

**AN ANALYSIS OF POTENTIAL IMPACTS
OF REGULATORY REFORM ON THE INTRASTATE
TRUCKING INDUSTRY IN NORTH DAKOTA**

By

Dennis R. Ming

**UGPTI Publication No. 60
October 1986**

**AN ANALYSIS OF POTENTIAL IMPACTS
OF REGULATORY REFORM OF THE INTRASTATE
TRUCKING INDUSTRY IN NORTH DAKOTA**

BY

**DENNIS R. MING
RESEARCH ASSOCIATE**

**UPPER GREAT PLAINS TRANSPORTATION INSTITUTE
NORTH DAKOTA STATE UNIVERSITY
P. O. BOX 5074
FARGO, NORTH DAKOTA 58105**

OCTOBER 1986

FOREWORD

In 1985 the North Dakota Legislature requested that a study be conducted to assess the impacts of regulatory reform relative to the state's trucking industry. The pages that follow present the findings of that study.

The trucking industry is very heterogeneous; probably the only thing that all "truckers" have in common is that they depend on trucks to operate. Some motor carriers are regulated, others are exempt; some operate on an interstate basis, others are intrastate; some carriers are owner operators, others are corporations; some deliver freight while others carry passengers; some oppose regulatory reform, others support it.

Regulation can take many forms. "Economic" regulation relates to rate regulation and the need to acquire authority from the government (Public Service Commission or Interstate Commerce Commission) prior to commencing operations. "Non-economic" regulation involves factors such as safety (Highway Patrol), vehicle licensing (Motor Vehicle Department) and fuel use and related taxes (Tax Department). Intrastate economic regulations apply to only an extremely small portion (probably less than 10 percent) of the truck traffic moving over state roadways; interstate, commercial zone, private and exempt commodity carriers do not come under the intrastate-related jurisdiction of the Public Service Commission. All carriers are subject to the "non-economic" regulations outlined above.

This study reviews existing economic and non-economic regulations that govern North Dakota's trucking industry. It also summarizes the impacts of regulatory reform that have been experienced in other states and surveys the industry relative to its perceptions of regulatory reform.

This study makes five recommendations regarding motor carrier regulation. These recommendations involve far more than regulatory reform relative to certificated intrastate motor carriers; they address intrastate economic regulations as well as interstate regulations that can be influenced by state policy and statute.

As indicated earlier, the trucking industry is an extremely diverse group. The industry will therefore have differing views on the impacts and desirability of these recommendations. It should appear obvious, however, that the implementation of any or all of these recommendations will increase the number of motor carriers that operate in North Dakota and/or encourage increased rate competition. These changes would hopefully translate into improved service, more shipping options and lower rates. Some regulated carriers will conversely argue that the increase in competition will be ruinous to their operations and will result in poorer service to rural areas. There is no doubt that increased competition may force less efficient carriers to restructure or to go out of business.

It is important to note that the implementation of Recommendations Four and Five would impact more than just the trucking industry. The public would also benefit because increased competition within the interstate trucking industry in North Dakota would directly impact rail service and rates. In this era of federal deregulation, intense intermodal competition is essential if shippers are to avoid monopolistic railroad practices. The most direct beneficiaries of an increase in intermodal competition would be the state grain elevator industry and its patrons. A one percent reduction in rail and truck rates would save state grain shippers an estimated \$3 million annually. Additional studies to identify other inhibitors to inter and intramodal competition may be warranted.

Jon Mielke
North Dakota Public Service Commission
Bismarck, North Dakota

PREFACE

The purpose of this study was to address potential impacts of regulatory reform concerning the intrastate motor carrier industry in North Dakota. Potential effects on trucking firms, shippers and receivers were analyzed. The study included a literature review concerning regulation/deregulation of the motor carrier industry, a financial analysis of North Dakota's intrastate motor carrier industry and a motor carrier survey.

Many people are responsible for the fruition of this study. First, the North Dakota Legislature and the Legislative Interim Transportation Committee had the foresight to study such an issue. The North Dakota Highway Department provided necessary funding for the study. Jon Mielke and Bob Senger of the North Dakota Public Service Commission were relentless in fulfilling requests for information that were necessary for the study's successful completion.

TABLE OF CONTENTS

	<u>Page</u>
LIST OF TABLES.....	viii
LIST OF FIGURES.....	xiii
EXECUTIVE SUMMARY.....	xiv
INTRODUCTION.....	1
PROBLEM STATEMENT.....	2
OBJECTIVES.....	3
PROCEDURE.....	3
PUBLIC REGULATION.....	4
MOTOR CARRIER REGULATION.....	5
ECONOMIC JUSTIFICATION FOR REGULATING NORTH DAKOTA'S MOTOR CARRIERS.....	6
PREVENTING MONOPOLY ABUSES.....	6
LIMITING COMPETITIVE FORCES.....	11
PREVENTING DISCRIMINATORY PRACTICES.....	12
REGULATORY RENTS.....	12
ECONOMIES OF SCOPE.....	14
NORTH DAKOTA'S REGULATION OF INTRASTATE TRUCKING.....	16
CURRENT REGULATORY ENVIRONMENT.....	16
Regulated Intrastate Service.....	16
Obtaining Operating Authority.....	17
Types of Operating Authority.....	19
Intrastate Trucking Industry Segments.....	20
Unregulated Motor Carrier Services.....	22
Unregulated Intrastate Services.....	22
Interstate Services.....	24

