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UGPTI Staff Paper No. 48
January 1983

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PREFACE

The Motor Carrier and Staggers Rail Acts of 1980 had led to substantial change in the federal regulation of transportation and the implications of the changes have caused concern in rural areas. Carriers have made some initial adjustments that have increased some of these concerns.

But these regulatory changes are not the only course of uncertainty in the transportation sector of the economy. Railroad bankruptcies and abandonments, declining public support for rural road construction and maintenance, deteriorating inland waterway facilities, and grain sales surges or embargoes all have contributed to the need for information or education programs in the area of agricultural transportation. Lack of knowledge can delay or even prevent desirable developments in transportation, thereby impeding achievement of agricultural policy or rural development policy goals.

This is the seventh of eight papers in the Transportation Deregulation and Agriculture series, John O. Gerald and Ken L. Casavant, general editors, published by the Western Rural Development Center. The series deals with the nature and potential impacts on agriculture of the Motor Carrier and Staggers Rail Acts of 1980. These acts in part removed federal regulation of the trucking and rail industries.

For a recent empirical evaluation see the report, *An Assessment of Impacts on Agriculture of the Staggers Rail Act and Motor Carrier Act of 1980*, a study conducted by USDA's Office of Transportation, published in August of 1982. The "Assessment Study," while narrower in scope than this series of papers, does describe developments in agricultural transportation since the passage of the two acts and provides recommendations for continued monitoring and/or regulatory change.

INTRODUCTION

Commodity transportation by truck is regulated by the Interstate Commerce Commission (ICC) for interstate shipments and by state agencies, in some states, for intrastate shipments. For many commodities, trucking regulations control which trucking firms have authority to carry a product, the geographic limits of the operating authority, and rates to be charged. Some commodities are specifically exempted from authority and rate regulations for truck transport. Generally, motor vehicles used in interstate carrying of unmanufactured agricultural commodities, ordinary livestock, and fish (including shellfish) are exempted from authority and rate regulations. Over the years, specific commodities have been added or removed from the list of exempt commodities by the ICC Bureau of Motor Carriers' opinions, ICC decisions, judicial decisions, and legislative statutes.

Trucking firms specializing in movement of commodities subject to authority and rate regulations are called regulated haulers, or regulated carriers. Trucking firms specializing in movement of commodities exempt from trucking regulations are called exempt haulers, or exempt carriers. Exempt haulers are not authorized to haul commodities subject to regulation. Consequently, exempt haulers have been unable to carry regulated commodities on return trips to enhance equipment utilization and reduced costs. However, exempt haulers specializing in movement of agricultural commodities can lease their drivers and equipment to a regulated carrier holding authority to haul certain regulated commodities. Since this leasing arrangement is permitted on as little activity as a single, one-way trip, it is called trip-lease contract. The trip-lease contract is a means by which exempt haulers can generate backhauls of regulated commodities.

Backhaul Opportunities

The Motor Carrier Act of 1980 was signed into law July 1, 1980. It contains several provisions affecting backhaul opportunities. The new law exempts from economic regulations the intrastate trucking of livestock and poultry feed and agricultural seeds and plants, if such products are transported to a site of agricultural production or to a business enterprise engaged in the sale to agricultural producers of goods used in agricultural production. Also exempted are empty pallets, wood chips, and crushed vesicular rock (if used for decorative purposes). Reclassification of these commodities as exempt from intrastate trucking regulations requires action by state utilities commissions or legislatures.

The new act also provides for easier entry of firms into trucking of regulated commodities. Easier entry is made possible in several ways, including: changes in entry requirements; special entry provisions for owner-operators who haul exempt commodities; allowance of mixed loads; elimination of circuitous and gateway routing restrictions; and increased proportions of regulated commodities which agricultural cooperatives may haul for other firms.

ICC requirements for entry into regulated motor carrier service were eased substantially by the new act. In the past, an applicant for authority had to prove public convenience and necessity of the intended service. Now, a service merely must be shown to serve a useful public purpose responsive to public demand or need. Secondly, prior to the act, the burden of proof was on the applicant for the authority to show that the proposed service served the public convenience and necessity. The new act shifts the burden of proof to the parties opposing the grant of authority. Third, the diversion of traffic or revenue from existing carriers, in itself, is no longer considered contrary to the public interest. Finally, the act limits the ability of existing carriers to protest an application. For example, an existing carrier must now have similar authority to that being proposed to be able to protest; that is, a contract carrier cannot protest a potential common carrier authority application.

The act also provides that an owner-operator may provide transportation of food and other edible products (excluding alcoholic beverages and drugs) for up to 50 percent of total annual tonnage, provided the owner-operator is in the vehicle (except in emergency situations). There have been definitional problems with this clause concerning what constitutes ownership and, in particular, whether the owner has to be driving or just simply in the vehicle.

