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REGULATION AND COMPETITION ISSUES IN ROAD TRANSPORT

United States

1. Over the past twenty-five years the transportation sector has benefitted from significant regulatory reform at the federal level in the U.S. This paper reviews some of the developments in interstate trucking and intercity bus services, and discusses experience with the U.S. taxicab industry, which is regulated at the state or municipal level.

1. Interstate Trucking

2. For many years interstate trucking was heavily regulated by the Interstate Commerce Commission (ICC). The ICC reviewed rates, on complaint, that common carriers were required to file, and the ICC strictly limited entry. Beginning in the late 1970s, a series of administrative and legislative actions liberalized regulation of the industry. These, and similar initiative deregulating the railroad industry, led to the abolition of the ICC in 1995. Today little economic regulation remains, and the antitrust laws,

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rate bureau functions that benefit the public, such as classification of commodities with similar transportation characteristics, basic information dissemination, or rate publication, can be done in ways that do not limit competition and thus can continue without antitrust immunity.

Effects of Regulatory Reform

According to one study,

The deregulatory [Motor Carrier Act] of 1980 has spurred intense competition in virtually every element of the interstate trucking sector. Combined with technological and service innovations, this competition has produced a dynamic and expanding industry. As the ICC has noted, the benefits of interstate trucking deregulation are wide-spread and likely to be long-term. The vast

administrative deregulatory policies went into effect, LTL carriers' real operating costs have fallen 35 percent and TL carriers' costs have fallen more than 75 percent, largely because of the emergence of advanced truckload carriers."⁹ The reduction in rates charged has matched these cost savings. "Large shippers in high-density markets have undoubtedly gained more than small shippers in low-density markets, but small shippers have been able to share in some of the benefits from lower rates through third-

companies and local feeders. Total annual revenues for the market are about \$900 million. The regular route sector has been declining, while other segments (charter, tour buses) have expanded as a result of the relaxation of regulatory entry barriers. Consolidations and mergers are reviewed by the Surface Transportation Board under a public interest standard. Bus companies may apply to the Board for permission to “pool or divide traffic or any services or any part of their earnings.” 49 U.S.C. §14302. The Board must hold a hearing on such an application if it finds that “the agreement or combination is of major transportation importance” or “there is a substantial likelihood that the agreement or combination will unduly restrain competition.” If either of these conditions is present, the Board “shall hold a hearing concerning whether the agreement or combination will be in the interest of better service to the public or of economy of operation and whether it will unduly restrain competition.”

19. On October 3, 1997 the DOJ filed Comments with the Board opposing the application of Peter

taxicab regulation in the United States and described various types of regulation that existed in the taxi industry. These forms of regulation included entry restrictions based on the absolute numbers of cabs or

taxi service provision above that in other lines of endeavor and that prices are likely higher and the number of trips lower than they would be in the absence of regulation.

Two Experiments with Deregulation in the U.S. (Seattle and Indianapolis)

27. Since entry restrictions were adopted by most cities in the United States during the 1930s, experiments with taxicab deregulation have been infrequent. One exception was a period in the late 1970s when several moderate-sized cities altered their regulations to make entry less difficult.¹⁸ One major city,

Literature cited in Taxi section (See Frankena and Pautler (1984) for earlier references)

Avants, S., G. Gilbert, and B. Lupro (March 20, 1996) "Peer Review - Seattle Taxicab Regulation," <http://www.taxi-1.org/seat0396.htm>. City of Seattle.

Frankena, M. W. and P. A. Pautler (1984) *An Economic Analysis of Taxicab Regulation*, Bureau of Economics, Federal Trade Commission, 176 pp.

Frankena, M. W. and P. A. Pautler (1986) "Taxicab Regulation: An Economic Analysis," *Research in Law and Economics*, Vol. 9, JAI Press, 129-165.

Gaunt, Clive N. (June 1998) "A Finance Analysis of Taxicab Industry Regulation," Ph.D. Dissertation, Queensland University of Technology, Brisbane, Australia, School of Accountancy, Faculty of Business.

Price Waterhouse (1993) "Analysis of Taxicab Regulation and Deregulation," study funded by International Taxicab Foundation, 32 pp. [apl(ue32)12Tf 22.gbTf 22.tiT211.8by

Taxicab License Values in Various Cities (last update 8-28-00)

Atlanta, GA	\$1,500	1986	Curtis Wagner report from Research Atlanta, July 1986
Baltimore, MD	\$12,000-20,000	1996	“Baltimore: No Harbor for Entrepreneurs,” Institute for Justice, Vehicles for Hire subsection (April 1997)
Boston, MA	\$180,000	2000	T. Ronald Rosenberg, “Boston Mogul

35. All license values from Clive Gaunt's dissertation are in U.S. dollars. Clive N. Gaunt, "A Finance Analysis of Taxicab Industry Regulation," School of Accountancy, Faculty of Business, Queensland University of Technology, Brisbane, Australia, June 1998.

LISTING OF OTHER LITERATURE ON TAXICAB REGULATION
Bibliography of Post-1984 Literature (See Frankena and Pautler (1984) for earlier references).

Avants, S., G. Gilbert, and B. Lupro (March 20, 1996) "Peer Review - Seattle Taxicab Regulation," <http://www.taxi-1.org/seat0396.htm> . City of Seattle.

Boroski, John W., and Gerard C.S. Mildner (1998) "An Economic Analysis of Taxicab Regulation in Portland, Oregon," http://www.CascadePolicy.org/transit/taxi_reg.htm Policy Perspective 1007, *Cascade Policy Institute*, April.

Cairns, Robert D., C. Liston-Heyes (1996) "

NOTES

1. Rates and rules relating to movements of household goods, to non-contiguous domestic trade (*i.e.*, involving Alaska or Hawaii), or collectively set by rate bureaus and immunized by the Surface Transportation Board, are subject to review by the Board for reasonableness. Filing requirements are limited to non-contiguous domestic trade.
2. The ICCTA permits a rate bureau to establish “rate adjustments of general application based on industry average carrier costs (so long as there is no discussion of individual markets or particular single-line rates).” 49 U.S.C. § 13703(a)(1)(G). Antitrust immunity is also given for collective action with respect to through routes and joint rates; rates for the transportation of household goods; classifications, mileage guides, rules and divisions. 49 U.S.C. §13703(a)(1).
3. Surface Transportation Board, EC-MAC Motor Carriers Service Ass’

14. Problems associated with entry occurred at cab stands as lines of waiting cabs lengthened, cabbies bickered over their places in the queue, and service refusals occurred if a passenger wanted a short trip. See the discussion (pp. 125-143) of the situations at airports in Seattle, San Diego, and Phoenix. Reports of similar problems at hotels are common.
15. For a detailed description of the industry, see Frankena and Pautler (1984, pp. 10-28 and especially note 21) and Price Waterhouse (1993, pp. 4-5). New technology has not impacted the industry greatly, although Soon (1999) indicates that dispatch costs may have fallen as telecommunications options have increased. Perhaps the biggest continuing change in the industry has been the move to lessee/contractor drivers from the owner-operator or employee format of the 1950s and 60s. The advent of contracting was likely caused by tax changes that made it advantageous for taxi firms to characterize their drivers as independent contractors rather

25. For a very positive description of the changes about one month after entry was allowed, see Editorial, Indianapolis News, August 4, 1994. Later press reports were less positive, reflecting either deteriorating performance or information from other sources. See, David Shaffer "Cab Deregulation: Competition or a License to Gouge? New Firms Hail the Equipment, but Older Firms Say Fares are Up, Profits Down,"