NON-REGULATORY REQUIREMENTS.....	27
RATES.....	30
Rate Comparison.....	35
Pricing Practices.....	37
Collective Ratemaking.....	38
Collective Ratemaking in Practice.....	42
FINANCIAL ANALYSIS.....	46
OPERATING RATIO.....	46
INTRASTATE REGULATED MOTOR CARRIER INDUSTRY.....	47
Certificate Type.....	50
SURVEY OF MOTOR CARRIER ANNUAL REPORTS TO THE PUBLIC SERVICE COMMISSION.....	52
INDUSTRY SEGMENT.....	52
SIZE OF FIRM.....	54
Industry Segment and Size.....	58
Type of Carrier.....	58
MOTOR CARRIER SURVEY.....	68
GENERAL CHARACTERISTICS OF SURVEY RESPONDENTS.....	68
Interstate vs. Intrastate Authority Applications....	69
Industry Segment and Size.....	70
MOTOR CARRIER'S PERCEPTIONS OF THE INTRASTATE REGULATORY ENVIRONMENT.....	72
Regulatory Framework.....	78
Industry Segment.....	78
Size of Carrier.....	83
Total System Revenues.....	84
North Dakota Revenue.....	89

Type of Carrier.....	94
Type of Labor.....	97
DEREGULATORY BEHAVIOR.....	97
Ranking of Regulatory Factors.....	99
Effects of Deregulation/Issues.....	101
SHIPPER/RECEIVER ATTITUDES TOWARD REGULATORY REFORM.....	103
CONTRIBUTION OF INTRASTATE TRUCKING TO NORTH DAKOTA'S ECONOMY.....	105
GROSS BUSINESS VOLUME.....	108
CONCLUSIONS.....	111
RECOMMENDATIONS.....	112
APPENDIX A: Regulatory Requirements of Other States.....	121
APPENDIX B: Example of Annual Report Filed by Intrastate Regulated Motor Carriers with the Public Service Commission.....	128
APPENDIX C: Motor Carrier Survey.....	131

LIST OF TABLES

<u>TABLE</u>	<u>PAGE</u>
1. INTRASTATE OPERATING AUTHORITIES BY CERTIFICATE TYPE AND AREA OF SPECIALIZATION, 1985.	20
2. COMMON CARRIER INTRASTATE RATE COMPARISONS, 1986.	36
3. OPERATING REVENUES, OPERATING EXPENSES AND OPERATING RATIOS OF EIGHT HOUSEHOLD GOODS CARRIERS SEEKING A RATE INCREASE IN JUNE, 1986.	44
4. NUMBER OF INTRASTATE REGULATED MOTOR CARRIERS OPERATING IN NORTH DAKOTA.	48
5. REVENUES AND EXPENSES, NORTH DAKOTA INTRASTATE REGULATED MOTOR CARRIER INDUSTRY.	49
6. REVENUES AND EXPENSES, NORTH DAKOTA INTRASTATE REGULATED MOTOR CARRIER INDUSTRY, BY TYPE OF CERTIFICATE, 1983 AND 1984.	51
7. OPERATING REVENUES AND OPERATING EXPENSES, BY INDUSTRY SEGMENT, NORTH DAKOTA INTRASTATE REGULATED MOTOR CARRIER INDUSTRY, 1984.	53
8. ESTIMATED TOTAL INTRASTATE REGULATED MOTOR CARRIER REVENUES AND EXPENSES, 1984.	54
9. NORTH DAKOTA INTRASTATE REGULATED MOTOR CARRIER INDUSTRY FINANCIAL STATISTICS, BY SIZE OF CARRIER, 1984.	56
10. NORTH DAKOTA INTRASTATE REGULATED MOTOR CARRIER INDUSTRY FINANCIAL STATISTICS, BULK CARRIERS, BY SIZE OF CARRIER, 1984.	59
11. NORTH DAKOTA INTRASTATE REGULATED MOTOR CARRIER INDUSTRY FINANCIAL STATISTICS, GENERAL COMMODITIES CARRIERS, BY SIZE OF CARRIER, 1984.	60
12. NORTH DAKOTA INTRASTATE REGULATED MOTOR CARRIER INDUSTRY FINANCIAL STATISTICS, HOUSEHOLD GOODS CARRIERS, BY SIZE OF CARRIER, 1984.	61
13. NORTH DAKOTA INTRASTATE REGULATED MOTOR CARRIER INDUSTRY FINANCIAL STATISTICS, HEAVY EQUIPMENT CARRIERS, BY SIZE OF CARRIER, 1984.	62
14. NORTH DAKOTA INTRASTATE REGULATED MOTOR CARRIER INDUSTRY FINANCIAL STATISTICS, MOBILE HOME CARRIERS, BY SIZE OF CARRIER, 1984.	63

