
Transportation

Dereg takes its toll on trucking

by Peter Rush and Lonnie Wolfe

The U.S. Congress will soon begin oversight hearings on the Motor Carrier Deregulation Act from Capitol Hill is that the results of the hearings are already rigged. Despite protestations from the Teamsters union and the trucking industry, Congress—and the new administration—are predisposed to look for the best, to pronounce the one-year deregulation experiment a success, and to proceed with its next phases.

Congress and the administration will be making a serious mistake. The American trucking industry, once the most efficient in the world, is now suffering under the double squeeze of deregulation and the Volcker tight-credit regime. Industry analysts say that it will be faced in short order with the worst shakeout in its history, with disastrous effects for the national economy.

Over the last 10 years, overall tonnage carried by trucks rose steadily. But between the last quarter of 1979 and the last quarter of 1980, tonnage *fell* by a staggering 20 percent. Industry sources say that figures for the first two quarters of 1981 will likely show a collapse of more than 35 percent over 1979. From the Midwest, there are reports that in the previously heavily trafficked Midwest corridor, the auto-steel heartland of U.S. industry, truck freight is off by more than 50 percent.

An examination of comparative industry profit figures is even more startling. In the first quarter of 1980, before the full effects of Volcker's jacking up of interest rates and the July 1980 passage of the Motor Carrier Deregulation Act were felt, the top hundred trucking outfits showed a *\$45.9 million profit* on their ledgers. For the last quarter of 1980, the latest figures available, these same top hundred firms show a *\$213 million loss*.

An analyst for a leading Baltimore investment firm reports that the medium-sized trucking operation, the backbone of the industry, is headed for extinction should deregulation continue at its current pace. Another analyst, now a strategist for one of the larger trucking concerns, predicted that within five years the number of trucking concerns would be halved, while only 5 of the top 50 firms would survive.

The collapse has already resulted in layoffs of more than 50,000 truck drivers and 100,000 related workers. Most of these are organized by the International Brotherhood of Teamsters.

The combined effects of this collapse with recently announced proposals by the Reagan administration's Department of Transportation to sell off the nation's Conrail freight system threaten eventually to leave entire areas of the country without freight service. Many businesses in those areas will lose their combined rail-truck links. Operating on slim margins themselves under the Volcker regime, they will be forced to close shop. Trucking industry sources, as well as worried business and political leaders in the most affected areas in the North-east-Midwest corridor, say the move is being justified as part of a permanent reorganization of the U.S. economy.

Worse to come

In the late fall of 1979, *EIR* founder Lyndon H. LaRouche, Jr. commissioned a team of experts to study the potential effects of the trucking deregulation legislation proposed by President Jimmy Carter and Massachusetts Sen. Edward Kennedy. The study, which drew on the LaRouche-Riemann econometric model, found that trucking deregulation would cost \$489 billion to the real economy.

Through their knowledge and skills, the Teamsters union and truckers—and especially the medium-sized trucking concerns—have made American over-the-road transportation the world's most efficient and reliable. The LaRouche-Riemann model study estimated that deregulation would lengthen average U.S. delivery time by at least 50 percent. Since truck transport plays such an integral role in all aspects of commerce, deregulation would create a tremendous decrease in the overall efficiency of the economy. The study showed that deregulation would create a pool of laid-off drivers, who, coupled with the already large numbers of pill-popping independents, would be used by the larger trucking concerns to bust the Teamsters union.

Collapse outruns predictions

A comparison of current industry conditions and the LaRouche study projections show that the collapse is proceeding ahead of the pace predicted. This is attributable to the effects of Volcker's fiscal austerity and cutoff of capital investment.

According to industry sources, the decline in capital investment to replace worn-out equipment or to purchase new equipment is "substantial and drastic." One knowledgeable industry analyst at the American Trucking Association, the industry lobbying arm, says that the industry is underfunded by more than 50 percent. What credit is available is only being given to the largest concerns, the ones that the banks feel will survive

the credit squeeze and deregulation. Some medium-sized firms, forced to go into the market to stay afloat, are getting money at 25 to 30 percent. If the interest rates remain at present stratospheric levels, as Volcker has promised, many concerns—including some of the weaker top 10, like McLean and Yellow—will go under.

