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Research Report

IMPACTS OF TRUCK AND RAILROAD DEREGULATION ON TRANSPORTATION OPERATIONS AND ECONOMIC ACTIVITY IN THE STATE OF WASHINGTON

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16. Abstract

This is an interim report that examines the potential impacts in Washington State resulting from the adoption of the Motor Carrier Act of 1980 and the Staggers Rail Act of 1980. Adoption of the two have set aside years of rigid regulation of interstate freight movement and granted new latitudes of freedom to shippers and transportation providers. Information was obtained by surveying and interviewing shippers and freight transportation providers throughout the state. Initial indications are that impacts resulting from degregulation have been slow to emerge due to suppressed economic conditions. The study projects that as economic conditions improve and principles have time to adjust to the new laws, discernable impacts will occur.

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INTRODUCTION

A major result of deregulation of the motor and rail freight industry is increased operational efficiency. This follows, because creation and enforcement of Interstate Commerce Commission regulations have sometimes distorted natural market forces, resulting in economic injury for both carriers and shippers. Where traffic has been directed, through artificial controls, to a less efficient mode, higher freight costs have generally resulted. Observers of these results, and particularly transportation economists, have suggested that the freight traffic system should be allowed more freedom, thus permitting goods to move in an optimum manner. The Federal government has moved to provide some of this greater freedom. The initial results of that action are discussed in this report. A second report will be produced in about a year's time in order to provide an updated and on-going appraisal of this dynamic and complex situation.

EXECUTIVE SUMMARY

Significant changes in economic regulation of the motor carrier industry and the railroads are underway. In July 1980, the U.S. Congress passed into law the Motor Carrier Act and in October 1980, the Staggers Rail Act. Coincident with this legislation came a sharp increase in cost of petroleum (which mainly fuels the transportation system) plus a sluggish national economy. It is not possible to divorce the regulatory change impacts from these other two factors, and some of the changes that are occurring are a result of all pertinent factors.

To ascertain the impact of these forces on transportation operations and economic activity in Washington State, a comprehensive study was initiated by the Washington State Department of Transportation. Because of the complexity of the new laws and the sluggish economy, impacts of the changes are slow to emerge. Consequently this report is only an interim one, reporting progress to date. Further analysis will be made, the results of which will be presented in a subsequent final report, which is expected to be produced in mid-1982.

In implementing the new laws, the ICC is moving towards extensive deregulation. Consequently, the actions of the ICC are being repeatedly challenged in court by the American Trucking Association, which would prefer to retain as much regulation as possible. So far, the courts have been ruling in favor of the Interstate Commerce Commission, suggesting that the truck and railroad freight industries are entering a period of greater freedom. This new freedom will work in different ways for different participants.

Small communities and agricultural shippers are the groups that may feel the most impact, and while small communities will continue to have transportation service, freight rates will tend to favor large shipments. To avoid higher freight costs, consolidation with other shippers will be required of small shippers in small communities. Also, small shippers in large communities will face higher costs, but in such cases the potential for consolidation is better. In addition, agricultural shippers will find transportation patterns altered. In some cases, branch rail lines may be abandoned, causing longer hauls from farm to rail, and rail rates will favor multiple car shipments, thus making consolidation necessary for continued shipper viability.

For short haul freight it seems likely that more use will be made of the highways, but for long hauls highway use should eventually decline. This will be due to steadily increasing motor carrier operating costs plus competitive rail rates for "piggyback" movement of motor carrier trailers. The motor carrier industry will be affected by these changes and increased business failures can be expected.

Competitive advantages of some locations will change, with high transportation costs dictating location for transportation intensive operations not tied to a specific geographical point. Port operations will remain heavily dependent on inland transportation operations and costs associated with such activities. Balance in freight movements in order that freight rates do not need to reflect empty mileage will be an increasing factor of location. Shipments from, or to, central points will regain favor in the higher cost transportation scenario anticipated.

The consensus within the state transportation industry is that deregulation will ultimately be beneficial. Adjustments will be made, with the free market forces providing the best service commensurate with cost. In this process, state regulation will eventually become more compatible with federal regulation. The Staggers Rail Act and the Motor Carrier Act both indicate that standardization of regulation on a national level is desired.

The next twelve months should see the evolution of a more dynamic transportation system than what has existed in recent years. However, the variables that are at work will make transportation planning more difficult. Thus, without regulation freight rates may change constantly and vary with customers. Because freight costs largely determine commodity flows and mode choices, a shift in one commodity flow can affect others: imbalances may occur and without regulatory constraints increased operating costs will be rapidly passed on to shippers. All this suggests that constant vigilance by shippers and carriers to changing costs will be necessary for economic survival, particularly as new variables may be introduced by the present Washington administration in the form of large user fees on waterways.

The role of the Washington State Department of Transportation must be to continue to analyze and monitor developments and act, where necessary, to assist in the preservation of an efficient statewide transportation system.

PART I - ECONOMIC REGULATION OF FREIGHT TRANSPORTATION

The Interstate Commerce Commission was created at a time when the railroad industry often had "captive" freight customers. The original mandate of the ICC was protection of the users of the railroads, but this changed eventually to ensure protection of the railroads when their services were deemed essential. Within these parameters evolved a complexity of regulations that created problems of interpretation and application.

With the development of a motor carrier industry, it was determined that it, too, should be included within the Commission's authority. The same patterns followed in the railroad industry tended to be employed: routes were set, categories of carriers defined and rates regulated. Entry into the common carrier freight industry became so controlled that eventually the only method of gaining such authority was to purchase "rights" previously given another.

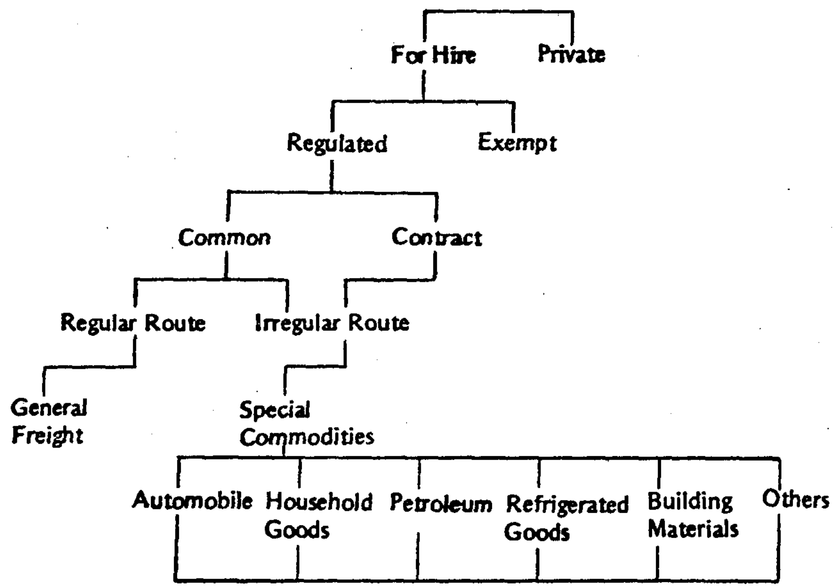
Over the years as regulations were promulgated to implement the laws, decisions reached and courts ruled, a tangle evolved that hampered development of a totally effective and efficient transportation system. Against this backdrop a drive towards deregulation developed. As the issues were studied and debated in and out of Congress, "deregulation fever" came to mean less regulation. On July 1, 1980 the U. S. Congress gave the country the Motor Carrier Act of 1980, and on October 1, 1980, the Staggers Rail Act of 1980 was enacted - both pieces of legislation setting the stage for less regulation.

The Motor Carrier Act did not alter the basic structure of that industry (Figure 1). Its objective was the reduction of unnecessary regulation by the federal government through the following criteria:

- Made entry for newcomers to the industry easier;
- Provided a system under which owner/operators of exempt commodities could haul specified regulated items;
- Added more commodities to those exempt from regulation;