15.	NORTH DAKOTA INTRASTATE REGULATED MOTOR CARRIER INDUSTRY FINANCIAL STATISTICS, OIL FIELD BULK CARRIERS, BY SIZE OF CARRIER, 1984.	64
16.	NORTH DAKOTA INTRASTATE REGULATED MOTOR CARRIER INDUSTRY FINANCIAL STATISTICS, OIL FIELD HEAVY HAULERS, BY SIZE OF CARRIER, 1984.	65
17.	NORTH DAKOTA INTRASTATE REGULATED MOTOR CARRIER INDUSTRY FINANCIAL STATISTICS, PASSENGER CARRIERS, BY SIZE OF CARRIER, 1984.	66
18.	NORTH DAKOTA INTRASTATE REGULATED MOTOR CARRIER INDUSTRY FINANCIAL STATISTICS, BULK CARRIERS, BY TYPE OF CARRIER, 1984.	67
19.	QUESTIONNAIRE RESPONDENTS BY TYPE OF OPERATING AUTHORITY.	69
20.	NUMBER OF SURVEY RESPONDENTS APPLYING FOR NORTH DAKOTA INTRASTATE AND/OR FEDERAL INTERSTATE REGULATED AUTHORITY BETWEEN 1980 AND 1985.	70
21.	SURVEY RESPONDENTS BY SIZE CLASSIFICATION, 1985.	71
22.	SURVEY RESPONDENTS BY INDUSTRY SEGMENT, 1985.	73
23.	MOTOR CARRIER SURVEY PARTICIPANT'S RESPONSES TO VARIOUS STATEMENTS CONCERNING NORTH DAKOTA'S INTRASTATE REGULATED MOTOR CARRIER OPERATING ENVIRONMENT, 1986.	74
24.	MOTOR CARRIER SURVEY PARTICIPANT'S RESPONSES TO VARIOUS REGULATORY FRAMEWORKS, 1986.	75
25.	MOTOR CARRIER SURVEY PARTICIPANT'S PREFERENCES OF VARYING DEGREES OF REGULATORY CHANGE RELATIVE TO THE NORTH DAKOTA INTRASTATE MOTOR CARRIER OPERATING ENVIRONMENT, 1986.	76
26.	MOTOR CARRIER SURVEY PARTICIPANT'S RESPONSES TO NOT CHANGING THE REGULATORY ENVIRONMENT OF THE NORTH DAKOTA INTRASTATE MOTOR CARRIER INDUSTRY, BY INDUSTRY SEGMENT, 1986.	79
27.	MOTOR CARRIER SURVEY PARTICIPANT'S RESPONSES TO EASING ENTRY INTO THE NORTH DAKOTA INTRASTATE MOTOR CARRIER INDUSTRY, BY INDUSTRY SEGMENT, 1986.	80
28.	MOTOR CARRIER SURVEY PARTICIPANT'S RESPONSES TO INCORPORATING RATE FLEXIBILITY INTO THE NORTH DAKOTA INTRASTATE MOTOR CARRIER INDUSTRY, BY INDUSTRY SEGMENT, 1986.	81

29.	MOTOR CARRIER SURVEY PARTICIPANT'S RESPONSES TO ALLOWING COMPLETE PRICING FREEDOM IN THE NORTH DAKOTA INTRASTATE MOTOR CARRIER INDUSTRY, BY INDUSTRY SEGMENT, 1986.	82
30.	MOTOR CARRIER SURVEY PARTICIPANT'S RESPONSES TO NOT CHANGING THE REGULATORY ENVIRONMENT OF THE NORTH DAKOTA INTRASTATE MOTOR CARRIER INDUSTRY, BY SIZE OF CARRIER BASED ON TOTAL SYSTEM REVENUES, 1986.	85
31.	MOTOR CARRIER SURVEY PARTICIPANT'S RESPONSES TO EASING ENTRY INTO THE NORTH DAKOTA INTRASTATE MOTOR CARRIER INDUSTRY, BY SIZE OF CARRIER BASED ON TOTAL SYSTEM REVENUES, 1986.	86
32.	MOTOR CARRIER SURVEY PARTICIPANT'S RESPONSES TO INCORPORATING RATE FLEXIBILITY INTO NORTH DAKOTA INTRASTATE MOTOR CARRIER INDUSTRY, BY SIZE OF CARRIER BASED ON TOTAL SYSTEM REVENUES, 1986.	87
33.	MOTOR CARRIER SURVEY PARTICIPANT'S RESPONSES TO ALLOWING COMPLETE PRICING FREEDOM IN THE NORTH DAKOTA INTRASTATE MOTOR CARRIER INDUSTRY, BY SIZE OF CARRIER BASED ON TOTAL SYSTEM REVENUES, 1986.	88
34.	MOTOR CARRIER SURVEY PARTICIPANT'S RESPONSES TO NOT CHANGING THE REGULATORY ENVIRONMENT OF THE NORTH DAKOTA INTRASTATE MOTOR CARRIER INDUSTRY, BY SIZE OF CARRIER BASED ON NORTH DAKOTA INTRASTATE REVENUES, 1986.	90
35.	MOTOR CARRIER SURVEY PARTICIPANT'S RESPONSES TO EASING ENTRY INTO THE NORTH DAKOTA INTRASTATE MOTOR CARRIER INDUSTRY, BY SIZE OF CARRIER BASED ON NORTH DAKOTA INTRASTATE REVENUES, 1986.	91
36.	MOTOR CARRIER SURVEY PARTICIPANT'S RESPONSES TO INCORPORATING RATE FLEXIBILITY INTO THE NORTH DAKOTA INTRASTATE MOTOR CARRIER INDUSTRY, BY SIZE OF CARRIER BASED ON NORTH DAKOTA INTRASTATE REVENUES, 1986.	92
37.	MOTOR CARRIER SURVEY PARTICIPANT'S RESPONSES TO ALLOWING COMPLETE PRICING FREEDOM IN THE NORTH DAKOTA INTRASTATE MOTOR CARRIER INDUSTRY, BY SIZE OF CARRIER BASED ON NORTH DAKOTA INTRASTATE REVENUES, 1986.	93

