For-hire Trucking of Exempt Commodities by Nonregulated Carriers

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No significant differences in the quality of trucking equipment were found in this comparative study of nonregulated, private, and regulated carriers competing for the same agricultural traffic. There were no significant vehicle-age differences among the three types of carriers. Each group used truck brokerage services to about the same extent and was able to obtain roughly the same share of the preferred, single-commodity loads. The average size of the nonregulated carrier firm, as measured by size of truck-tractor fleet, was relatively small, but has increased in the past five years. Driver-owner firms accounted for about 11% of the nonregulated carriers. There was no indication of significant instability in the nonregulated sector of the sample studied. However, the ability and apparent willingness of truckers to shift from one market to another to find business could be a stabilizing factor on the supply side of the transportation market.

MORE THAN ONE-THIRD of the out-of-state shipments of unprocessed farm products from California are hauled in motor trucks exempted from Federal rate regulations because their loads are defined as "exempt commodities" by the Motor Carrier Act of 1935, Part II. Since the operators of these trucks are free of any regulation by the U. S. Interstate Commerce Commission, the rates they quote to shippers depend on the supply of, and demand for, transportation services at the time the transactions take place. The railroads, which are not entitled to the exemptions allowed motor carriers, contend that the commodity exemption is discriminatory and should be abolished or extended to all modes of transportation.

Purpose

The purpose of this study was to analyze differences, if any, in operating practices and load characteristics of agricultural product shipments handled by the three types of motor carriers.

Border station survey

Every truck hauling fresh fruits and vegetables from California is subject to inspection at one of the border plant quarantine stations. State officials estimate an 80 to 90% compliance. Because the five largest of the seventeen stations operated by the state accounted for 78% of the outbound motor traffic in fresh fruits and vegetables during 1964, this sample was taken at these five stations—Daggett, Dorris, Truckee, Winterhaven, and Yermo—on one randomly selected day during July 1965.

There were 210 respondents, slightly more than 2% of the inspected truck movements through the five stations in the month. More than 53% of the exempt agricultural commodities moved out of California through the five inspection stations during this survey was handled by nonregulated for-hire carriers. Thirty per cent was moved by private carriers, whose trucks, when not in regular use, were used to haul exempt commodities on a for-hire basis. The remaining 17% was hauled by trucks owned by regulated motor carriers. The headquarters region of each trucking operation and the regulatory status of the operator are given in table 1. The survey of California truckers provided some of the same information about nonregulated for-hire carriers as that developed by the U. S. Department of Agriculture in 1960 in a nationwide survey. The latter study was used as a check on the data obtained in California.

Age of equipment

It is claimed by some regulated carriers that the trucking equipment of nonregulated carriers is often inferior to that of regulated carriers. The implication of the assertion is that returns to nonregulated carriers are insufficient to attract new resources. One indication of any such inferiority would be the comparative age of vehicles used by the three types of carriers. No statistically significant relationship was found during this study. An effort was made to learn the statistical relationship between the age

TABLE 1. LOCATION OF HEADQUARTERS OF FIRMS OWNING TRUCKS INCLUDED IN SAMPLE, ARRANGED BY CENSUS REGION, 1965

Type of Carrier	Pacific		Mountain		West South Central		West North Central		East South Central		South Atlantic		Canada		U.S. total	
	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%
For-hire nonregulated	22	19.6	21	18.8	40	35.7	8	7.1	13	11.6	7	6.3	1	.9	112	100.0
Private	12	33.3	4	11.1	7	19.4	11	30.6	0	..	2	5.6	..	..	36	100.0
For-hire regulated	20	32.3	16	25.8	11	17.7	9	14.5	1	1.6	4	6.5	1	1.6	62	100.0
TOTAL	54	25.7	41	19.5	58	27.6	28	13.3	14	6.7	13	6.2	2	1.0	210[a]	100.0

[a] Includes owned and long-term lease vehicles. Excludes trip-leased vehicles.
Source: Sample of trucks at California Plant Quarantine Inspection Stations.

of the equipment and the size of the trucking firm. Again, no significant relationship was found, the rank correlation coefficient being .62 which was slightly below the .71 needed to show a strong relationship at the 5% level of significance.

Finally, a check was made on the relationship between the age of the equipment and the length of time the firm had been in business. This yielded nothing of consequence because the minor relationship that existed could have been caused by the widespread use of second-hand trucks, especially by nonregulated truckers. In addition to a lack of statistical evidence of any significant differences in the quality of equipment operated by the three types of carriers, the regulated carriers reduces the amount of business obtained from brokers.