FIGURE 1

The General - Freight Motor - Carrier Industry



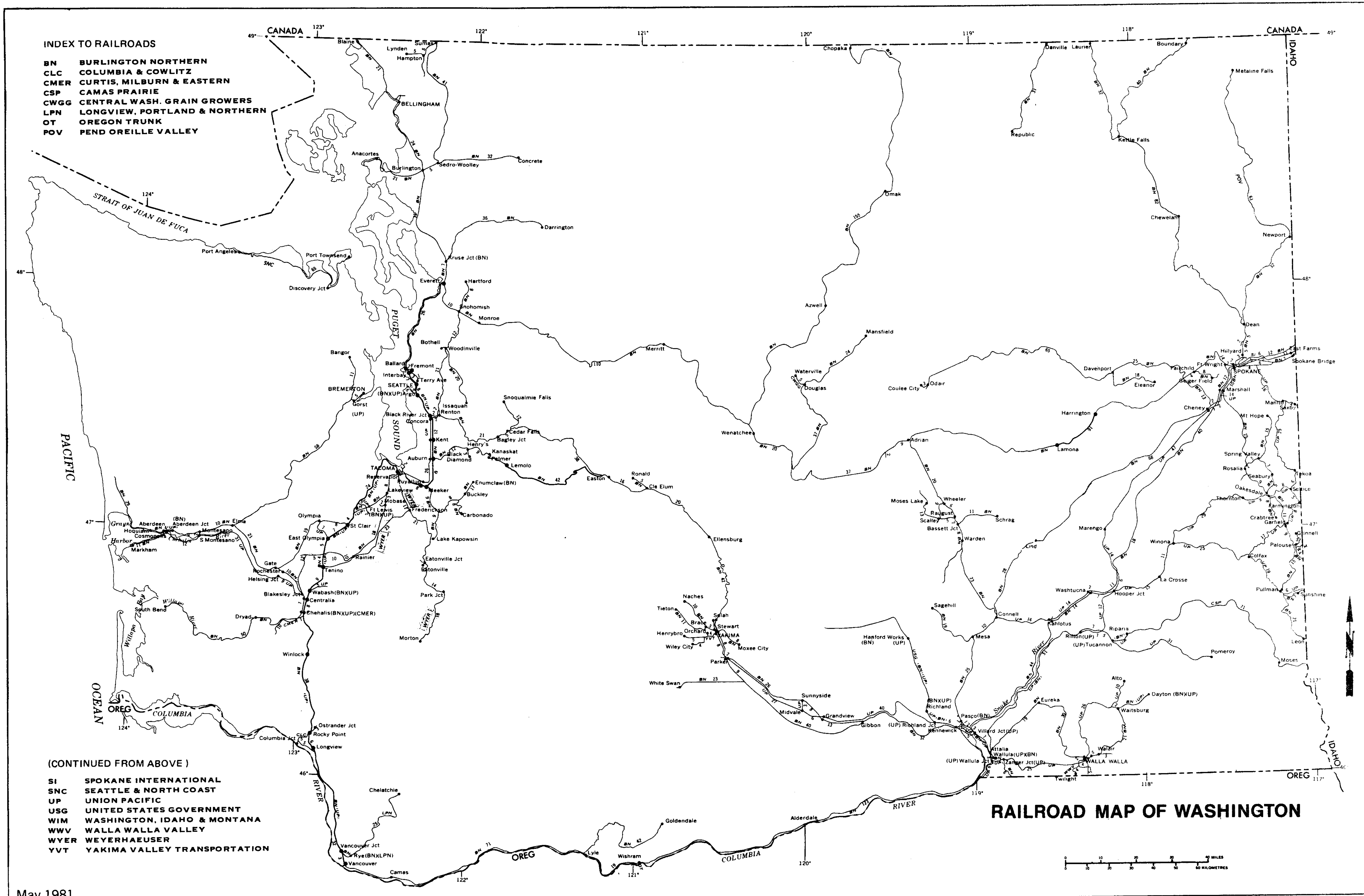
- Allowed private motor carriers more hauling potential;
- Increased the amount of regulated freight agricultural cooperatives could haul;
- Modified some rate making rules and procedures;
- Allowed mixing of exempt and regulated freight;
- Required more insurance on private exempt and regulated carriers;
- Allowed 10 percent freedom to cut or raise rates by individual truckers;
- Allowed the previously prohibited pooling of freight by two or more ICC carriers.

The Stagger's Rail Act had to address a broader issue than the Motor Carrier Act. While it had the same aim of reduced regulation, it also had to provide for the restoration, maintenance and improvement of the physical facilities and financial stability of the United States rail system. Figure 2 is a map of that portion of the system in Washington State.

In this review the primary interest is focused on the following items of the Staggers Act:

- Provision of authority for contracting service.
- Exemption of some freight from regulation.
- Establishment of adequate revenue levels for all segments of a railroad.
- A zone of rate freedom.
- Surcharge provisions.
- Expedited procedures for line abandonment.

The essence of this study is to determine the impact of changes occurring in government regulation of transportation on the economy and society of the state of Washington. Deregulation seems to indicate new attitudes and new directions for the railroad industry.


RAILROAD MAP OF WASHINGTON
INDEX TO RAILROADS
BN BURLINGTON NORTHERN
CLC COLUMBIA & COWLITZ
CMER CURTIS, MILBURN & EASTERN
CSP CAMAS PRAIRIE
CWGG CENTRAL WASH. GRAIN GROWERS
LPN LONGVIEW, PORTLAND & NORTHERN
OT OREGON TRUNK
POV PEND OREILLE VALLEY
(CONTINUED FROM ABOVE)
SI SPOKANE INTERNATIONAL
SNC SEATTLE & NORTH COAST
UP UNION PACIFIC
USG UNITED STATES GOVERNMENT
WIM WASHINGTON, IDAHO & MONTANA
WWV WALLA WALLA VALLEY
WYER WEYERHAEUSER
YVT YAKIMA VALLEY TRANSPORTATION
CANADA
IDAHO
OREG
PACIFIC
OCEAN
STRAIT OF JUAN DE FUCA
PUGET
SOUND
COLUMBIA
RIVER
Blaine
Sumas
Lynden
Hampton
BELLINGHAM
Anacortes
Burlington
Sedro-Woolley
Concrete
Darrington
Port Angeles
Port Townsend
Discovery Jct
Kruse Jct (BN)
Everett
Hartford
Snohomish
Monroe
Bothell
Woodinville
Bangor
BREMERTON
Gorst
Ballard
Fremont
Interbay
Terry Ave
SEATTLE
Argo
Issaquah
Renton
Black River Jct
Concora
Snoqualmie Falls
Cedar Falls
Bagley Jct
Kent
Henry's
Kanaskat
Palmer
Lemolo
Auburn
Black Diamond
TACOMA
Reservation
Puyallup
Meeker
Enumclaw(BN)
Buckley
Carbonado
Lakeview
Ft Lewis
Mobase
Frederickson
Olympia
East Olympia
St Clair
Rainier
Tenino
Lake Kapowsin
Eatonville Jct
Eatonville
Park Jct
Morton
Aberdeen
Aberdeen Jct
Hoquiam
Cosmopolis
Montesano
S Montesano
Elma
Markham
Gate
Rochester
Helsing Jct
Blakesley Jct
Wabash(BN)(UP)
Centralia
Chehalis(BN)(UP)(CMER)
South Bend
Dryad
Winlock
Ostrander Jct
Rocky Point
Longview
Columbia Jct
Chelatchie
Vancouver Jct
Rye(BN)(LPN)
Vancouver
Camas
Lyle
Wishram
Goldendale
Alderdale
Easton
Ronald
Cle Elum
Ellensburg
Naches
Tieton
Selah
Stewart
YAKIMA
Moxee City
Henrybro
Orchard
Wiley City
Parker
White Swan
Sunnyside
Midvale
Grandview
Gibbon
Merritt
Wenatchee
Waterville
Douglas
Mansfield
Azwell
Omak
Chopaka
Coulee City
Odair
Adrian
Moses Lake
Wheeler
Raugust
Scalley
Schrag
Bassett Jct
Warden
Sagehill
Mesa
Connell
Hanford Works
Richland
Pasco(BN)
Kennewick
Villard Jct(UP)
(UP) Richland Jct
Attalia
Wallula(UP)(BN)
(UP) Wallula
Zanger Jct(UP)
Twilight
WALLA WALLA
Eureka
Walair
Waitsburg
Dayton (BN)(UP)
Alto
Kahlotus
Washtucna
Hooper Jct
Riparia
Ritton(UP)
(UP) Tucannon
Pomeroy
La Crosse
Winona
Marengo
Lind
Harrington
Lamona
Davenport
Eleanor
Fairchild
Geiger Field
Ft Wright
Hillyard
SPOKANE
East Farms
Spokane Bridge
Marshall
Cheney
Mt Hope
Manito
Saxby
Spring Valley
Rosalia
Seabury
Tekoa
Oakesdale
Thornton
Farmington
Crabtree
Garfield
Palouse
Colfax
Pullman
Sunshine
Leon
Moses
Dean
Newport
Chewelah
Kettle Falls
Republic
Danville
Laurier
Boundary
Metaline Falls
Snake

May 1981

In addition to the change in federal regulations, the Congress has directed the USDOT and the ICC to consult with the states towards providing uniform motor carrier state regulation and to make recommendations to Congress within 18 months. In the case of railroads, the ICC has, to some degree, pre-empted state regulation and the future relationships between federal and state jurisdictions will be of interest.

Small communities, small shippers and captive large shippers appear vulnerable to some possible loss of service or increased costs. Conversely, some users will obtain improved service at lower costs, resulting in some relocation by certain firms. In determining the impacts of the new approaches, it is necessary to move through three steps:

- review the potential impacts of new regulations.
- measure these impacts, and
- determine actions that should be taken by WSDOT.

The regulations and their impacts will affect economic and commercial growth. Currently the state of Washington is in a period of growth and indications are this will accelerate. Deregulation of freight transportation is an issue that will have profound implications for continuing growth, and direct results will be seen in changes in commodity flows. Some of the major commodities that are produced or shipped in the state are:

- wheat, corn, barley and other grains
- animals and animal products
- ethanol
- distiller's grain
- fruit and vegetables
- pulses
- timber and forest products
- coal
- cement
- fertilizers
- fish and fish products
- alumina

- chemicals
- wood chips
- petroleum
- containerized freight

Under deregulation, as rates rise or fall, mode shifts and geographic reorientations can be expected. In some instances transportation service or cost may determine whether freight flows west via Washington and the Northwest to Pacific ports, or to the East, Gulf or California coasts. All persons and organizations involved with transportation in the Pacific Northwest must be aware of these possibilities. In this context it should be noted that the Washington State Department of Transportation has, as one of its goals, a comprehensive, balanced transportation system coordinated with national and other state transportation policies and supportive of local and regional plans and programs. This requires careful attention to:

- route changes requiring highway and bridge modifications.

- changes in flow patterns that impact on the ferry system.

- trade-offs in allocation of river water between agriculture, hydro-electric power and inland waterways.

- increased or decreased freight movement through river and ocean ports and the adjustments demanded by such changes.

- freight service available to support needs of all users; large, small, urban and rural.

- impacts on state regulations for transportation.

- effects on energy production by amounts needed, available, used and cost.

- costs of essential transportation as related to industries and consumers.

Obviously, these factors will be affected by deregulation and, in turn, have significant impacts on the State Transportation Plan. The incorporation of changes created by deregulation should be a key feature in the Plan update.