38.	MOTOR CARRIER SURVEY PARTICIPANT'S RESPONSES TO NOT CHANGING THE REGULATORY ENVIRONMENT OF THE NORTH DAKOTA INTRASTATE MOTOR CARRIER INDUSTRY, BY TYPE OF CARRIER, 1986.	95
39.	MOTOR CARRIER SURVEY PARTICIPANT'S RESPONSES TO EASING ENTRY INTO THE NORTH DAKOTA INTRASTATE MOTOR CARRIER INDUSTRY, BY TYPE OF CARRIER, 1986.	95
40.	MOTOR CARRIER SURVEY PARTICIPANT'S RESPONSES TO INCORPORATING PRICING FLEXIBILITY INTO THE NORTH DAKOTA INTRASTATE MOTOR CARRIER INDUSTRY, BY TYPE OF CARRIER, 1986.	96
41.	MOTOR CARRIER SURVEY PARTICIPANT'S RESPONSES TO ALLOWING COMPLETE PRICING FREEDOM IN THE NORTH DAKOTA INTRASTATE MOTOR CARRIER INDUSTRY, BY TYPE OF CARRIER, 1986.	96
42.	MOTOR CARRIER PARTICIPANT'S RESPONSES TO VARIOUS STATEMENTS REGARDING REGULATORY REFORM IN THE NORTH DAKOTA INTRASTATE MOTOR CARRIER INDUSTRY, BY TYPE OF LABOR, 1986.	98
43.	MOTOR CARRIER SURVEY PARTICIPANT'S RESPONSES TO THEIR FIRM'S POTENTIAL BEHAVIOR GIVEN REGULATORY REFORM IN THE NORTH DAKOTA INTRASTATE TRUCKING INDUSTRY, 1986.	99
44.	MOTOR CARRIER SURVEY PARTICIPANT'S RESPONSES TO THE IMPORTANCE OF FACTORS RELATING TO THE REGULATION OF THE NORTH DAKOTA INTRASTATE TRUCKING INDUSTRY, 1986.	100
45.	MOTOR CARRIER SURVEY PARTICIPANT'S RESPONSES TO VARIOUS FACTORS CONCERNING THE REGULATORY AND OPERATING ENVIRONMENT OF THE NORTH DAKOTA INTRASTATE REGULATED TRUCKING INDUSTRY, 1986.	102
46.	SHIPPER/RECEIVER SURVEY RESPONDENTS, BY NATURE OF BUSINESS.	104
47.	SHIPPER/RECEIVER RESPONSES TO DEREGULATING MOTOR CARRIER ENTRY AND RATES.	104
48.	FINANCIAL STATISTICS OF NORTH DAKOTA DOMICILED AND OUT-OF-STATE DOMICILED INTRASTATE PSC REGULATED TRUCKING FIRMS, 1984.	107

49. ESTIMATES OF CHANGES IN GROSS BUSINESS VOLUME
IN NORTH DAKOTA BASED ON THE SUBSTITUTION OF
REVENUE EARNED BY NORTH DAKOTA DOMICILED TRUCKING
FIRMS FOR REVENUE EARNED BY OUT-OF-STATE
DOMICILED TRUCKING FIRMS, NORTH DAKOTA
INTRASTATE PSC REGULATED SERVICE.

109

LIST OF FIGURES

<u>FIGURE</u>		<u>PAGE</u>
1.	MONOPOLY SITUATION	8
2.	COST PER UNIT OF OUTPUT IN RELATION TO SIZE OF FIRM	10
3.	EXAMPLE OF REGULATORY RENT	13

EXECUTIVE SUMMARY

The main purpose of this study was to analyze the effects of existing federal and state laws and regulations on intrastate trucking operations in North Dakota. Mainly, potential impacts of intrastate regulatory changes were addressed.

