

Les AuCoin

CONGRESSIONAL RECORD INSERT
EXTENSION OF REMARKS
Congressman Les AuCoin
November 14, 1979

"One View of Trucking Deregulation"

MR. AuCOIN: Mr. Speaker, trucking industry deregulation has captured a great deal of attention.

I came across a copy of a statement by Roy J. Sampson, professor of transportation in the College of Business Administration at the University of Oregon. Professor Sampson, in his statement of October 4, provides observations on this critical issue from an academic view.

I enter his remarks into the Record today, not because I agree or disagree with him, but because I believe he makes valuable contributions to the debate on this issue. I commend his statement to my Colleagues' attention.

"Academic Views on Deregulation"
By Roy J. Sampson

I have spent some 36 years primarily in the transportation field as a student, teacher, observer, researcher, consultant, author, and in various other forms of participation. My textbook, Domestic Transportation: Practice, Theory, and Policy, co-authored with Professor Martin T. Farris, Arizona State University, published by Houghton Mifflin Company now in its fourth edition, has been the most widely used university and college text in its field throughout the country since its original publication in 1966.

My views on motor carrier regulation are based on a lengthy and varied exposure to the field of transportation in general, and to the specific topic of its regulation. I am not on any payroll except that of the University of Oregon; I have no financial interest in any motor carrier, and have never had; and I am not a spokesman or advocate for anyone. My overriding interest is that our transportation system function as efficiently as possible for the benefit of all of us.

My general viewpoint on government regulation of or intervention in private business is quite negative. I strongly believe in the merits of the free market and competition, and tend to subscribe to the now-famous dictum, "If it ain't broke, don't try to fix it." I am convinced that we have a great

deal of burdensome and unnecessary regulation imposed on the private economy by all levels of government. Certainly some regulatory guidelines are desirable in many industries and situations, but the costs of regulation must be weighed against its benefits to society.

For example, having lost my life's savings of about \$10 in a bank failure in 1932, my free enterprise principles certainly are not offended by the existence of the Federal Deposit Insurance Corporation. Nor am I offended by regulatory controls which established minimum standards for entering into and continuing in the practice of medicine or law. These controls may result in higher prices for medical care and legal services, but they also benefit consumers by promoting better care and services.

In my opinion, a safe, efficient, and reliable freight common carrier system, including motor carriers, is just as important to the performance of our overall economy as are safe banks and competent medical doctors and attorneys in encouraging thrift, protecting health, and administering justice. In all of these cases there are both costs and benefits of regulation, and in all of them I think, the benefits far outweigh the costs; that is, the net effects of deregulation of these activities would be more harmful than beneficial to consumers.

I want to emphasize that regulation is not primarily for the benefit of regulated carriers. Regulation may have some benefits for regulated carriers, just as the Federal Deposit Insurance Corporation benefits banks, but in both cases this is a necessary side result. Consumers are the major beneficiaries.

Motor carrier regulation was designed and is intended to be administered to assure that we have a core of financially sound and responsible carriers who are legally obligated to provide safe, adequate, and continuous services to all who want their services at reasonable rates and without discrimination -- the traditional and generally accepted common carrier obligations, upon which a large part of our economy depends.

The \$64 question, then, is whether we can come closest to getting the kind of freight transportation system that we want with or without motor truck regulation. The facts are that we have tried the "without regulation" approach, and it did not work well; that with our system of regulation we clearly have the world's best freight transportation system, despite its much-publicized weaknesses; and that published reports show that leading shippers' organizations and most individual shippers overwhelmingly support continued trucking regulation.

Most of the principal advocates of trucking deregulation, although I am sure they mean well, appear to have had only a brief and limited exposure to the realities and problems of transportation. Their major assumptions appear to be that:

One, the regulated trucking industry acts pretty much as a monopoly;

Two, that since some segments of the trucking industry do operate pretty well without substantial regulation, all segments of this large and diverse industry would operate equally well without it;

Three, that lower freight rates are always better than higher freight rates; and

Four, that the substantial 1977 and 1978 airline deregulations have worked, and therefore that trucking deregulation would work equally well.

The weaknesses or fallacies of these four major deregulatory assumptions were pointed out by me in an article entitled "Trucking Deregulation: Key to What?" in the Summer of 1979 issue of the Oregon Business Review.

Recently, two other deregulatory arguments have become prominent. Both of these were expressed by former Portland Mayor Neil Goldschmidt, now Secretary of the Department of Transportation, in his recent confirmation hearings. Secretary Goldschmidt stated that his Department will give high priority to federal deregulation of trucking because this will aid in fighting inflation and in conserving fuel.

It is not quite clear to me, as an economist, how the Secretary and others conclude that removing the existing requirement that truck freight rate increases receive prior regulatory approval will reduce prices charged by truckers during a period of rapidly rising costs. Actually, during this long present period of inflation, regulated trucking and other regulated transportation rates have not increased nearly as fast as have the other major price indices. Nor can I understand how turning more trucks loose to scramble after the same amount of freight traffic, which clearly is the intent of the deregulators, will conserve fuel.

So much for the arguments favoring deregulation. They are not convincing to me. What is convincing is that we presently have a good motor carrier freight system. It is not broke. It may need minor adjustments, but it does not need a major overhaul.

The probable overall long-run freight rate effects of deregulation are in the realm of sheer speculation. Certainly some rates would be lower and some higher, but no one can reliably predict what the average result would be. Some other effects, though, appear to be more certain.

For example, with no entry controls it is quite likely that more small truckers would enter the business. But with no more freight to be hauled, it is equally likely that more would also be forced out of business, creating a continuous turnover problem. Also, the larger carriers, with more financial and staff resources, would be better equipped to analyze costs and competitive conditions in establishing individual rates and services, and in otherwise existing in an unregulated environment, than would the smaller carriers. Thus, there appears to be a high probability that the ultimate net result would be fewer but larger carriers. This in itself might or might not be desirable, but it clearly is not one of the general deregulatory objectives.

Certainly deregulation leading to individual carrier ratemaking as a substitute for present Bureau ratemaking would greatly limit existing shipper input into the ratemaking process. Also, despite the existence of antitrust statutes, this would no doubt enable very large shippers to sometimes unduly influence their own rates and services, to the detriment of their competitors and other shippers. Finally, without centralized ratemaking and publication, it would be difficult for shippers to keep up with what rates are being offered and what rates their competitors actually are paying. This would be especially difficult for those small shippers with few or no industrial traffic management personnel.

In conclusion, in my view, the major truck deregulatory arguments are based on easily rebuttable assumptions, and the effects of deregulation would not likely be the effects sought by deregulation advocates.

Deregulation, of course, would not kill the trucking industry. It would be consistent with the general philosophy of less government interference in business, it would reduce governmental costs and carrier compliance costs, and it might even benefit some large shippers and some existing and some potential new carriers. On the other hand, deregulation's benefits would be far more than offset by the resulting costs to consumers of service and price instability, unreliability, uncertainty, and discrimination.