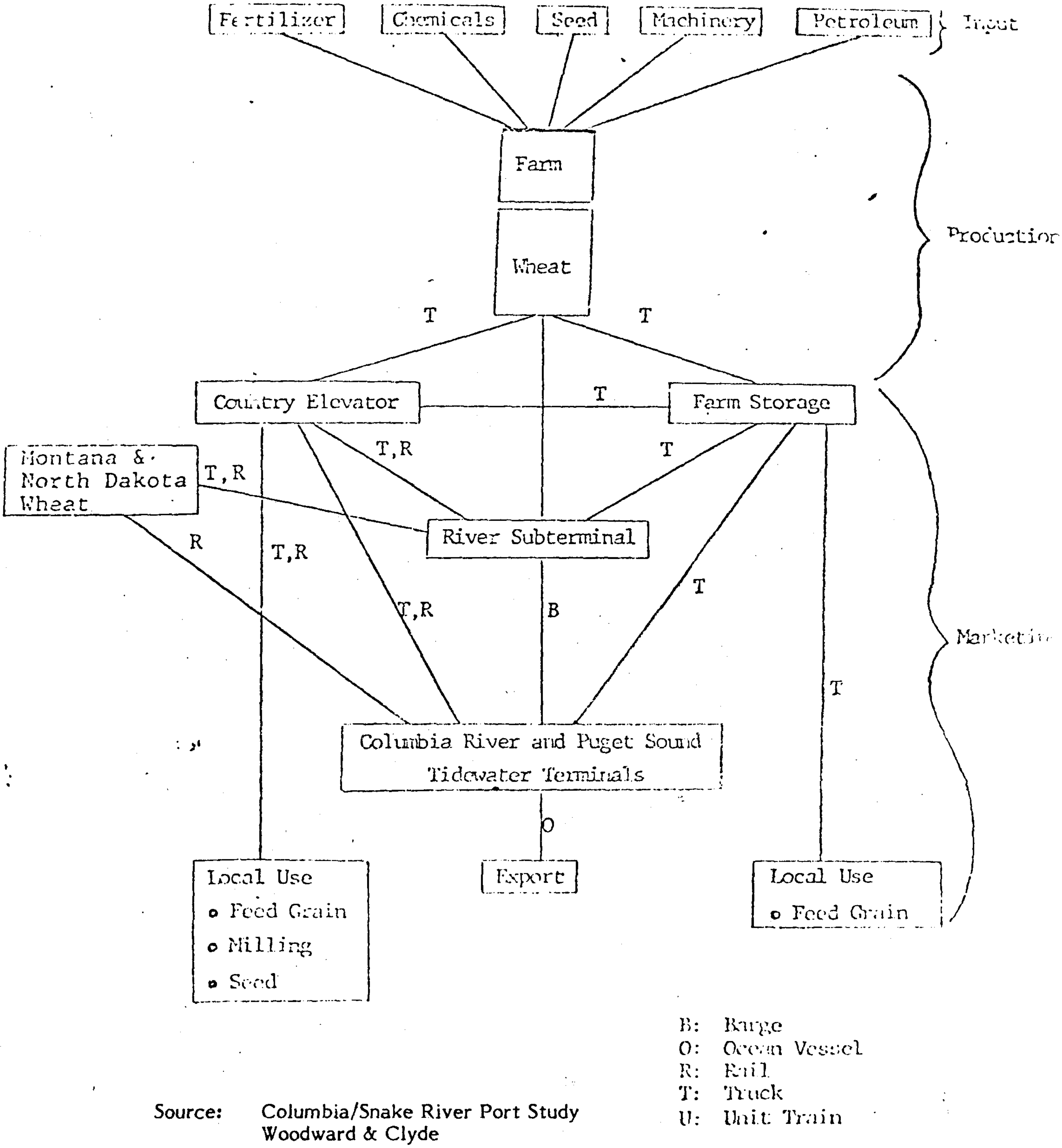
This is important because of the rather unique characteristics of Washington. The population of Washington State exceeds 4 million and it is the twentieth largest state, by land area in the nation. Located in the northwest quarter of the contiguous forty-eight states, it is somewhat distant from many of the nation's heaviest population centers, but has a locational advantage in relation to Alaska, Hawaii and Pacific rim export markets.

Washington is geographically diverse with mountains dividing the land into distinct but integrated economies. The transportation system is one of the nation's most complete with the Pacific Ocean, Puget Sound, Columbia River, railroads, highways, airways and pipelines making up a network of available modes. With less than sixty people per square mile, Washington must rely heavily on its transportation network for domestic needs as well as for shipping its products to world markets. This heavy dependence on transportation makes Washington an excellent state for measuring impacts of changed economic regulation of transportation.

One example may be cited. A leading commodity handled by truck, rail, barge and ocean vessel is wheat of which 257 million bushels were produced in Washington in 1979, with much more passing through the state for export. The wheat market is sensitive to forces such as weather, politics, foreign relations and transportation economics. Fifty-eight percent of U.S. wheat is exported. The direction of this commodity flow is affected by freight costs which are largely a function of regulation. Figure 3 depicts the interrelationship of modes for commodity movement and it can be seen that cost changes in transportation of any segment can alter the flow. It is for this reason that wheat farmers throughout the U.S. are watching the results of deregulation with interest.

FIGURE 3

WHEAT MARKETING AND TRANSPORTATION MODE FLOW DIAGRAM



Source: Columbia/Snake River Port Study
Woodward & Clyde

PART II - ECONOMIC CLIMATE INTO WHICH DEREGULATION LAWS WERE ENACTED

The deregulation of the trucking and rail industries is taking place during a period of relatively slow economic growth and general uncertainty. This situation has been caused in part by continued high levels of inflation, stagnant productivity and dramatic increases in the costs of money and energy.

Perhaps the largest variable that contributes to economic uncertainty is inflation. Various levels of inflation have been present since the end of World War II. However, prior to the early-1970's the actions of the federal government and the Federal Reserve Bank were able to keep the inflation rate at an acceptable level. Also, the occasional economic slowdown had the effect of reducing the rate of inflation. Currently, however, inflation is difficult to control and the efforts of fiscal and monetary authorities have been less than successful.

The immunity of inflation from an economic slow-down is particularly worrisome. The recession of 1975 reduced the annual rate of increase in the cost of living from 11 percent in 1974 to 5.7 percent in 1976. Such was not the case in the recession of 1980, as double-digit inflation persisted with almost no major changes.

One of the more pronounced economic factors present prior to, and during, deregulation was extremely high interest rates. At the onset of deregulation of the trucking industry (the third quarter of 1980) the prime rate averaged 11.6 percent and this increased to 16.7 percent during the final quarter of 1980 and reached 20 percent by May, 1981. The prime rate of interest is normally only available to large, well-established businesses. Smaller organizations or those seeking to establish a business are frequently required to borrow at rates higher than the prime rate, with severe commercial and economic effects.

The interest rate situation created additional complications in Washington State. The state usury law prohibited banks from exceeding a 12 percent rate of interest on business loans that were less than $50,000. Thus, many smaller businesses found it difficult to obtain funds when the prime rate exceeded 12 percent. The

Washington State usury law was amended in May of 1981, and now allows interest rates to increase along with market rates.

The economic slow-down in 1980 took its toll on industrial production which declined for the first three quarters. Although production rebounded strongly during the final quarter of 1980, the first quarter of 1981 again brought a sharp decline.

The impact of a slack economy on freight movement is reflected in various key indicators. Among the national indicators that have been examined are:

- Highway Diesel Fuel Consumed. In 1980, nationwide diesel fuel consumption declined in 8 of 12 months when compared to 1979. A similar pattern was observed in Washington State. An examination of 1981 data indicates the trend is continuing nationwide, but consumption has increased in Washington. Although increased efficiency contributed somewhat to this decline, a more significant factor is the reduction in miles driven.

- Truck Fleet Tonnage. An ICC survey of the 100 largest freight common carriers reveals that in 1980 two carriers increased tonnage by an average of 4.8 percent. The remaining 98 carriers experienced a decline that averaged 14.9 percent from 1979 levels. These figures suggest a loss of confidence by participants in the industry.

- New Truck Registration. The nationwide registration of new trucks declined 28 percent in 1980 from 1979 levels. In Washington State, the decline was 14 percent. These statistics support the comments made about reduced tonnage.

- Freight Car Loadings. Freight car loadings declined 5.4 percent in 1980 from 1979 levels. Loadings for lumber, motor vehicles and coke reflected particularly high declines. Data for the first quarter of 1981 reflect that car loadings are down 2.1 percent when compared to the same period in 1980.

- Orders for Freight Cars and Locomotives. During 1980, some 87,000 cars and locomotives were delivered by manufacturers and rebuilders as compared to

91,000 in 1979. Cars and locomotives on order in February 1981 were 4,700 as compared to 8,000 in February 1980.

Another economic variable that deserves consideration when examining the movement of freight is the price of diesel fuel. As indicated by the following data, costs have risen dramatically:

Year	Price per Gallon	Percent Change from Previous Year
1978	59.9 cents	3.5
1979	84.2 cents	40.6
1980	$ 1.12	35.5

There is little evidence that the price of fuel is inhibiting independent trucking. It seems, however, that increased prices will be an obstacle to entry into the market by new operators and may force out less efficient operators from existing markets.

An examination of the various freight indicators reflects that, since deregulation, movement has been suppressed. However, the major cause seems to be economic, rather than legislative. Freight movement is an extension of general economic activity which has shown little vitality during the period of deregulation. This sluggishness has tended to conceal the full impact from reductions in economic regulation of motor and rail freight.

PART III - EMPIRICAL PERCEPTIONS OF DEREGULATION IMPACTS

An empirical assessment of deregulation impacts has been made based upon actual occurrences and perceptions of system users and operators. This information was developed through statewide interviews. As a basis for these perceptions, a review was made of deregulation in other countries.

Material on Australia and Canada was highly relevant as those countries preceded the United States in moving away from economic regulation of freight transportation. It seems that the pattern for the United States may be similar to what occurred in Australia because the motor carrier industry of those two nations have many similarities. Conversely, in Canada, some provinces retain tight control and national uniformity and standardization is consequently inhibited.

In Australia, after deregulation, competition intensified. Immediate effects were:

- vigorous rate-cutting
- vehicle overloading to make up for low rates
- excessive hours of driving to reduce labor costs
- congestion on highways, and additional highway damage
- loss of small-size, short-hand traffic by the railways.