NORTH DAKOTA INTRASTATE REGULATED TRUCKING INDUSTRY

There are three types of operating authority and eight industry segments relative to the North Dakota intrastate regulated motor carrier industry (Summary Table 1). Most of the operating authorities are for special carriers (252) while the majority of firms hold general commodities authority (137).

SUMMARY TABLE 1. INTRASTATE OPERATING AUTHORITIES BY CERTIFICATE TYPE AND AREA OF SPECIALIZATION, 1985.

	Type of Authority			Total
	Class A	Special	Contract	
General				
Commodities	10	111	16	137
Bulk	0	16	15	31
Household	0	16	0	16
Oilfield	0	22	6	28
Heavy				
Equipment	0	13	0	13
Mobile Home	0	13	0	13
House Mover	0	33	0	33
Passenger	<u>13</u>	<u>28</u>	<u>3</u>	<u>44</u>
TOTAL	23	252	40	315

JUSTIFICATION FOR ECONOMIC REGULATION

Three basic premises exist for economic regulation of the motor carrier industry: (1) preventing monopoly abuses, (2) limiting competitive forces, and (3) preventing discriminatory practices. The cost structure of intrastate motor carriers operating in North Dakota is such that large size firms could not exert monopoly power over small and medium size firms in a free market environment. Studies in other states (Florida and Arizona) have shown that ruinous competition has not evolved following intrastate regulatory reform. Thus, there does not appear to be a need to limit competitive forces relative to intrastate trucking. Current research does not indicate the existence of discriminatory service following regulatory reform. However, the opposite currently exists in North Dakota under a regulated environment. This discriminatory service involves carriers that participate in collectively set rates but publish discount tariffs for certain shippers.

REGULATORY RENTS

Regulation has historically resulted in higher motor carrier rates than would have existed in a competitive environment (regulatory rents). Thus, states that have deregulated motor carrier service have experienced generally lower freight rates than would have existed in a regulated environment.

MOTOR CARRIER SURVEY

Questionnaires were mailed in January, 1986 to 625 motor carriers that provide both intrastate and interstate service in North Dakota. A total of 186 carriers responded to the survey for a 30 percent response rate.

Survey participants indicated a strong desire for changing North Dakota's regulatory environment. For example, 102 of 163 respondents (63 percent) indicated a desire for regulatory change. With respect to the type of regulatory change preferred by carriers responding to the survey, 95 of 165 (58 percent) felt entry restrictions should be eased; 109 of 155 (70 percent) felt that rate flexibility should be incorporated; and 85 of 159 (53 percent) indicated a preference for complete pricing freedom.

Safety was ranked by survey respondents as the most important factor to be considered in the regulation of North Dakota's intrastate trucking industry. Protecting motor carrier profits was considered the second most important factor.

RECOMMENDATIONS¹

Recommendation No. 1

Amend N.D.C.C. Section 49-18-14 as previously proposed by H.B. 1317 and thereby ease entry into the regulated portion of North Dakota's motor carrier industry. Entry would become primarily a matter of applicant fitness.

¹A more detailed recommendation section is contained on page 112.

Recommendation No. 2

Amend N.D.C.C. Section 49-18-18 to permit regulated carriers to charge less than their legally filed tariff rates. This change would give all regulated carriers the ability to bid on shipper consignments. (An alternative recommendation was to incorporate a zone of pricing freedom which would permit carriers to charge a certain percentage below or above published rates without amending their tariffs.)

Recommendation No. 3

Enact legislation to prohibit the Public Service Commission from accepting rate tariff filings that have been collectively discussed and/or filed by more than one carrier unless those rates apply directly to shipments that require the direct physical involvement of the participating carriers.

Recommendation No. 4

Repeal PSC rules which require ICC certificated carriers to register with the PSC before operating over the state's roadways. Increase truck license fees and/or fuel taxes to offset revenue losses resulting from the elimination of the registration program.

Recommendation No. 5

Encourage the Tax Departments' involvement in the development of and participation in a multi-state fuel use tax reporting program.

AN ANALYSIS OF POTENTIAL IMPACTS OF REGULATORY
REFORM ON THE INTRASTATE TRUCKING INDUSTRY
IN NORTH DAKOTA

by

Dennis R. Ming¹

INTRODUCTION

The trucking industry is vital to the North Dakota economy because of the rural nature of the state. Shippers and receivers of nonbulk commodities rely almost exclusively on motor carriers to haul their incoming and outgoing products. The low volume and infrequent shipping patterns of such traffic typically precludes shipment by rail. Thus, intermodal competition for these types of shipments is virtually nonexistent.

There are two distinct types of motor carriers that serve communities in North Dakota, interstate carriers and intrastate carriers. Each of these two types of carriers can be further classified as either haulers of regulated commodities or haulers of exempt commodities. Carriers often perform both interstate and intrastate service and often haul both regulated and exempt commodities. Interstate carriers are typically firms that cross state lines while intrastate carriers operate within state boundaries.