“Given the poor profit margins generally,” said an analyst with a large New York bank, “even if people are getting their money at or below the prime, they cannot survive for long. It is really the banks’ decision about who makes it and who doesn’t.”

The undercapitalization is taking its toll on the highways. New rigs are not being bought, with sales of trucks normally purchased by regulated common carriers down by more than 10 percent over last year and 25 percent over 1979. Even worse, some companies are now skimping on maintenance costs. For example, where a firm might buy six sets of tires for its rigs, it now purchases three or four. These so-called economies lead to the increased breakdowns and accidents predicted in the LaRouche study. The carnage on the nation’s highways is already starting. Recent Department of Transportation surveys show a sharp increase in highway fatalities; the reasons offered in the press reports—faster speeds, smaller cars, and so on—ignore a key feature, namely, that truck-car accidents are up.

Cutthroat competition

The LaRouche study had predicated that, under deregulation, a decline in industry profits would turn into an even greater decline in overall profitability through cutthroat competition.

This is now taking place. The largest carriers, trying to gobble up overall shrinking freight traffic, and small operators, trying to break into the market, have slashed posted rates by as much as 10 percent. Those carriers who cannot go along will be forced to sell their holdings dirt cheap—if they can find buyers. The routes they covered—in some cases the only routes in a given area—will not be picked up.

As has been the case with airline deregulation, profits are to be made only on the most-trafficked routes. As is also the case with airline deregulation, the apparent savings to consumers—in the case of trucking to shippers—is both temporary and illusory.

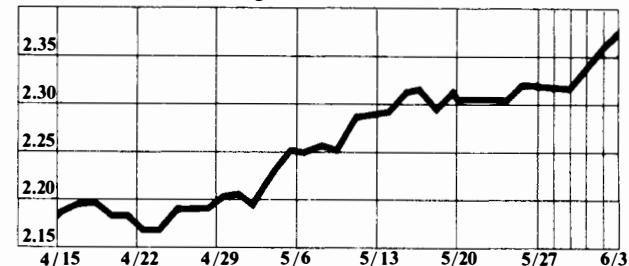
The same shippers who say they are benefitting from cutthroat competition will soon find themselves prey to an oligopoly of large trucking concerns who will survive the Carter-Kennedy deregulation experiment. They will set prices—formally unregulated, of course—by the same kind of informal arrangements that have rigged prices in the steel industry for years.

“In the end everybody will be paying more,” said an industry analyst, agreeing with the results of the LaRouche study.

Currency Rates

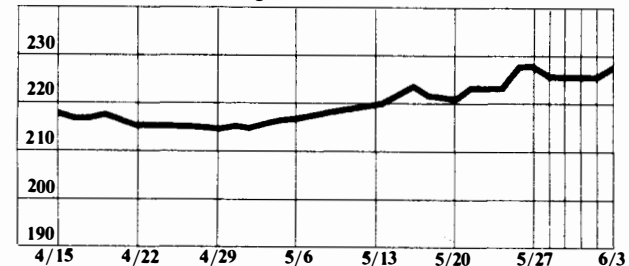
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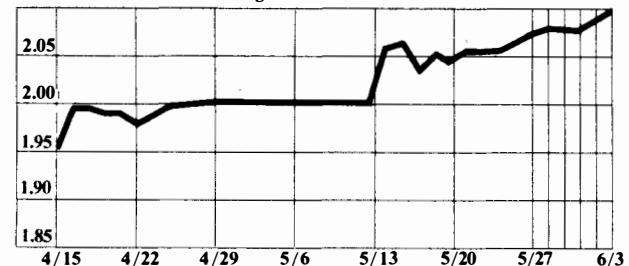
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New York late afternoon fixing



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The British pound in dollars

New York late afternoon fixing

