Deregulation and 'recovery' bring trucking to a state of emergency

by Marcia Merry

Any average motorist has recently experienced some episode on a U.S. highway, where a giant, speeding truck bears down upon your car, and you wonder whether the truck driver is in control. Then comes fear and cursing all around, and occasionally, injuries and death. However, the full scope of the nationwide trucking, and general transportation, crisis must be grasped by the citizen and lawmaker soon, or else both the highway accident rate will soar, and the rate of collapse of the logistics capacity of the nation will sink to the depth of a security crisis.

In May, the Senate Subcommittee on Transportation Appropriations took testimony on the state of the trucking industry in the country, and on air, rail, water, and other sections of the national transport grid—ports, airports, truck terminals, etc. The picture was grim. Recommendations were solicited on what to do, but no emergency actions were initiated. The lawmakers, and many of the industry spokesmen as well, are too inhibited by the atmospherics of Gramm-Rudman, to even think of the option of restoring productive economic activity, and the massively improved transportation and other infrastructure required to go with it.

The following presents some of the information given in testimony to the Senate by the American Trucking Associations, and other information from the Commerce Department and truckers. The need for emergency measures is evident.

Safety

Truck accidents reported to the office of Motor Carriers increased 16.5% in 1984, and increased another 6.3% in 1985, and, by latest estimates, accidents are increasing at an even faster rate at present, according to the safety records kept by the Department of Transportation (DOT).

There is turmoil in the industry, because of the cutthroat competition prevailing since deregulation went into effect in 1978, and also because of the worsening economic conditions under the "Reagan Recovery." There is a relatively shrinking volume of standard freight to be hauled, for example, steel and heavy manufactured products.

On May 13, the crisis was politely described in testimony to the Senate, by Robert V. Brown, president of Suburban Transfer Service, Inc.: "There is generally a trend in the trucking industry toward reduced profits. Prior to 1978, the median profit margin was approximately 3%. From 1978-85, the industry had *not* been able to achieve profits greater than 2.2%. Only through fuel price decreases was the industry able to achieve a greater profit margin in 1986.

"There is a relationship between smaller motor carrier profit margins and unsafe motor carrier operations. These indicators portend the possibility of further increases in truck accidents in 1986 and future years, unless strong, positive actions are taken quickly by industry and government." With the fuel price increases to be expected over the summer, disaster lies ahead.

Under these kinds of financial strains, truckdrivers are pressured to break the law. They are worn out, and demoralized. Instances of the use of dope and alcohol are more prevalent. There are still thousands of model drivers across the country who can each log over a million miles without any kind of mishap, but the general condition of drivers is worsening. The decline in quality of food at the truck stops is even an indicator of degradation. Truckers don't have the money to spend to eat well.

At the same time, hundreds of towns—especially in the rural Midwest—are without any bulk shipping service, neither rail nor truck. Small businesses have a more and more restricted set of potential locations because of the shrinkage of rail service, and now of truck service, due to deregulation and depression.

Table 1 shows the marked increase in the number of trucking concerns authorized by the Interstate Commerce Commission since the 1978 deregulation of the industry. However, this apparent growth was characterized by major shifts in routes, cutthroat discounts in rates, financial strains, mergers, bankruptcies, fatal accidents, and decreasing services to remote, or otherwise less-traveled areas.

Almost all the regular route common carriers of 20 years

TABLE 1

Number of ICC-authorized motor carriers* increased sharply after deregulation

Year	Carriers	Year	Carriers
1972	16,000	1980	18,500
1973	16,000	1981	21,500
1974	15,500	1982	26,000
1975	17,200	1983	27,500
1976	17,300	1984	31,000
1977	17,500	1985	34,000
1978	17,700	1986	36,000
1979	18,000		

*Numbers are rounded off to show trend.
Source: Commerce Department.

ago have gone out of service. Only the top 10-15% have survived, mostly because they maintained established routes and had been well-managed, for example, Carolina Freight Carriers, Overnite Transportation, and Consolidated Freightways.

According to Dun and Bradstreet, motor carrier business failures increased 9.6-fold between 1978 and 1986. In 1980, the Motor Carrier Act created even more loss of income and financial pressure by imposing higher taxes, and raising business costs, while deregulated freight rates were being slashed to compete for carrying a relatively stagnant volume of freight.

Dun & Bradstreet data on intercity trucking report that 200 trucking concerns, with combined debts of $258.8 million, went under during the first three months of 1986. Failures of the same category of company numbered only 67 for the whole year in 1979, then went up to 125 in 1980. The number of failures rose each year thereafter, reaching 714 in 1985. From 1980 through March 1986, a total of 2,569 intercity trucking companies failed.

TABLE 2

Local and long distance trucking ton miles are increasing more than the rate of trucking earnings and employment, 1984-87

Year	Cargo intercity ton miles (billions)	Revenue ($ billions)	Average hourly earnings	Employment
1984	605	195.2	10.67	1,076,000
1985	603	205.5	10.71	1,103,000
1986*	614	207.0	10.85	1,135,000
1987*	637	215.4	10.92	1,162,000

*Estimates
Source: Commerce Department.

Table 2 shows a number of features of this worsening situation over the last four years. Truck freight volume carried increased over the period, although declining from 1984 to 1985. Revenue increased as shown; however, also increasing were costs, not shown, but increasing at a much greater rate than revenues. One of the largest cost factor increases comes from insurance premiums.

The General Accounting Office, in a recent study for Congress, found that almost 1,300 trucking companies ceased operations in 1985 because of insurance problems. More than 12,000 policies were cancelled. As the Commerce Department's *1987 Industrial Survey* reports: "Most cancelled carriers were able to obtain replacement coverage, even though four out of five of the insurance companies that had been writing most industry coverage have declared bankruptcy. The [GAO] study revealed that average premium rates rose 72% in 1985 and were expected to increase by an average of 29% during 1986."

Nationally, hourly earnings from trucking increased only 25 cents an hour over the four-year period, much less than the increase in living costs.

Some trucking innovations were introduced during this time period, but not enough to alter the general picture of deterioration in overall trucking capacity. Productivity improvements took the form of permitting 80,000-pound, twin 28-foot trailers along with 48 ft./102 in. trailers, on all interstate highways. These vehicles were mandated by the Surface Transportation Assistance Act of 1982, which promised productivity improvements in exchange for higher highway user taxes (the taxes almost doubled). The Act also promised a designated highway system with adequate access arrangements, which has not been fulfilled, especially under the "recovery" rationalization dominant in Washington, which has permitted large parts of the national rail, air, and road systems to attenuate and break down.

Despite the existence of a few hundred impressive trucks nationally, the average truck is aging and in disrepair. Trucks placed out of service by federal and state inspectors for serious defects increased from 23% in 1984 to 41% at a national truck inspection in September 1985. The percentage of motor carriers with unsatisfactory safety ratings is highest among those that have most recently received operating authority from the Interstate Commerce Commission, and the number of these is steadily increasing. Of course, the companies with the lowest profit ratings have the greatest prevalence of unsatisfactory safety ratings.

The trucking industry accompanied its report to Congress with lobbying for assistance for trucking, as opposed to rail, air, or water transport. However, each system is in the same devastating decay. What is required is a massive improvements campaign to locate and build new break-bulk points, and distribution and handling systems, integrating all types of freight shipping and handling, and planning for the most modern magnetically-levitated rail systems for people as well.