The three major participants: forwarders, truckers and railroads eventually forged an efficient intermodal system. In the long-run:

- users gained improved service at reasonable prices
- excessive competition settled into balanced competition
- the railroads had to restructure their operations
- the number of truckers was reduced.

Forecasts done for the U.S. Department of Transportation without adjustment for deregulation do not show major changes in mode shares between truck and rail. Only one commodity, coal, is singled out for major growth - and by 1990, 825 million tons are expected to move each year by rail. Most other commodities will grow at normal trend rates and be transported by present methods. However, the effects of deregulation will create revisions to these forecasts. The new laws and accompanying high fuel costs may give a competitive edge to rail for long movements, not only for bulk commodities but also for manufactured goods and foodstuffs moving in containers.

Agricultural and rural Washington are facing major impacts from the shift in regulatory emphasis. The Burlington Northern Railroad is planning changes to its system and several significant branch lines are likely to be abandoned. The Staggers Rail Act has made this option easier for a railroad, and it seems clear that the Burlington Northern (and other lines) will take advantage of this opportunity.

Subsidizing unprofitable line segments from profitable operations is generally no longer a consideration in abandonment procedures. Some of the disadvantages of loss of a branch line will be offset by lower multiple car rates possible by shipping from main line points. However, this advantage demands consolidation ability of shippers in order to meet the car number minimum necessary to gain the rate advantage.

Some shippers losing local rail service may find that trucking to a barge port on the Columbia River is more cost advantageous than using truck-rail opportunities. It is likely, however, that most shippers who have this option have already shifted from rail to water. Figure 3 shows available alternatives and suggest that several options may, in fact, face any individual shipper.

In addition to railroad deregulation impacts on rural Washington, the Motor Carrier Act will also have an influence. In the past, regulated freight to small communities was often subsidized by more remunerative operations elsewhere in a carrier's operating authority.

Some rural areas have been enjoying transportation cost advantages at the expense of other sectors but provisions of the new motor and rail acts suggest this situation may change. In some cases, transportation cost increases with service decreases will result, but it is unlikely that any small community will have a complete loss of freight transportation. This view is compatible with other studies and findings of the Washington Utilities and Transportation Commission.

ICC exemption from regulation of trailer-on-flat-car and container-on-flat-car rail freight plus the intention to exempt the related motor carrier portion of the haul is starting to affect the Port of Seattle. In containerized traffic, Seattle has been among the top three ports in the United States. And in 1979 more than 40 percent of Seattle's foreign trade movements were containerized. In terms of commodity value, revenue generated and the investment to handle this freight, container traffic is the most important segment of the Port of Seattle trade.

However, deregulation of container rail traffic is causing Seattle to lose freight to the Ports of Long Beach and Los Angeles and is due mainly to the extremely efficient and aggressive Santa Fe Railroad. Under the new exemption, Santa Fe can adjust its freight rates in a totally free market manner and make it advantageous for exporters to ship to the ports mentioned. In addition, import rail freight rates are lower and service to the midwest is faster from California than from Seattle, so that there are strong inducements for importers to use this service. The Union Pacific and Southern Pacific also serve the Los Angeles area and are meeting Santa Fe competition and, because of the rate advantages, ocean carriers are shifting from Seattle to take advantage of this competitive situation, largely attributable directly to deregulation.

Locational factors are assuming greater prominence in transportation system planning as increased fuel costs cause transportation costs to escalate and deregulation tends to make freight rates more directly reflective of mileage.

Extractive industries are fixed in location but depending on transportation costs, processing plants for those industries can be located in different areas. Manufacturing or distribution enterprises have great freedom of location within the transportation system and are concerned primarily with market orientation. In addition to transportation costs, other primary influences affecting market location include availability of raw materials; transfer costs; market areas and location of competition. Illogical factors in location have been the arbitrary rules and procedures imposed on the transportation system by regulation. With deregulation these unnatural factors are being eradicated and with the end of the era of cheap energy, the relevance of distance from production to market is emphasized. Commodities with a high value relative to weight can withstand freight rate increases, but low value commodities or raw materials cannot. A restructuring of the production-transportation system to meet the impacts of high energy cost and greater regulatory freedom is inevitable. The Administration's belief that each transportation mode be self-supporting is compounding this situation and will further influence location. Substantial user fees have strong support from many interests in the economy and if fully developed may further modify changing competitive patterns.

Various examples of the effects of deregulation and competitive changes are already apparent in Washington State. One such case is a mill that rolls ingots of aluminum into sheet and plate products for shipment to market. This plant is separate from, but close to, the facility that reduces the aluminum into ingots. The alumina arrives through the Port of Tacoma and is rail shipped to the smelter. This part of the operation has a locational dependence due to high electricity needs that can be satisfied in the area. The rolling mill, which employs about 2,500 people has no unusual electrical requirements and in light of transportation system changes now underway, has a disadvantage to overcome in its distance from its markets. Most of its production is sold in southern California and the midwest. Freight rates are escalating to the point where unusual management skill is demanded to keep the plant competitive.

Another example, with more positive results may be cited. A large lumber-oriented organization is located in northern Washington. One of its manufactured items, paper products, is marketed mainly in California. Freight rates for shipment of these products had reached the point where the Division could no longer meet the competition and closure of this part of its operation seemed likely, with a concurrent loss of 300 to 400 jobs. However, one of the provisions of the Motor Carrier Act of 1980 is to allow direct shipper/carrier negotiation of rates up or down 10 percent without ICC involvement and, obviously, this provides great flexibility. Because trucks carrying wine, beer and steel from California were anxious to balance their operations with a backhaul of paper products, the company was able to negotiate a 10 percent freight rate reduction that not only preserved its California market, but allowed extension to Arizona as well.

Competition of motor carriers is accelerating in some areas with potentially disruptive effects. Due to less than normal freight volume, greater than average operating cost increases and new freedom to reduce prices, carriers sometimes are hauling freight for lower rates. They are hauling goods for less when their costs are more. Shippers can benefit now but ultimately may find a reduction in motor carrier capacity as the weaker operators fail. Independent owner-operators are especially vulnerable. The degree of impact is indicated by Figure 4.

FIGURE 4

Transportation Elements	Degree of Impact with Deregulation			
	None	Minimal	Some	Major
Operational				
Pickup and Delivery	X			
Linehaul		X		
Terminal and Platform	X			
Billing and Collecting	X			
Interline			X	
Institutional				
Carrier (by type)				X
Union		X		
Rate Bureaus				X
Government				X
Regulatory				
Rates				X
Routes				X
Mergers				X
Market				X

The Motor Carrier Act will change the trucking industry and its competition with railroads. The rail truckload sector is already substantially competitive, but there are still some areas where deregulation could increase competition and cause lower truck rates. Excess profits and management inefficiencies appear to be small in the truckload sector. Those areas where high costs exist appear to be those where the drivers are union members, and it seems likely that, under deregulation, pressure will be on trucking unions to modify their wage claims. Figure 5 indicates survey respondents' attitudes on regulatory change.

Overall, it is anticipated that changes in the trucking industry brought by the Act should result in some small decrease in average truck rates, although certain specific commodities may experience significant rate decreases. The basic cause of lower rates will be increased labor productivity, as discussed above. The effect of these potential rate decreases may be somewhat minimized as rail costs are increasing at a slower rate than those in the trucking industry.

The general consensus of Washington shippers and carriers is that the two deregulation bills that became law in 1980 are progressive, and should benefit the industry. Transportation freight costs will change and reflect the importance of location, balance and volume in rate formulation. Some of the old protections are disappearing and "predatory" carriers can be expected to invade traditional territories and modes with innovative procedures. Where transportation competition is diminished, industry may find itself with a high ratio of freight cost to sales price. Modifications may result from changes in intrastate regulations, and this needs to be carefully monitored. Also, it seems likely that more freight will be carried on the state's highway systems under deregulation, which will reflect the inherent advantage, in many cases, of road transportation.

FIGURE 5

Ques. 4: How will rail and truck interstate regulatory change affect your area?

	Percent	Respondents
Cost Increase	49%	20
Cost Decrease	51%	21
Service Up	61%	19
Service Down	39%	12

Mode Changes:	From	To
	Common	Contract
	Truck	Rail
	Rail	Truck
	Rail	Private Truck
	Common	Contract
	Piggyback	Truck
	Rail	Truck

COMMENTS:

- Truck rates will temporarily decrease and railroad rates will increase.
- Change will improve rail service.
- Change will promote competition to haul freight from Northern California.
- Change will enable backhauling.
- Truck rates will decrease and rail rates will go up.
- Change will decrease truck service to rural areas.
- Too early to tell.
- Change will allow shippers to negotiate rates.
- No change due to deregulation.
- No change due to deregulation.
- Change will increase truck rates where volume is low. Also trucking companies want contracts over the long-term at reduced rates.
- Cost will decrease and service will increase for TRLR load lots. The opposite will happen for LTL lots.
- If unit trains become mandatory, more roads will be needed to get to central distribution points.
- Truck rates will decrease, rail rates will increase.

PART IV - ANALYSIS OF TRUCKING AND RAILROAD DEREGULATION SURVEY

During the study a freight survey was conducted, seeking information from system users. A request was made for freight data to determine impacts of the Motor and Rail Acts of 1980 on transportation operations and economic activity within the state. A copy of the survey form and tabulations of the survey results are presented in Appendix C.

Respondents indicated that the three primary choices for freight transportation within the Pacific Northwest were:

1. Common carrier truck (33%)
2. Private truck (30%)
3. Railroad (17%)

The same three choices were nominated for freight movements beyond the Pacific Northwest, except that in this case, rail surpassed private truck as the second choice.

Most respondents think regulatory change will cause truck rates to decline, rail rates to increase and service to improve as a result of deregulation. These will vary by type of traffic. Less than truck load (LTL) rates are expected to rise, while truckload (TL) will decrease. Service will deteriorate for LTL traffic and improve for TL movements. Expectations are based on a consideration of location and the competitive strength of the carriers.