Motor carriers generally fall under Interstate Commerce Commission (ICC) regulatory authority if they haul regulated

¹Research Associate, Upper Great Plains Transportation, North Dakota State University.

commodities and cross state lines. The North Dakota Public Service Commission (PSC) regulates motor carriers that haul regulated commodities within the state of North Dakota.²

PROBLEM STATEMENT

Considerable regulatory reform has recently taken place in the transportation industry. Railroads, airlines, motor carriers of property and passenger buses all experienced considerable regulatory reform in the seventies and eighties on the federal (interstate) level. Many states have since revised the operating environment for transportation firms that operate within state boundaries (intrastate service).

Trucking firms, because of the scope of their operations, have typically been affected by intrastate regulations more than other modes. Generally, this has been because other transportation modes typically operate on an interstate basis and are not subject to regulation by state agencies. Many trucking firms, on the other hand, operate either partially or totally within the confines of a state's borders and are subsequently regulated on the state level.

Given the extent to which the interstate regulatory environment has been altered in recent years, the intrastate regulatory environment should be analyzed. Policymakers need current and reliable information in order to make rational

²A more detailed description of motor carrier operating authority is contained in a later section.

decisions concerning the transportation of goods by the intrastate trucking industry.

OBJECTIVES

Motor carriers, shippers, receivers, governmental officials and others should be aware of the current intrastate motor carrier regulatory environment and how it affects the current operating environment. The main purpose of this study is to analyze the effects of existing federal and state laws and regulations on intrastate trucking operations in North Dakota and analyze the potential impacts of regulatory reform (including varying degrees of regulation). Specifically:

1. Describe the current operational, economic and regulatory environment of the intrastate and interstate trucking industries.
2. Analyze the effects of intrastate regulation on shippers, carriers and receivers.
3. Determine the extent to which income transfers may occur given regulatory reform.
4. Quantify the revenue generating impacts that changes in motor carrier regulations could have on state government.

PROCEDURE

The current intrastate motor carrier regulatory environment has substantial impacts on shippers, receivers and carriers. Shippers and receivers need to have reliable information in order to rationally assess shipping alternatives. Carriers need to have comprehensive data in order to make decisions regarding interstate and intrastate services and the proportion of

resources (if any) they will dedicate to each. Governmental officials need to be keenly aware of effects that statutory regulations impose on shippers, receivers, carriers and receivers.

Both primary and secondary data were used in this study. A mail survey was used to collect information on motor carrier's attitudes towards varying degrees of regulation. Motor carrier annual reports that are filed with the North Dakota Public Service Commission were examined in order to assess the relative financial condition of intrastate motor carriers. In addition, personal interviews with selected carriers were performed in order to gain in-depth knowledge about the operations of each industry segment. The interstate and intrastate regulatory environments are also detailed and a limited rate review was conducted.

PUBLIC REGULATION

Most, if not all, industries that operate in the United States are regulated. Public policy dictates that businesses are governed by antitrust laws, fair trade laws, labor legislation, tax laws and others. The public has sought to regulate industries for two basic reasons: (1) to restrict competitive forces, and (2) to maintain private ownership.³ Further, uncontrolled economic power was deemed economically, politically

³Phillips, Charles F., Jr., The Economics of Regulation, Richard D. Irwin, Inc., Homewood, Illinois, 1969.

and socially unacceptable.⁴ Thus, local, state and federal governments impose regulatory restrictions on various businesses to achieve certain economic and/or social goals.

MOTOR CARRIER REGULATION

Motor carrier regulation was carried out mostly on the state level prior to passage of the Motor Carrier Act of 1935. However, economic conditions during the Depression brought about significant changes in transportation. The trucking industry, in particular, was characterized by extreme over capacity and ruinous competition subsequently emerged. Many trucking firms practiced discriminatory pricing and as a result shippers experienced significantly deteriorating service. State regulatory laws at the time were not sufficient to control the industry since many truckers hauled interstate traffic. Thus, there was a call for federal legislation.

Congress subsequently passed the Motor Carrier Act of 1935. Congress declared that the Act was passed "to recognize and preserve the inherent advantages of, and foster sound economic conditions in motor transportation and among motor carriers."⁵ This regulatory structure was closely patterned after previous rail regulation and the rationale for such regulation was often

⁴Ibid.

⁵49 Stat. 543 Sec. 202(a) (1935).

debated.⁶ Many opponents of the regulatory rationale argued that rail regulation had been initiated to correct monopoly abuses, and that the motor carrier industry did not exhibit such market behavior.⁷ These arguments eventually led to passage of the Motor Carrier Act of 1980 which resulted in a less restricted economic regulatory environment for motor carriers involved in interstate commerce.

ECONOMIC JUSTIFICATION FOR REGULATING
NORTH DAKOTA'S INTRASTATE MOTOR CARRIERS

Given past regulatory policies three basic premises exist for regulating the motor carrier industry: (1) preventing monopoly abuses, (2) limiting competitive forces, and (3) preventing discriminatory practices. This section contains an analysis of these premises as justification for regulating North Dakota's intrastate motor carrier industry.

PREVENTING MONOPOLY ABUSES

Economic regulation of motor carriers operating under North Dakota Public Service Commission authority should continue if monopoly power exists in any segment (i.e., general commodities, bulk, household goods, etc.) of the industry. Thus, if a motor carrier has the ability to extract economic rents (excess profits) then shippers should be protected through public control of rates that carriers charge for providing the service.