Under four conditions, the only entry consideration will be whether the carrier is fit, willing, and able to serve: a) if a community has lost rail service (and a carrier has applied for authority within 120 days after the abandonment was approved); b) if no motor carrier regularly served a community proposed to be served; c) if the transportation is for the government (in some cases); or d) if the transportation is for shipments weighing less than 100 pounds and whether no one package weighs more than 100 pounds. In other words, if one of these situations is present, there is an automatic presumption that a useful public purpose is served, and a carrier will be granted authority solely on fulfillment of the fitness criteria.

Other provisions of the act enhance backhaul opportunities. Before the act, a carrier could not haul regulated and exempt commodities in the same load and claim exempt status for the vehicle with respect to the exempt commodities. The new act permits mixed loads. Also, previous restrictions on circuitous routing and routing through gateways have been relaxed. Now a carrier is permitted to take a different return route from that which he used on the fronthaul. Carriers will be permitted to select alternate return routes which may have higher potentials for generating backhaul traffic. Finally, the new act provides that certain agricultural cooperatives may backhaul up to 25 percent of their total annual tonnage in regulated commodities—up from the previous restriction of 15 percent.

The potential for backhaul movements has been expanded under the new act. More commodities which typically move from cities and towns to rural areas have been exempted from regulation; this creates greater potential for backhaul movements to complement fronthaul moves of unprocessed agricultural commodities and livestock from rural areas to cities and towns. Backhaul opportunities also are enhanced by easing the restrictions on access to regulated commodities for backhaul purposes. These regulatory rule changes hold the potential for greater equipment utilization and lower transportation costs for rural America.

Evaluating Backhaul Opportunities

Benefits can be derived from commodity exemptions when backhaul opportunities are created. Enhanced potential for backhaul coordination can reduce empty truck miles traveled. When measuring the effects of exempting a commodity from truck regulations, logistically-determined empty mileage, which is unavoidable, must be distinguished from regulation-determined empty mileage. Potential regulation-determined backhaul savings of empty mileage can be distinguished only with commodity pair or commodity group studies in particular geographic regions. Backhaul coordination—even with additional commodity exemptions—is not always feasible.

Logistical requirements for fronthaul/backhaul coordination include: (a) volumes of commodity flow moving in opposite directions between two areas; (b) commodity flow moving at the same rate; and (c) commodities moving which are capable of being moved in the same truck equipment. Under competitive unregulated conditions or when operating authority can be obtained easily, these conditions are necessary and sufficient for a degree of backhaul coordination equivalent in volume to the smallest-volume directional flow. With regulatory rules, authority to haul or availability of trip-lease opportunities is added to the above requirements. Empty truck mileage is regulation-determined if and only if logistical evidence that controlled access to loads yields backhaul volume less than the smallest-volume directional traffic flow.

Identification of fronthaul/backhaul coordination potential amounts to testing whether or not logistical requirements for such coordination are fulfilled. First, one should take a broad view of regional transportation to enumerate as many commodities as possible which move into and out of the region in truck equipment which is similar. Secondly, records on volume, origin/destination locations, and month of shipment must be tabulated for each of the commodities listed. If one can identify empty truck movements in both directions in a particular month, there may be potential for backhaul coordination. Empty truck mileage which could be filled with backhaul coordination can be converted to truck cost savings and fuel savings.

Backhaul coordination can be done by truckers or by shippers. For example, exempt haulers may apply to the ICC for authority to haul certain regulated commodities which are complementary with their regular fronthaul moves. They can maintain contact between shippers on both ends of a haul. For example, before a trucker picks up a load of soybeans from a farmer in a soybean-producing area, he can call local feed manufacturers or feed blenders to see if they could use a truckload of soybean meal. Shippers can organize themselves into shipper associations to either formally organize shipments or to at least communicate shipments to be made at particular times in opposing directions.

A particular case in North Carolina is illustrative. In North Carolina, soybeans are produced in the eastern part of the state, and much of the poultry and hog feed milling facilities also are located in the soybean-producing region. Soybeans are hauled from the producing region to soybean processors by exempt haulers and, typically, soybean meal is moved to feed blenders by regulated haulers. Very little trip-lease activity is apparent. Observation of monthly soybean and soybean meal movements to and from the soybean-producing region of North Carolina has shown that with a moderate effort of coordination, exemption of soybean meal from intrastate transport regulations potentially could lead to backhaul coordination which could save 56,000 gallons of fuel annually and 1.8 million dollars in truck transport costs, based on 1978 market conditions.

SUMMARY

Recent motor carrier regulatory reforms have created new opportunities to coordinate backhaul traffic for motor carriers serving rural America. Additional commodity exemptions and relaxed restrictions on access to regulated commodities create opportunities to coordinate backhauls. With a broad-minded and creative view of transportation and agricultural market opportunities, motor carrier coordination carries the potential for greater truck capacity utilization and, in turn, substantial fuel and truck cost savings.