

SPEECH BEFORE THE TRIANGLE TRAFFIC ASSOCIATION

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TRUCKING DEREGULATION

The history of the 20th century is in many ways the history of a continual revolution in transportation. At the turn of the century, there were only rutted roads in most areas of the country and powered flight was still in the future. At that time, railroads and riverboats transported most of our products on long hauls, and on the local level horses and mules, presided over by the ever-present teamster, strained to haul goods to the many small communities throughout the country.

If you look at a map of the United States in 1900, you will notice how most large settlements were at the junction of rivers or along railroads. For example, Chicago prospered because it was at a junction of mid-western railroads during the Civil War Era, and New York, exploiting its harbor and the Erie Canal, attracted commerce from far inland. New Orleans, drawing commerce from the Mississippi River's many tributaries, grew as a hub of river traffic in the South. One could cite many other examples, but the point is that at the turn of the century new forces were at work.

The most significant change in overland transportation came with the popularity of the automobile and the network of highways that eventually covered the country. North Carolina took the lead in establishing a good highway network. In 1921, "Good Roads Governor" Cameron Morrison pushed for a \$50 million bond issue for highway construction that would fulfill the State Highway Commission's 1915 mandate to cooperate with counties "in laying out a state system connecting by the most direct and practical routes all county seats and other principal cities." I have often noticed throughout the state that court houses are set in the middle of major intersections, no doubt a tribute to the State Highway Commission's idea of linking county seats. North Carolina became the "Good Roads State" during the 1920s, and we are still proud of our excellent highway network.

There is an interesting political sidelight to our highway system. In 1920, it was actually O. Max Gardner who came out in the Democratic Primary for a road bond issue; he lost the election, but Morrison successfully pushed for the bond issue. In 1948, Charles Johnson proposed a similar bond issue, and he lost the election to Kerr Scott, who pushed the legislation through. The same thing happened in 1964 when Richardson Preyer advocated the bond issue, lost the primary, and Dan Moore pushed

the bond issue through. Finally, Ed O'Herron proposed a highway bond issue in 1976, but it was Jim Hunt who won and got it through the legislature. Politics not only makes for strange bedfellows but sometimes a bed prepared by one politician is slept in by a rival.

Compare our transportation network today with that of eighty years ago. Today the most remote hamlet has access to goods produced in every area of the country. Interstate highways make vast distances quickly accessible--even at 55 miles per hour. Those who want to go faster can fly.

Over the years we have developed an excellent national transportation system. From the start the federal government has worked hand in hand with private enterprise, for transportation cut across state lines and sectional boundaries. Post roads, rivers, canals, railroads, highways, and later airlines have all benefited from federal support.

Ultimately, growth in transportation has led to regulation. Today there is sentiment that major transportation industries--airlines, trucking, and railroads--should be deregulated. Such a move will affect millions of people in North Carolina and in the country at large. In the United States there are nearly

17,000 federally regulated motor carriers operating over 800,000 trucks that serve over 60,000 cities and towns.

In North Carolina we have about 500 regulated carriers and trucking employs 316,000 people, the largest employer in the state. The trucking industry here pays out over \$192 million in taxes to North Carolina and about \$99 million to the United States. Of the 1,600 communities in the state, some 1,100 are served only by motor carriers. Tar Heels earn \$3½ billion from trucking each year.

There has been no significant change in regulation since 1948 with the passage of the Reed-Bulwinkle Act. This added Section 5a to the Interstate Commerce Act, permitting the common carriers by rail, motor, and water to join in collective rate making practices under agreements approved by the Interstate Commerce Commission.

We are now poised on the brink of great change. Senator Howard Cannon's Commerce Committee is now ready to work on its own bill, introduced two weeks ago. If Senator Cannon has his way, there will be a trucking deregulation bill on the President's desk by June 1. Cannon has sat through hearings and is vitally interested in this issue. He has made a statement that in many

ways reflects what I think about this issue.

Let me share it with you:

"After sitting through these many hearings, listening to all of the witnesses, and reviewing the evidence submitted, I have personally concluded that deregulation of the trucking industry is not in the public interest. The transportation industry in this country is comprised of a complex network of shippers and carriers with longstanding relations with each other. Many of these relationships are a direct result of the existing regulatory structure. To abruptly and totally dismantle this structure would be to jeopardize the stability and reliability of the Nation's transportation system. Accordingly, I have decided that I will not support any move to totally deregulate the trucking industry.