⁶Lieb, Robert C., Transportation: The Domestic System, Second Edition, Reston Publishing Company, Inc., Reston, Virginia, 1981.

⁷Ibid.

Firms must exhibit long-run decreasing costs in order for monopoly power to exist (Figure 1). Firms realize lower costs as the scale (size) of their operation increases. Thus, as the size of plant increases from Plant A to Plant B to Plant C, long-run prices fall from P_3 , to P_2 , to P_1 , respectively. If other firms enter the industry, Plant C needs only to exert its monopoly power to force the other firms out of business. Likewise, Plant C can use (or abuse) its monopoly power to charge consumers higher prices than those that would result given a competitive environment.

Current research indicates that monopoly power does not exist in the motor carrier industry. Rose found that "regulatory rents" occurred in the interstate trucking industry as opposed to monopoly rents prior to passage of the Motor Carrier Act of 1980.⁸ She found that regulatory rents have declined since regulatory reform while monopoly rents have not emerged, thus, indicating the absence of monopoly power in the interstate trucking industry. Also, regulatory rents were generally distributed among all sizes of carriers, further discounting the existence of monopoly power.

An analysis of motor carriers providing PSC regulated service in North Dakota indicated that economies of scale did not

⁸Rose, Nancy L., "The Incidence of Regulatory Rents in the Motor Carrier Industry," Rand Journal of Economics, Vol. 16, No. 3, Autumn, 1985.

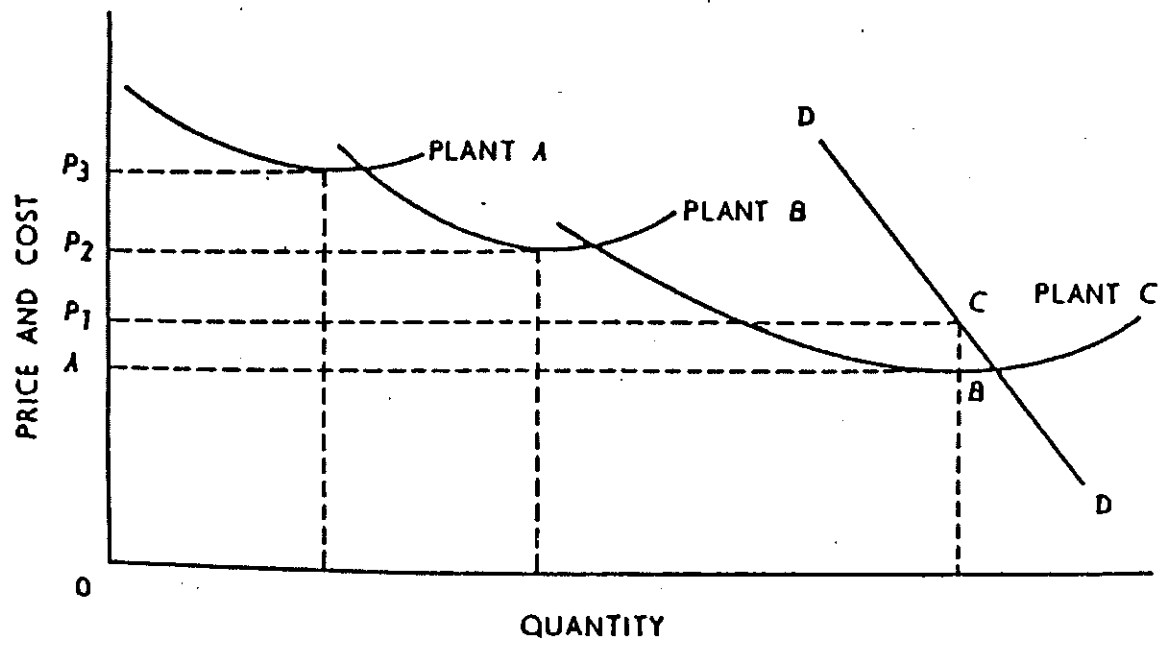


Figure 1. Monopoly Situation
 Source: Phillips op.cit.

exist in the industry in 1978.⁹ In other words, larger firms did not have an inherent cost advantage relative to smaller firms that provided similar service. Similarly, analysis of 1984 data also indicate that economies of scale are not present in the intrastate motor carrier industry with respect to a sample of general commodity carriers (Figure 2). Operating expenses per mile generally do not decline as size of firm (operating revenues) increase. Thus, it appears that larger firms would not be able to exert monopoly power in a free market environment. This is supported by Harmatuck who found that all motor carriers have the opportunity to share the same technology and, therefore, exhibit similar, if not identical, long-run cost functions.¹⁰

Also, McMullen found that constant returns to scale existed in the United States motor carrier industry both before (1977) and after (1983) implementation of the Motor Carrier Act of 1980.¹¹ Additionally, Friedlander and Spady found that increases in concentration in the motor carrier industry may have been due

⁹Wilson, Wesley W., unpublished data from, An Analysis of the Regulated Motor Carrier Industry in North Dakota, UGPTI Report No. 40, Upper Great Plains Transportation Institute, North Dakota State University, North Dakota, September, 1981.

