my data?**

Yes. Just give us a call and we will be happy to take your data over the phone. See our contacts page for a list of State agency phone numbers.

**What is the Occupational Employment Statistics (OES) Survey?**

The OES Survey collects data from a sample of establishments and calculates employment estimates by occupation, industry, and geographic area. The survey covers all non-farm industries. Data are collected by the State Workforce Agencies in cooperation with the Bureau of Labor Statistics, US Department of Labor. The OES Program estimates employment and wages for nearly 800 occupations for all 50 States, the District of Columbia, Puerto Rico, the US Virgin Islands, and Guam, as well as the nation as a whole. It also produces employment and wage estimates for Metropolitan Statistical Areas (MSAs), and for specific industries.

**What are some important uses of the Occupational Employment Statistics survey?**

The following are some of the more common uses.

**Data about employment are used to:**

- Spotlight emerging or declining occupations.
- Identify the types of skilled workers in the market.
- Develop national and state occupational employment projections.

**Data about wages are used to:**

- Compare wages by occupation, industry, and area.
- Compare wages among metropolitan areas, states and territories.
- Make informed business decisions.

**Data in general are used to:**

- Identify where vocational and educational programs are needed to reflect current and future skill needs.
- Determine funding for training programs by comparing current and projected occupational demands.
- Assist students, job seekers, and military personnel transitioning into civilian life.

**Are the data I provide confidential?**

Yes! Your information and identity are kept in strict confidence in accordance with Bureau of Labor Statistics Data Integrity Guidelines and with the Confidentiality Information Protection and Statistical Efficiency Act (CIPSEA) of 2002.

When reporting data on the survey form, do **not** include employee names or their social security numbers.

**Will I be penalized for not responding?**

In most States, there is no penalty for not responding. Your response is vital to the statistical validity of this occupational wage study. We are prepared to assist you in completing the questionnaire. The survey is mandatory in the District of Columbia, Georgia, North Carolina, Oklahoma, Vermont, and Wyoming.

**Why have I been chosen to participate in this survey?**

A sample of businesses is statistically selected twice a year from a list of all US employers. Your business was selected to represent other businesses of similar size in the same area and industry. That's why your response is critical.

**What establishments are covered? We have multiple establishments and work sites, some in other States. Which should we report for?**

- If you received more than one form, report only for the work site address shown in Item 3 on the front page.
- If you received only **one** form, and the instruction says "*Report for: All Statewide employees,*" or something similar, report for all your work sites in that State.
- Please contact your State office if you're not sure what to do.

Schedule # 123456789-0	11	Est. Emp: 298
Reference Date: MM DD, YYYY	60	621991 CKJ
IDCF # 11123456789		QC# 116390
Attn: HR Manager		
First National Blood Bank		
Report for: Capitol Hill Branch		
2 Transylvania Ave NE		
Washington, DC 20002-0011		

**Which employees should we include in the report?**

Please **include**:

- Full or part-time paid workers
- Workers on paid leave
- Workers assigned temporarily to other units
- Paid owners, officers, and staff of **incorporated** firms

Do **NOT** include:

- Contractors and temporary agency employees not on your payroll
- Unpaid family workers
- Workers on unpaid leave
- Proprietors, owners, and partners of **unincorporated** firms
- Workers not covered by unemployment insurance

**Should I report my employees' names? What about social security numbers?**

**NO!** When reporting data on the survey form, do not use employee names or their social security number.

**When is the form due? How much time do I have to complete the report?**

We ask that you complete the questionnaire within the next two weeks, if possible. Please note the reference date indicated in Box #1 of the form (either November 12 or May 12) and kindly provide us with information for this timeframe. If you need additional time to complete the questionnaire, please contact one of our representatives.

**We have employees with multiple job duties; what job should we classify them in?**

- Report employees in the occupation that requires the highest level of skill, if they perform work in two or more occupations.
- If there is no measurable difference in skill requirements, report employees in the occupation in which they spend the most time.

**How should we report part-time workers?**

- Report part-time workers in the job they perform, along with your full-time workers in the same occupation.
- Please report their hourly wage rate, not the average weekly or annual wage.

**How do we report apprentices?**

Report apprentices in the job for which they are being trained.

**What about workers that have specific job training but are working in a different job?**

Report employees in the occupations in which they are working, not necessarily in occupations for which they have been trained. For example: An employee trained as an engineer but working as a drafter should be reported as a drafter.

**What is included when calculating wages?**

Please **INCLUDE** with pay the following:

- Base rates
- Commissions
- Cost-of-living allowances
- Deadheading pay
- Guaranteed pay
- Hazard pay
- Incentive pay
- Longevity pay
- Over-the-road pay (Mileage)
- Piece rates
- Portal-to-portal rates
- Production bonuses
- Tips

Please **EXCLUDE** from pay the following:

- Attendance bonuses
- Back pay
- Clothing allowances
- Discount
- Draw
- Holiday bonus
- Holiday premium pay
- Jury duty pay
- Meal and lodging payments
- Merchandise discounts
- Non-production bonuses
- On-call pay
- Overtime pay
- Perquisites
- Profit-sharing payments
- Relocation allowances
- Severance pay
- Shift differentials
- Stock bonuses
- Tool/equipment allowances
- Tuition repayment
- Uniform allowance
- Weekend premium pay
- Year-end bonuses

**Should we use hourly rates or annual salaries?**

- **Full-time employees:** Use whichever is easier to report, hourly rates or annual salary.
- **Part-time workers:** Report their hourly rate.
- **Salaried workers on contract:** Report their annual salary.

- **Salaried workers with non-standard work hours:** Report their hourly rate.
- **What is a full-time worker?** For most occupations, it's someone who works 2,080 hours a year, including paid vacations (40 hrs/wk times 52 weeks).
- **Need help calculating a wage?** For non-standard work schedules, you can [download an Excel file](#) containing formulas that will assist you. (Note: The Excel file is in a ZIP file. [How to open Zip files.](#))

**How should I report wages for commission or tipped workers?**

For tip, commission, and piece-rate workers, please estimate the total earnings (base pay plus tips, commissions, or piece rates), and report the appropriate wage.

**Who can I contact for help filling out the form?**

We have prepared a list of [contacts](#) in State offices for your convenience. Please feel free to contact your State office for assistance.

**Last Modified Date:** June 17, 2014

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