Most of the individuals responding to the survey had no serious problems with regulation of transportation within the state. Exceptions to this statement are the shippers of logs and other forest products, who contend that this freight should be exempt from regulation. While some business activity may suffer from intrastate regulation, a far greater problem is the freight cost increase caused by the energy cost distance factor.

The Motor Carrier Act of 1980 gave special attention to the operators of trucks incident to their primary line of endeavor, the so-called private trucking operations. Private trucking always had the option of hauling exempt freight, but seldom did so as this type of commodity was usually not readily available without deviation from normally traveled routes. Now private trucks have an expanded authority and can be permitted to operate as common carriers upon application to the ICC. Respondents to the survey (Figure 6) indicate considerable activity in this area, but it appears it will diminish as the problems and costs of operating a full scale trucking service bear upon carriers unaccustomed to such requirements.

Survey respondents confirm that disruption is accelerating in the motor carrier industry, but is not yet extreme. Two large common carriers have ceased serving the intrastate market, while numerous shipper petitions for expanding motor carrier service have been filed with appropriate government agencies. Service problems are being encountered, but it is not clear whether these are more prevalent than prior to deregulation. The large majority of users indicate greater intrastate rate-making freedom would be a boon to the transportation system. It is contended that government interference may be causing higher costs than necessary and also giving rise to various service problems. (Figure 7)

Loss of rail service caused by abandonment of the Milwaukee Road within the state has generally not caused problems (Figure 8). Most shippers believe that they are in a better position than before due to the deterioration of Milwaukee service in the final months of its operation. However, the Milwaukee abandonment means more use of the highways as some freight has shifted to motor carrier operations.

General comments received on the impact of changed freight traffic regulations indicated 51 percent were in favor of the new rules, 29 percent opposed, and 20 percent had mixed reactions. The positive reactions revolve mainly around the advantages of a free market economy. The negative views expressed are that the public is better served by government management of the factors of production. The mixed reactions are generally in favor of deregulation, but fearful of some of the impacts likely to occur. It is probably a positive factor, however, that the majority of respondents are supportive of the move to decreased regulation.

FIGURE 6

Ques. 7: What changes in private trucking have you made since July 1, 1980 when the Federal truck deregulation bill took effect?

	Respondents	Percent
"No Change"	37	71%
"Changes"	15	29%

COMMENTS DESCRIBING CHANGES MADE:

- Private truck fleet was increased due to non-competitive rates of common carriers.
- Hauling more of own products and backhauling whenever possible.
- Looking into common carrier permit possibilities.
- Starting to haul freight for others.
- Would not have to have a private fleet if Washington deregulates.
- Private truck fleet increased.
- Applied for and received intercorporate hauling authority.
- Using shorter hauls and selling more locally.
- Purchased additional tractors and trailers.
- Making application for ICC and Intrastate authority.
- Expanding operation.
- Added one vehicle.
- Use carriers and sources outside Washington not subject to regulation.
- Cut unprofitable hauling.
- Seriously investigating subsidiary trucking operations.

FIGURE 7

Ques. 12: Truckers today propose rates for advanced approval of the State. Should they have more freight rate making freedom than they now have under state regulations?

	Respondents	Percent
Yes	33	62%
No	20	38%

COMMENTS REGARDING FREIGHT RATE MAKING FREEDOM:

For More Rate Making Freedom

- Prefers to deal directly with carriers without government interference.
- Strongly believes that truckers should have more freedom.
- Intrastate rules and regulations shuld be like the Interstate.
- If free enterprise is allowed to work, the greedy will price themselves out of the market.
- Volume and special rates should not be established at the discretion of the WUTC, but in a market-oriented manner.
- Believes truckers should have more freedom.
- Deregulation could lead to more attractive rates.
- Carriers with higher load limits could keep transportation costs down by offering higher minimums.
- Believes more competition should be allowed.
- Feels State should be keep out of regulation.
- Carriers should be allowed to file individual tariffs with suspension power by WUTC.
- Should not be told the rate level to price services.
- Sooner or later costs will decrease due to law of supply and demand.
- Need flexible and efficient pricing system.
- Need to lower rates on certain commodities to certain interstate shipping points.
- Competition will regulate rates.
- More rate making freedom desirable since occasionally must ship to customer with no established commodity rate.
- Need open market.
- Absolutely, yes!
- Yes, to be more competitive.
- Should have zone of freedom as interstate.

Not for More Rate Making Freedom

- Doesn't want truckers to form cartels.
- Believes the present system is fair.
- Need state rate processing but without the delays.
- Rates could go up without justification. Will make rates difficult to appraise.
- Given enough freedom, the truckers will kill us.

FIGURE 8

Ques. 15: Has the Burlington Northern and Union Pacific been as responsive to your needs since the Milwaukee went out of business this year?

	Respondents	Percent
Yes	39	83%
No	8	17%

COMMENTS:

No - Will not serve our plant since Weyerhauser purchased a portion of the Milwaukee trackage.

Yes - BN has better service than Milwaukee.

No - Rate increases were too high.

No - Too many delays in spotting cars.

Yes - BN has done excellent job since taking over.

Yes - Union Pacific has done excellent job since taking over.

No - Union Pacific is unreliable.

Yes - BN and UP have been very responsive.

Yes - Through the years, most of dealings with BN and UP.

Yes - Feels rail service will continue to encounter problems as long as unions exercise control they do.

Yes - Transit times have gotten longer even though equipment is available.

Yes - Surprisingly responsive.

Yes - No problem.

No - Very poor service.

No - BN and UP have not been as responsive as Milwaukee.

No - Have asked for consideration of service - no action by BN.

PART V

During the coming months, a vastly altered transportation system will evolve. The changes in economic regulations which became law in 1980 will begin to have full effect. These new laws may be joined by others under consideration by the Reagan Administration. The proposal to increase the user fee on inland water users fuel from the newly imposed 4¢ a gallon to 30¢ will greatly influence river freight movements. There is also consideration of imposing increased user fees for motor carriers using the public roads. Part of the purpose of the Staggers Rail Act was to revitalize the nation's railroads and the Act seems to have made this possible. Much will depend on the efficiency and aggressiveness of railroad management.

The State of Washington is served by two railroads, the Union Pacific (UP) and Burlington Northern (BN), both of which are financially viable. The steady growth of the Burlington Northern suggests that the railroads may have a bouyant future. Burlington Northern has the money to do what it wants to optimize transportation operations and unit trains of coal and grain are among the things considered highly profitable. Railroads are beginning to benefit from deregulation under the Staggers Act and changes can be expected. Management will be largely free to set freight rates, strike exclusive contracts with shippers, form new alliances, and abandon unprofitable lines.

Today, six months after passage of the Staggers Rail Act, the picture has not yet become clear. If competitive rate battles should occur, financially strong lines like the BN and UP will persevere. Consolidations are possible, but in January, 1982, the railroads will lose anti-trust immunity and that means a new way of doing business will develop. The State of Washington will be affected by this new railroad situation, and it will be important to measure the impacts.

For the motor carriers, the future is also exciting but the situation is not quite as clear as for the railroads. 1980 was not a good year for the nation's 100 largest trucking companies. With the exception of United Parcel Service, they had substantial declines in tonnage and income. Survival will demand precise knowledge of costs, but under new freedom of the Motor Carrier Act, some carriers are offering discounts to attract customers without the slightest idea if they can afford them. Further, balance in operations is mandatory for survival and not just high revenue freight.

The State of Washington has 851,517 registered trucks. Many of these are used for personal transportation or recreational purposes. Some 119,900 people are employed in trucking. There are 61 percent of the state's communities without rail service, which suggests that trucking has an important role to play. However, trucking companies are now merging, going out of business and restructuring themselves at an unusual rate of activity. These changes in the trucking industry are affecting the state's tranportation and economic activity and causing some disruptions to normal commerical movements.

Intermodal operations such as the newly totally deregulated TOFC/COFC rail service are increasing in scope. For years it has been obvious that motor carriers should place their trailers on the rails for the long haul, but regulatory constraints and cheap fuel impeded such action. Now the constraints are gone and fuel costs have increased. The long promised growth of this mode is underway. Highly competitive railroads are causing shifts in ocean port cost advantages, thus causing some reevaluation in port planning.

Changes caused by deregulation, user fees and transportation economic activity will be closely monitored over the coming months to ensure that adequate transportation services are available. Where problems are detected, actions will be recommended and it is hoped that any early identification of discrepancies will allow effective action to be taken.

PT3

APPENDIX A

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PT3

APPENDIX B

Bob Hannus
Port of Seattle

Pat Halsted
Washington Rail Association

Marty Sangster
Washington Truck Association

Ernie Franklin
Puget Sound Traffic Association

Fred Pafquale (for Phil Running)
ITT Rayonier

Mike Geherke
Port of Tacoma

Glenn Rodin
The Boeing Company

Cecil Brennan
Grain Consultants

Fred Swanson
Issacson Steel

Fred Tolan
Freight Traffic Consultant

Roger von Gohren
Association of Washington Business

Matt Moskal
Green River Community College

Steve Van Asselt
Weyerhaeuser Company

James W. Austin
Reynolds Metals Company

Geran Dalenius
Intalco Aluminum Corporation

Mitch Mitchener
Georgia Pacific Corporation

Jerry Rawles
St. Regis

James Walker
Puget Sound Freight Lines

Lewis Holcomb
Washington Public Ports Association

Randy Garberg
Shuksan Frozen Foods, Inc.

Tom Anderson
International Paper Co.