"On the other hand, I do not believe that a statute designed to meet the transportation needs of the 1930s should remain unchanged as we enter the 1980s. It is my belief that there is a good deal within the existing laws that could and should be reformed in order to reflect changes in the economy and in the transportation industry that have occurred during the past 45 years."

Senator Cannon has certainly pointed out one extremely significant point--the country has been through a vast change since the 1930s. We have seen a World War that altered the destiny of our country--nuclear weapons, jets, and then rockets.

I am almost daily reminded of this by the presence in the Senate of Jack Schmitt, who went to the moon. (I often joke with him that I sometimes wish that I could send him back). At any rate, Senator Cannon's remarks are correct--there has been a vast change since the 1930s, and to the trucking industry the greatest manifestation of this is seen in the Interstate Highway System.

There is a need for reform. Who is more expert on the needs of the trucking industry than truckers? As you know, it would be easy to argue that no changes are needed in the industry. But you also know, as good businessmen, that industry representatives have always been in the vanguard of reform. During the Progressive Era at the turn of this century, pure food and drug regulations were drawn up and sponsored by food processors. During the New Deal, the National Recovery Administration--the Blue Eagle Codes--were drawn up by the business community.

Likewise, in this move to deregulate trucking, I am sure that the industry has many constructive suggestions that would improve the bill. I can suggest a few questions that you might want to address:

Isn't there room in the industry for more competition?

Isn't there too much deadheading in an era of scarce fuel?

Wouldn't a simplification of ICC procedures be desirable?

Isn't there room for some rate flexibility?

Are there enough, or too many, safety requirements?

Aren't some routes inefficient?

I am sure that nearly everyone in this room has given these questions some thought and that you would all have strong opinions in any discussion on these issues. I am sure that when the bill reaches the floor there will be a concerted move by truckers to inform the Senate of their interests. I would suggest that you start immediately if you haven't already.

Soon Senator Cannon will hold two days of hearings on this bill, and then in March the bill will probably be marked up. In late spring we will be debating the bill on the Senate floor, and no doubt the same process will be going on in the House. By June 1, as I mentioned, there may well be a trucking deregulation act signed by the President. If you want input in this matter, I encourage you again to make your thoughts known.

From my own point of view, I find two provisions of Senator Cannon's bill most disturbing.

The first concerns Entry Requirements. In the last year or so, the ICC has been quite liberal in construing entry requirements. In the past, the standard has been that a prospective carrier had to show that his service would meet the rigorous "Public Convenience and Necessity" standard. The Cannon bill would greatly alter this. A carrier who is willing and able to provide service could gain entry into the industry. The burden of proof will rest with the existing carriers to show that the new carrier would harm the public interest. I wonder how such ease of entry can be policed?

There is another crucial question in this matter. Why should there be many more truckers moving the same amount of freight? Would not this lead to half-full trucks? And with our energy resources so strained should we not be for keeping all trucks full? We have moved here from the pure question of free enterprise and ease of entry into the realm of our dependence on foreign oil and domestic conservation. This is a good example of why this deregulation bill needs such careful study.

The second reservation that I have has to do with Rate Bureaus. The Cannon bill would phase out the anti-trust immunity from discussions, proposals, and voting in rate bureau proceedings on single-line movements. That could lead to genuine rate competition. On the other hand, it could lead to chaos in the industry. Would large lines use their power to price cut? Would small lines damage the industry in their eagerness to get freight?

The present system has great merit. Rate bureaus don't exist solely for the benefit of the trucking industry. Carriers join voluntarily, and rate increases agreed to must be justified and must pass muster with the ICC if anyone challenges the increase.

As the structure now stands, any shipper can easily discover what it will cost to ship a certain commodity. If rate bureaus are dismantled or weakened, there may be quite a hardship worked on all shippers and truckers. Moreover, rates might soar, especially for small towns. Such a question should certainly concern Tar Heels.