Size of fleet

The generally held belief that owner-driver trucking firms dominate the nonregulated sector of the trucking industry

TABLE 2. DISTRIBUTION OF VEHICLES BY SIZE OF TRUCK-TRACTOR FLEET, NONREGULATED FOR-HIRE CARRIERS, 1960 AND 1965

Size of truck-tractor fleet	1960		1965	
	No.	%	No.	%
1	504	15.0	24	21.6
2 or 3	826	24.6	21	18.9
4 or 5	483	14.4	14	12.6
6 to 9	507	15.1	18	16.2
10 or more	1,039	30.9	34	30.6
TOTAL	3,359	100.0	111	99.9

Source: 1960 data from M. R. DeWolfe; 1965 data from truck sample at California Plant Quarantine Inspection Stations.

TABLE 3. DISTRIBUTION OF CARRIER FIRMS BY YEARS IN BUSINESS, NONREGULATED FOR-HIRE CARRIERS, 1960 AND 1965

Years in business	1960		1965	
	No.	%	No.	%
1 to 4	223	16.1	9	9.8
5 to 9	261	18.9	11	12.0
10 to 14	298	21.6	17	18.5
15 to 19	189	13.7	19	20.6
20 to 24	161	11.7	12	13.0
25 to 29	135	9.8	9	9.8
30 or more	114	8.2	15	16.3
TOTAL	1,381	100.0	92	100.0

Source: 1960 data from M. R. DeWolfe, op. cit., Table 21; 1965 data from sample of trucks at border inspection stations.

persons involved in the field survey found no visible indication of such differences.

Single and mixed loads

Hand-to-mouth buying by retailers, which is made possible by the frequency and dependability of motor transport, has become an important factor in the development of mixed commodity loads for one buyer or for drop shipments for several buyers. It appears that the nonregulated truckers are only slightly more involved in this type of hauling than either the private or regulated carriers. For the 1965 California sample, it was found that 30.2% was single commodity and 69.8% mixed.

The survey data disclosed that 55.9% of the loads originating in the San Joaquin Valley were mixed, 75% for the central coast area, 77.8% for southern California, and 68.8% for all three areas of the state. No significant relationship existed between the type of load and the destination of the cargo.

Brokerage services

Many truckers claim that the brokerage costs of about 8% for getting cargoes, collecting, etc., weigh more heavily on nonregulated truckers because they must depend on brokers for most of their business. Nonregulated truckers obtained 42% of their cargoes through brokers in July 1965; private truckers, 34%; and regulated truckers, 37%. Undoubtedly, contract hauling by the nonregulated and is not substantiated by the evidence obtained from the California survey. Only 17 trucks or 15.2% of the vehicles were owned by the drivers. This means that some of the one-truck firms hired a driver. There has been no marked change in the size distribution of fleets since 1960 (table 2). However, the average size of the fleets increased from 3.1 in 1960 to 11.3 in 1965. A close examination of the data shows that the upward change in the average for 1965 was due primarily to some extremes in the largest size group. The averages for the other size categories remained about the same for the two sample years. If the largest size category were eliminated, the average fleet size in 1960 would have been 2.2, and for 1965, only 3.5 truck-tractors.

Stability and flexibility

The researchers sought information to support the claim that the motor carrier industry without government regulation would be subject to a large-scale instability which allegedly characterizes the nonregulated trucking. They found that approximately 78% of the nonregulated trucking firms had been in business more than 9 years (table 3). The Motor Carrier Act was passed in 1935—indicating that this is a rather stable sector of the industry.

Moreover, the fact that a nonregulated carrier temporarily ceases its operations between harvest seasons does not mean that it leaves the trucking business. The flexibility of nonregulated truckers has been one of the principal arguments in favor of agricultural exemption. Ninety-eight respondents stated that they provide regular service between California and some specific area. In some cases, however, the area served covered a larger geographic area. Only seven carriers, or 6.7%, classified themselves as irregular in terms of markets served. However, 20 of the respondents who provide regular service shift to other areas during the winter months. Furthermore, 10 respondents driving private trucks also reported shifting to other areas during off-peak months for California's fresh fruits and vegetables. These shifts help to equalize the quantity of truck-transport services supplied and demanded during these months.

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