Bruce Dahlquist
Tollycraft Corporation

Robert Robbins
General Service Administration

John Knapp
Hooker Chemical and Plastics Corporation

Charles Howard
Howard Manufacturing Corporation

Red Davis
Safeway

John Seaton
Military Traffic Management Command

Tony Allegria
Snowkist Growers

Jack Price
Port of Pasco

Mike Payne
Continental Grain Company

Balcom & Moe, Inc.
Otto Geisert

Northwest Packing Company
Traffic Manager

Ross Gusscoine
Silver Eagle Trucking

Jim Higgins
Kenworth Truck Company

Don Osborn
Fisher Mills

Dale Seely
Acme Intercity Freight Lines

Ken Cassavant
Washington State University

Jerry Hill
Inland Empire Freight Traffic

A. P. Berarz
Kaiser Aluminum

Glen Graham
Pacific Car and Foundry

Pete Eberle
Pacific Inland Traffic Bureau

Fred Zylstra
Gifford-Hill and Company

PT3

APPENDIX C

Trucking and Railroad Dereguation

Survey Tabulations

Sample Size: 63

STATE OF WASHINGTON

Dixy Lee Ray
Governor

DEPARTMENT OF TRANSPORTATION
Highway Administration Building, Olympia, Washington 98504 206/753-6005

December 22, 1980

Dear TRANSPORTATION SYSTEM USER:

We want to know how you feel about the transportation system in the State of Washington.

The Washington State Department of Transportation is striving to assure the operation of a comprehensive and balanced multimodal transportation system. We would appreciate your assistance in this vital area.

A new law (Motor Carrier Act of 1980) became effective on July 1, 1980 drastically changing the manner of federal regulation of motor carriers. On October 1, companion legislation for railroads (Staggers Rail Act of 1980) became law. We need freight data to determine impacts of these new laws on transportation operations and economic activity in the State of Washington.

Attached is a survey form seeking information that can only come from users of the system which we ask you to complete and return. This information is for planning purposes and will be kept confidential. For assistance, call Don Malloch of this Department at (206) 754-2402.

Also attached for your information is a digest of the State Transportation Plan.

Sincerely,

W. A. BULLEY
Secretary of Transportation

WAB
Attachments

TRUCKING AND RAILROAD DEREGULATION SURVEY

Company Name: ______________________________

Location: ______________________________

1. What (in a general way) is the way you *primarily* ship or receive in the State of Washington area? Interstate as well as intrastate.

%	WT.	WITHIN PACIFIC NORTHWEST
____	______	Private truck (yours or customers pick up)
____	______	Railroad
____	______	Common carrier truck
____	______	Exempt carrier truck
____	______	Contract truckers
____	______	Columbia/Snake River
____	______	Maritime export

%	WT.	BEYOND PACIFIC NORTHWEST
____	______	Private truck (yours or customers pick up)
____	______	Railroad
____	______	Common carrier truck
____	______	Exempt carrier truck
____	______	Contract truckers
____	______	Columbia River
____	______	Maritime export

2. What are the prime areas to which you ship in the State of Washington?
(If you have multiple origins please use representative points to remain in scope of survey.)

From: ______________________________

To: ______ West of Cascades
To: ______ Spokane Area
To: ______ Central Washington
To: ______ Portland-Southwest Washington

From: ______________________________

To: ______ West of Cascades
To: ______ Spokane Area
To: ______ Central Washington
To: ______ Portland-Southwest Washington

3. Indicate primary commodities and in what volume?

Transportation Commodity Description	Volume (Tons) Intrastate	Volume (Tons) Interstate
______________________	______	______
______________________	______	______
______________________	______	______
______________________	______	______

4. In your view, how will rail and truck interstate regulatory change effect your area? Please Check:

_____ Cost Increase _____ Cost Decrease
_____ Service Up _____ Service Down
_____ Mode Changes
Please describe: From: _____________ To: _______________
_____ Location Changes: _________ You _______ Competition.
Please explain: ____

____

____

5. Is there any specific Washington State transportation law, rule or regulation that you feel is hurting your business?

☐ Yes ☐ No
Please describe: ____

____

6. What business in the State of Washington has been lost to other states because of truck and rail regulation changes (or may be lost in the future?)

Please describe: ____

____

____

7. What changes in *private* trucking have you made since July 1, 1980 when the Federal truck deregulation bill took affect?

Please describe: ____

____

What changes are you contemplating now?

Please describe: ____

____

8 Have any trucking operators with whom you do business, terminated operation or gone out of business since January 1, 1980?

☐ Yes ☐ No Who: ____________________

____

____

9. Have you (shipper) supported any new freight trucking permit or certificate since January 1, 1980?

☐ Yes ☐ No

Please describe: ____

____

10. Do you know of any truck carrier *you need* who has sought permanent state hauling authority and has been denied the right to serve you?

☐ Yes ☐ No

Please describe: ____

____

____

11. Do you have trouble getting adequate *service* (not rates) from *truck* lines serving your point(s) on both intra and interstate traffic?

☐ Yes ☐ No

Please comment: ____________________

____

12. Truckers today propose rates for advanced approval of the State. Should they have more freight rate making freedom than they now have under state regulations? (Regardless of that impact on you.)

☐ Yes ☐ No

Please comments: ____________________

____

13. Are Interstate Agricultural Marketing Associations trucking any substantial part of your business in interstate commerce?

☐ Yes ☐ No

Please describe: ____________________

____

14. Today, exempt carriers have no liability requirements and regulated carriers $50,000. Do you believe thetruck carrier(large and small regulated or exempt) serving you can obtain and maintain $750,000 in public liability insurance required under the Motor Carrier Act of 1980 (it is $5 million on hazardous materials carriers)?

☐ Yes ☐ No

Please comment on what you feel might happen: ____________________

____

____

____

15. Has the BurlingtonNorthern and Union Pacific been as responsive to your needs (in your Opinion since the Milwaukee went out of business this year?

☐ Yes ☐ No

Please Comment: ____________________

____

16. Listed below are several rail lines which have been abandoned in the State of Washington within the last two years. Please circle area(s) affecting you and explain below. What has been the effect of railroad abandonment (and/or railroad substitution) on your operation in 1980 versus 1979 - (primarily to areas impacted by MilwaukeeRoad)? Please answer this whether you are on abandoned lines or ship to areas on abandoned lines.

a. Bellingham to Strandell (abandoned on Milwaukee).
b. Cedar Falls/Snoqualmie (lost Milwaukee participation).
c. Chehalis to Aberdeen/South Bend (now served only by Burlington Northern and Union Pacific).
d. Chehalis to Longview/Vancouver(now served by Burlington Northern and Union Pacific).
K. Newport, Washington where only Burlington Northern service remains.
l. Othello to Royal City/Beverly (abandoned).
m. Palouse area where both Milwaukee Burlington Noethern have replaced the Burlington Northern abandoned lines.
n. Plummer, Idaho to Othello (abandoned by Milwaukee)

(Continued on next page)

e. Columbia River (Beverly to Black River Junction via Kittitas).
f. Connell, Washington where Burlington Northern only (use to also have (Union Pacific).
g. Metaline Falls area (now served by Pend Oreille Valley R.R.
h. Morton/Mineral area to Tacoma (abandoned but bought by Weyerhauser).
i. Moses Lake to Marcellus (abandoned by Milwaukee).
j. Moses Lake to Othello (now served by Burlington Northern).
o. Port Townsend - Port Angeles (Now served by Seattle & NorthCoast Limited).
p. Seattle to Bellingham (served by Burlington Northern but abandoned by Milwaukee).
q. Seattle - Tacoma area (where Burlington Northern and Union Pacific have taken over Milwaukee).
r. Spokane area where only Burlington Northern and Union Pacific remain.
s. Strandell to Sumas to Lyndon (served by Burlington North.).

Please explain: ______________________________

____

17. Beside the approximate 1- percent inflation level, what *changes in railroad rates* would you attribute to your commodities to railroad dregulation and/or railroad rate making freedom?

	INCREASE	DECREASE	NO CHANGE
Grain Shippers	____	____	____
Wood Chip Shippers	____	____	____
Flour Shippers	____	____	____
Liquified Gas-Propane, etc.	____	____	____
Lumber Shippers	____	____	____
Log Shippers	____	____	____
Feed Shippers	____	____	____
Chlorine and Chemical	____	____	____
Fertilizer Shippers	____	____	____
Ore Shippers	____	____	____
Limestone and Rock	____	____	____
San and Gravel	____	____	____
Other: ____________	____	____	____

Please Comments: ______________________________

____

____

18. On the basis of changes in 1981, do you believe you will be using more or less of the highway system?

More ☐ Less ☐

19. Your general comments on manner changed freight traffic regulations will impact on transportation operations and economic activity in the State of Washington:

____

____

____

____

____

Ques 1: What is the way you primarily ship or receive in the State of Washington - interstate as well as intrastate?

TABLE 1-A

PERCENT OF SHIPPERS - RECEIVERS USING VARIOUS FREIGHT TRANSPORTS

WITHIN PACIFIC NORTHWEST		BEYOND PACIFIC NORTHWEST	
Rank	Freight Transport	Rank	Freight Transport
1st	Common Carrier Truck (33%)	1st	Common Carrier Truck (28%)
2nd	Private Truck (31%)	2nd	Railroad (27%)
3rd	Railroad (17%)	3rd	Private Truck (17%)
4th	Contract Truckers (10%)	4th	Contract Truckers (11%)
5th	Maritime Export (5%)	5th	Maritime Export (8%)
6th	Exempt Carrier Truck (3%)	6th	Exempt Carrier Truck (8%)
7th	Columbia/Snake River (1%)	7th	Columbia/Snake River (1%)

TABLE 1-B

PERCENT OF FREIGHT SHIPPED/RECEIVED PER RESPONDENT BY MODE (AVERAGE)

WITHIN PACIFIC NORTHWEST

FREQUENCY OF RESPONSE	FREIGHT TRANSPORT	PERCENT OF FREIGHT TRANSPORTED
45	Common Carrier Truck	43%
42	Private Truck	41
23	Railroad	35
14	Contract Truckers	22
7	Maritime Export	35
4	Exempt Carrier Truck	51
1	Columbia/Snake River	17

BEYOND PACIFIC NORTHWEST

FREQUENCY OF RESPONSE	FREIGHT TRANSPORT	PERCENT OF FREIGHT TRANSPORTED
35	Common Carrier Truck	35%
34	Railroad	45
21	Private Truck	27
13	Contract Truckers	26
10	Maritime Export	45
10	Exempt Carrier Truck	35
0	Columbia/Snake River	0

QUES 2: What are the prime areas to which you ship in the State of Washington?