As you know, most trucking companies are small businesses. The 8 largest companies, after all, account for only 14 or 15 percent

of industry revenues. I am one Senator who wants to see small business encouraged in every way. And I fear that if rate bureaus are abolished big truckers may swallow the small.

What can we expect when deregulation comes? It comes to mind to compare trucking deregulation with airline deregulation. But this comparison is only suggestive at best. There are 33 certified air carriers whereas there are more than 17,000 motor carriers. Roughly 14,000 points are served by airlines but over 125,000 by trucks.

Since deregulation began in the airline industry, there have been service cutbacks to small towns. In many cases commuter airlines have moved in, but as you may have read recently, commuter airlines do not have as good a safety record as do the major carriers. Senator Robert Byrd of West Virginia has complained that it is now almost impossible for him to get a flight to Charleston. "If this is deregulation," he complained, "then I don't want any part of it."

At first it seemed that fares would decrease because of competition, but either because of increased fuel costs or other inflationary reasons, tickets are more expensive than ever.

In essence, the airlines seem to be moving along splendidly with deregulation.

Some of you remember quite well that there was nearly unanimous agreement among the airlines as represented by the Air Transport Association's 32 members that deregulation was bad. Perhaps 5 members would grudgingly have approved of it. Now, I am told, fully 25 of the 32 are glad that the airlines were deregulated. Indeed, they want to go further and see the equivalent of their ICC, the Civil Aeronautics Board, abolished altogether.

I would not want to draw too many conclusions from this comparison, for as I have stressed, there were but a handful of major airline carriers. What I do want to stress is that truckers should consider asking some hard questions about the future. After all, the legislation that will come through Congress in the next three months will affect your vital interests for years. This matter is too important to simply ignore or throw up your hands and say the government is out to get the truckers.

The question of deregulation has been misunderstood, because there are basically two kinds of regulation. Trucking

regulations, for example, set up rules for entry, rate bureaus, and any number of other guidelines that rationalize the industry and guarantee service to the most remote areas. To deregulate trucking, advocates argue, would mean altering the structure to allow easier entry, more competition, while preserving adequate service. This kind of deregulation provides for structural change in an industry.

On the other hand, there are regulations that are handed down by any number of federal agencies that protect us against ourselves. The saccharine warnings, OSHA, safety rules, environmental restrictions, and many more proliferate paperwork and put a strain on the free enterprise system. A prime example of this is the regulation that would eventually place airbags in all automobiles. Despite the fact that airbags have not been proven safe for children, that in accidents from the side and rollovers, airbags are largely ineffective, and that sodium azide, the agent that inflates the bags might be poisonous, and that bags might explode and injure someone, do gooders still want to force this on the driving public. Now, I am all for safety, but the consumer should be able to choose for himself and not have some half-proven device forced on him.

It is important, then, to distinguish between industry deregulation and the other kinds of regulations that interfere with our daily lives in so many ways. Some politicians, by thumping the podium about airline and trucking deregulation, attract followers who confuse this rhetoric and think this means getting rid of petty regulations. In many cases, the very people who cry the loudest about the benefits of trucking deregulation are the ones so anxious to saddle us with more petty regulations.

In a recent essay by Murray L. Weidenbaum, "Government Power and Business Performance," the author warns that the recent airline deregulation "should not be taken as indicative of a basic shift in government policy toward less regulation in general. The facts support the reverse view," he said. "The overall pace of regulation of business continues on an upward trajectory. The number of agencies, regulatory programs, and authorizing statutes--and the budgets to carry them out--are all growing." Weidenbaum suggests that sunset legislation might eventually slow down this trend, and I am going to follow up on this idea.

I think that truckers, whether they drive the 18-wheelers or the 10-wheelers, whether they work for the giants or the pygmies of the industry, are all a national treasure. Truckers have given us a subculture that is tough, sentimental, and migratory.

They love to be on the move, on the road. They are as legendary in their concern for motorists in trouble as they are for their terrible grammar over the CB radios. I want to preserve that way of life and the drivers and corporations that make it possible. On this issue I think that we can all work together. Let me hear from you on this issue, for the time is fast approaching when legislation will be finalized. Help me and your other representatives in making this legislation a positive force in the trucking industry.