TABLE 2-A

	DESTINATIONS				
	WEST OF CASCADES	SPOKANE	CENTRAL WASHING.	PORTLAND-SW WASH	TOTAL
ALL POINTS of ORIGIN	55 or 33.7%	34 or 20.9%	36 or 22.1%	38 or 23.3%	163 = 100%

BREAKDOWN BY DESTINATION AREAS AND POINT OF ORIGIN

TABLE 2-B

	DESTINATIONS			
POINTS OF ORIGIN	WEST OF CASCADES	SPOKANE	CENTRAL WASH.	PORTLAND-SW. WASH
SEATTLE METROP. AREA	19	11	11	15
TACOMA AREA	9	8	9	7
BELLINGHAM AREA	6	1	2	1
VANCOUVER AREA	1	1	1	1
SPOKANE AREA	6	5	4	4
CENT. WASH. CITIES	8	6	8	8
WASHINGTON COAST	3	1	1	1
ALASKA	1	0	0	0
PORTLAND METROP. AREA	2	1	0	1

BREAKDOWN OF POINTS OF ORIGIN BY DESTINATION
TABLE 2-C

	DESTINATIONS				
POINTS OF ORIGIN	WEST OF CASCADES	SPOKANE AREA	CENTRAL WASH.	PORTLAND-SW. WASH	TOTAL
SEATTLE METROP. AREA	34.0%	19.6%	19.6%	26.8%	100%
TACOMA AREA	27.3%	24.2%	27.3%	21.2%	100%
BELLINGHAM AREA	60.0%	10.0%	20.0%	10.0%	100%
VANCOUVER AREA	25.0%	25.0%	25.0%	25.0%	100%
SPOKANE AREA	31.6%	26.3%	21.0%	21.0%	100%
CENT. WASH. CITIES	26.7%	20.0%	26.7%	26.7%	100%
WASHINGTON COAST	50.0%	16.7%	16.7%	16.7%	100%
ALASKA	100.0%	0	0	0	100%
PORTLAND METROP. AREA	50.0%	25.0%	0	25.0%	100%

BREAKDOWN OF DESTINATION BY POINTS OF ORIGIN
TABLE 2-D

DESTINATION	ORIGINATION									
AREAS	SEATTLE METROP. AREA	TACOMA AREA	BELLINGHAM AREA	VANCOUVER AREA	SPOKANE	CENTRAL WASH. CITIES	WASHINGTON COAST	ALASKA	PORTLAND METROP. AREA	TOTAL
	%	%	%	%	%	%	%	%	%	%
WEST OF CASCADES	34.5	16.4	11.0	1.8	11.0	14.5	5.4	1.8	3.6	100
SPOKANE AREA	32.3	23.5	3.0	3.0	14.7	17.6	3.0	0	2.9	100
CENTRAL WASH.	30.5	25.0	5.6	2.8	11.1	22.2	2.8	0	0	100
~~PORTLAND-SW WASH~~	39.5	18.4	2.6	2.6	10.6	21.1	2.6	0	2.6	100

QUES 4: How will rail + truck interstate regulatory change affect your area?

	%	TOTALS
Cost Increase	52.6 %	20
Cost Decrease	47.4	18
Service Up	57.1 %	16
Service Down	42.9	12

MODE CHANGES:	FROM	TO
	Common	Contract
	Truck	Rail
	Rail	Truck
	Rail	Private Truck
	Common	Contract
	Piggyback	Truck

COMMENTS:

- Truck rates will temporarily decrease and railroad rates will increase.
- Change will improve rail service.
- Change will promote competition to haul freight from Northern California.
- Change will enable backhauling.
- Truck rates will decrease and rail rates will go up.
- Change will decrease truck service to rural areas.
- Too early to tell.
- Change will allow shippers to negotiate rates.
- No change due to deregulation.
- No change due to deregulation.
- Change will increase truck rates where volume is low. Also trucking companies want contracts over the long-term at reduced rates.
- Cost will decrease and service will increase for TRLR load lots. The opposite will happen for LTL lots.
- If unit trains become mandatory, more roads will be needed to get to central distribution points.

QUES 5: Is there any specific Washington State transportation law, rule or regulation that you feel is hurting your business?

	TOTALS	PERCENT
YES	17	36.1%
NO	30	63.9%

COMMENTS EXPLAINING "YES" RESPONSES:

- State regulations lead to rates above 'market' rates for lumber products.
- Common carriers are unable to set rates based on their own efficiency.
- Under WUTC retention rules, allowable free time is often unreasonable.
- Delays in processing rate changes.
- Rates are not changed according to new weight limits.
- Logs and chips should be deregulated in the State the same as Federal law is now.
- WUTC should screen more rate change requests.
- Deregulation will encourage more competition.
- Price competition discouraged in intrastate common carrier rates.
- Rate structure results in higher Intrastate costs compared to Interstate.
- Teamsters and strikes hurt business.
- Need 'triples' combinations for greater efficiency.
- Get rid of WUTC.
- Shippers are unable to present rates to WUTC.
- Need 'triples' combinations on I-5 and I-90.
- Regulations controlling tariffs and destinations hurt business.
- Gross weight limits hurt business. Feels farmers pay more tax for roads than city people.

QUES 6 : What business in the State of Washington has been lost to other states because of truck + rail regulation changes?

	TOTALS	PERCENT
"NONE"	21	36.2%
"UNANSWERED"	27	46.5
"NOT APPLICABLE"	3	5.2
COMMENTS	7	12.1
TOTAL	58	100%

COMMENTS DESCRIBING BUSINESS ACTIVITIES LOST :

- Some loss of eastern business due to rising rail rates.
- Cheaper to buy and ship foodstuffs interstate than intrastate.
- Logs and chips should be deregulated in the State the same as Federal is now.
- Lost several tightly bid jobs to our of state competition due to freight costs alone.
- Certain vegetable crops are no longer produced due to costly freight.
- In-coming rates from the South and East are lower.
- Deregulation may cut our certain rail service making trucking more expensive.

QUES 7: What changes in private trucking have you made since July 1, 1980 when the Federal truck deregulation bill took effect?

	TOTALS	PERCENT
"NO CHANGE"	35	71.4%
"CHANGES"	14	28.6 %

COMMENTS DESCRIBING CHANGES MADE:

- Private truck fleet was increased due to non-competitive rates of common carriers.
- Hauling more of own products and backhauling whenever possible.
- Looking into common carrier permit possibilities.
- Starting to haul freight for others.
- Would not have to have a private fleet if Washington deregulates.
- Private truck fleet increased.
- Applied for and received intercorporate hauling authority.
- Using shorter hauls and selling more locally.
- Purchased additional tractors and trailers.
- Making application for ICC and Intrastate authority.
- Expanding operation.
- Added one vehicle.
- Use carriers and sources outside Washington not subject to regulation.
- Cut unprofitable hauling.

QUES 8 : Have any trucking operators with whom you do business, terminated operation or gone out of business since January 1, 1980?

	TOTALS	PERCENT
YES	4	7.1%
NO	52	92.9%

WHO:
- HOLMS MOTOR FREIGHT
- MCLEIN INTRASTATE
- "SEVERAL INEFFICIENT ONES"

QUES 9 : Have you (shipper) supported any new freight trucking permit or certificate since January 1, 1980?

	TOTALS	PERCENT
YES	20	35.1%
NO	37	64.9%

COMMENTS DESCRIBING TYPES OF SUPPORT:

- Authority to Vancouver, B.C.
- Authority to Twin City, Salt Creek.
- Authority to haul outside Washington.
- May Trucking, Puget Sound Truck - General Commodities - Western U.S.
- Outside Washington
- Intrastate + Interstate - new carriers and expansion of authority.
- Outside Washington.
- Interstate authority. Intrastate authority denied.
- Hazardous waste hauler - Tacoma to Arlington.
- Supported six carriers for new or extended authority.
- Skagit Valley Trucking - Mt. Vernon.
- Additional interstate authority. Suggest elimination of gateway and radial restrictions.
- Move to Seattle from Milwaukee, Chicago and Peoria.
- Expansion of service areas.
- North American Van Lines
- Several.
- Supported some limits because needed Class C roads.

QUES 10 : Do you know of any truck carrier you need who has sought permanent state hauling authority and has been denied the right to serve you?

	TOTALS	PERCENT
YES	1	1.9%
NO	54	98.1%

COMMENT DESCRIBING "YES" :

- Denied permit to unload glassware in Prosser, Washington and reload with foodstuffs to California.

QUES 11 : Do you have trouble getting adequate service (not rates) from truck lines serving you on both intra and interstate traffic?

	TOTALS	PERCENT
YES	20	35.7%
NO	36	64.3%

COMMENTS DESCRIBING "YES" WE HAVE TROUBLE :

- Carriers consistently miss daily pick-ups (4 PM deadline).
- Trouble getting service for interstate traffic.
- Very few carriers interested in Portland-Tacoma haul.
- Truck service is generally unreliable.
- Experience trouble seasonally when shipping apples.
- Pneumatic unloading equipment is sometimes not available due to demand.
- Too few carriers offer a frozen LTL service Intrastate.
- Trouble getting service for interstate into Idaho and Montana.
- Trouble getting a carrier with the proper authority when required.
- Trouble with freight exceeding 27 feet in length - LTL only.
- Trucking companies are reducing their fleet trying to double-haul.
- Have turned to running own interstate fleet because common carriers are slow, carry less and damage products.
- Trouble obtaining service since ship 24 hours per day.
- Trouble getting adequate service due to seasonality of business.
- Trouble getting flatbed equipment during winter to California.
- Inadequate service from most cartage companies.
- Problems on LTL shipments.
- Intrastate carriers are never prompt or efficient.
- Not enough equipment on river facilities to move grain out of E. Washington.

QUES 12 : Truckers today propose rates for advanced approval of the State. Should they have more freight rate making freedom than they now have under state regulations?

	TOTALS	PERCENT
YES	31	64.6%
NO	17	35.4%

COMMENTS REGARDING FREIGHT RATE MAKING FREEDOM:

For More Rate Making Freedom

- Prefers to deal directly with carriers without government interference.
- Strongly believes that truckers should have more freedom.
- Intrastate rules and regulations should be like the Interstate.
- If free enterprise is allowed to work, the greedy will price themselves out of the market.
- Volume and special rates should not be established at the discretion of the WUTC, but in a market-oriented manner.
- Believes truckers should have more freedom.
- Deregulation could lead to more attractive rates.
- Carriers with higher load limits could keep transportation costs down by offering higher minimums.
- Believes more competition should be allowed.
- Feels State should be kept out of regulation.
- Carriers should be allowed to file individual tariffs with suspension power by WUTC.
- Should not be told the rate level to price services.
- Sooner or later costs will decrease due to law of supply and demand.
- Need flexible and efficient pricing system.
- Need to lower rates on certain commodities to certain interstate shipping points.
- Competition will regulate rates.
- More rate making freedom desirable since occasionally must ship to customer with no established commodity rate.
- Need open market.
- Absolutely, yes!
- Yes, to be more competitive.

Not For More Rate Making Freedom

- Doesn't want truckers to form cartels.
- Believes the present system is fair.
- Need state rate processing but without the delays.
- Rates could go up without justification. Will make rates difficult to appraise.

QUES 13 : Are Interstate Agricultural Marketing Associations trucking any substantial part of your business in interstate commerce?

	TOTALS	PERCENT
YES	4	7.1%
NO	52	92.9%

COMMENTS :

PZAZ

- Pacific Northwest Perishable Shippers Association
- As grain hauler to reduce backhauling deadhead miles.
- Certain buyers are responsible for trucking costs of commodities.
- Some.
- Presently, the Trasnportation Chairman of Washington Wheat Growers Association and never heard of Interstate Agricultural Marketing Associations.

QUES 14. Today, exempt carriers have no liability requirements and regulated carriers $50,000. Do you believe the truck carrier(large and small regulated or exempt) serving you can obtain and maintain $750,000 in public liability insurance required under the Motor Carrier Act of 1980 (it is $5 million on hazardous materials carriers)?

	TOTALS	PERCENT
YES	24	61.5%
NO	15	38.5%

COMMENTS:

- Carriers should carry some liability coverage but questions if all can afford $750,000.
- Many carriers will be forced to fold up.
- Will weed out irreputable, fly-by-night outfits.
- Feels insurance of $750,000 is another form of regulation.
- Feels insurance is reasonable.
- Feels present rates are already too high.
- Feels it will just become a fixed cost in determining future rates.
- Feels $500,000 is enough liability.
- Feels smaller carriers (under $500,000 gross revenue per year) should not be subject to more than $200,000 in liaibility per year.
- About half will be able to afford it and the other half won't.
- Doesn't know.
- Will merely add to shipper costs.
- Companies unable to buy coverage will go out of business.
- Feels $250,000 compromise is fair.
- Rates will probably increase substantially.
- Will drive smaller companies out of business.
- Cost is prohibitive to small companies and to minorities.
- Means that farmers will also have to buy it since they transport herbicides and aqua ammonia.

QUES 15: Has the Burlington Northern and Union Pacific been as responsive to your needs since the Milwaukee went out of business this year?

	TOTALS	PERCENT
YES	36	85.7%
NO	6	14.3%

COMMENTS:

No - Will not serve our plant since Weyerhauser purchased a portion of the Milwaukee trackage.

Yes - BN has better service than Milwaukee.

No - Rate increases were too high.

No - Too many delays in spotting cars.

Yes - BN has done excellent job since taking over.

Yes - Union Pacific has done excellent job since taking over.

No - Union Pacific is unreliable.

Yes - BN and UP have been very responsive.

Yes - Through the years, most of dealings with BN and UP.

Yes - Feels rail service will continue to encounter problems as long as unions exercise control they do.

Yes - Transit times have gotten longer even though equipment is available.

Yes - Surprisingly responsive.

Yes - No problem.

No - Very poor service.

16. Listed below are several rail lines which have been abandoned in the State of Washington within the last two years. Please circle area(s) affecting you and explain below. What has been the effect of railroad abandonment (and/or railroad substitution) on your operation in 1980 versus 1979 - (primarily to areas impacted by MilwaukeeRoad)? Please answer this whether you are on abandoned lines or ship to areas on abandoned lines.

a. Bellingham to Strandell (abandoned on Milwaukee).
b. Cedar Falls/Snoqualmie (lost Milwaukee participation).
c. Chehalis to Aberdeen/South Bend (now served only by Burlington Northern and Union Pacific).
d. Chehalis to Longview/Vancouver(now served by Burlington Northern and Union Pacific).
e. Columbia River (Beverly to Black River Junction via Kittitas).
f. Connell, Washington where Burlington Northern only (use to also have (Union Pacific).
g. Metaline Falls area (now served by Pend Oreille Valley R.R.
h. Morton/Mineral area to Tacoma (abandoned but bought by Weyerhauser).
i. Moses Lake to Marcellus (abandoned by Milwaukee).
j. Moses Lake to Othello (now served by Burlington Northern).
K. Newport, Washington where only Burlington Northern service remains.
l. Othello to Royal City/Beverly (abandoned).
m. Palouse area where both Milwaukee Burlington Noethern have replaced the Burlington Northern abandoned lines.
n. Plummer, Idaho to Othello (abandoned by Milwaukee)
o. Port Townsend - Port Angeles (Now served by Seattle & NorthCoast Limited).
p. Seattle to Bellingham (served by Burlington Northern but abandoned by Milwaukee).
q. Seattle - Tacoma area (where Burlington Northern and Union Pacific have taken over Milwaukee).
r. Spokane area where only Burlington Northern and Union Pacific remain.
s. Strandell to Sumas to Lyndon (served by Burlington North.).

a	b	c	d	e	f	g	h	i	j	k	l	m	n	o	p	q	r	s	COMMENTS
																	r		Has not yet affected business
							h												Plant located on abandoned line
														o					SNCT offers improved service
									j										Better service
a																		s	Switched 500,000 tons to truck
											l		n						Used to ship to these points
									j										Now using BN a lot
											l								
		c	d					i	j		l		n	o	p	q	r		No effect
			d				h								p	q	r		No effect
																q			
a																		s	BN provides superior service
				e	f			i			l		n				r		
		c																	
									j		l							s	
											l						r		Forced to use more costly trucks
2	0	2	2	1	1	0	2	2	4	0	6	0	3	2	2	3	5	3	TOTALS

QUES 17: Beside the approximate 12 percent inflation level, what changes in railroad rates would you attribute to your commodities to railroad deregulation and/or railroad rate making freedom.

INCREASE		DECREASE		NO CHANGE		TOTAL	PERCENT
TOTAL	%	TOTAL	%	TOTAL	%	RESPON.	TOTAL SURVEYED
9	42.9%	1	4.8%	11	52.4%	21	36.2%

CEMENT	POTATOES	FROZEN + FRESH FISH
FERTILIZER		LIQ. GAS
FOODSTUFF		POTATOES
LOGS, CHIPS, LUMBER		FURNITURE
TRACTORS		POTATOES
FEED + FERTILZR.		CEMENT
FOODSTUFF		LIQ. GAS + CHEM.
FABRIC		SYNTH. ROPE
GRAIN + FERTILZR.		AUTO PARTS
		CHLOR + CHEM.
		IRON + STEEL

COMMENTS:

- Comment - Carriers will try to align rates with actual cost.
- Increase - Estimates 80% of rail cars returning from East Coast are empty.
- No Change - Expect higher rates.
- Increase - Didn't like changes - felt rates were not depressed.
- Decrease - Feels larger loads will result in lower unit cost.

QUES 18 : On the basis of changes in 1981, do you believe you will be using MORE OR less of the highway system?

	TOTALS	PERCENT
MORE	33	63.5%
LESS	4	7.7
SAME	15	28.8

QUES 19 : GENERAL comments on impact of changed freight traffic regulations.

FOR DEREGULATION   Total = 14 or 51.9%

- Desires market as basis for setting rates and service.
- Feels healthy competition between common carriers + private carriers.
- Feels changes will result in more backhaul potential + fewer empty miles.
- Deregulation will lead to more effective + cost efficient system.
- Present delays in rate changes cause hardships on intrastate customers.
- Backhauls will result in lower freight costs.
- Backhauls will make industry more efficient.
- Desires deregulation of logs and chips.
- Deregulation will create healthy competition.
- Desires deregulation.
- Pricing regulations are unsound practice.
- Increase in private carriage to serve low-volume areas.
- Deregulation is good for large shipper. Competition more desireable than regulation.
- Regulation is asinine.

AGAINST DEREGULATION   Total = 8 or 29.6%

- Favors regulation as inflation fighter - feels WUTC is too carrier-oriented.
- Service to rural areas will decrease. Smaller market share to urban areas.
- Rail rates will continue to go up at expense of profits to company when costs cannot be passed along to customer.
- Changes will result in reduced services and rate increases, with regulation coming back.
- Less intrastate service will result.
- Freight rates will increase thereby restricting industrial and agricultural growth in the State.
- Small shipper will end up absorbing increases while large volume shippers will get rate reductions.
- Farmers will suffer from increased rates.

OTHER   Total = 5 or 18.5%

- All activity originates out-of-state so no impact anticipated.
- More small carriers on highways.
- State and Federal policies should be more closely aligned for greater economy.
- Initially, there will be chaotic conditions.
- New law will not accomplish much.