¹⁰Harmatuck, Donald J., "Short Run Motor Carrier Cost Functions For Five Large Common Carriers," The Logistics and Transportation Review, Volume 21, Number 3, September, 1985.

¹¹McMullen, B. Starr, A Preliminary Examination of the Impact of Regulatory Reform on U.S. Motor Carrier Costs, Department of Economics, Oregon State University, Corvallis, Oregon, 1986.

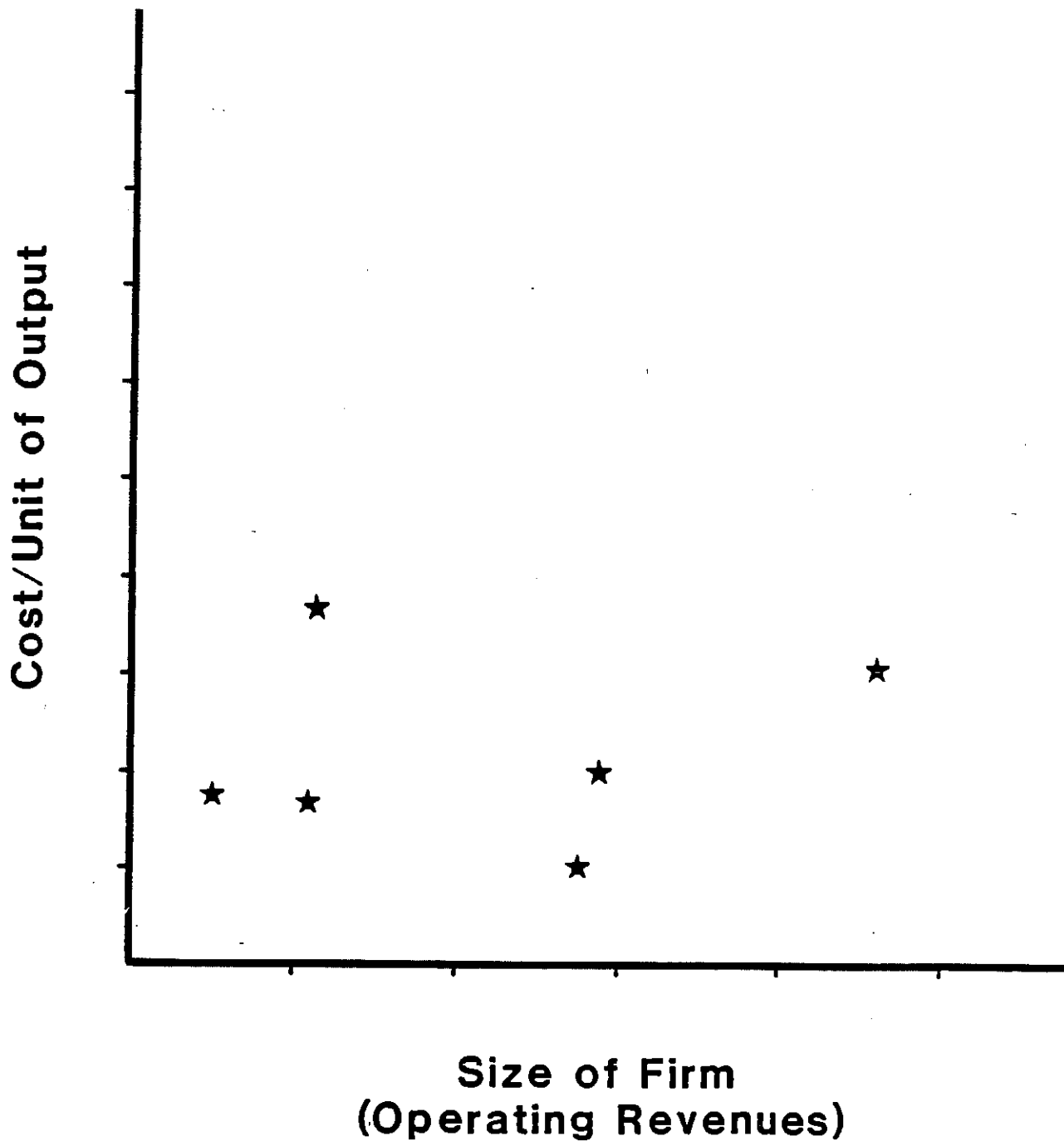


Figure 2. Cost per Unit of Output in Relation to Size of Firm, North Dakota Motor Carriers of General Commodities, 1984.

to regulatory rather than technological economies of scale.¹² Thus, large size carriers generally do not have relative cost advantages over smaller size firms in a deregulated environment.

LIMITING COMPETITIVE FORCES

Certainly one factor to consider in the regulation of an industry is limiting competitive forces. The justification for such regulation exists if the industry is susceptible to ruinous competition. Thus, firms operating in the industry are not rational in setting prices and tend to engage in "cut-throat" pricing which erodes stability in the industry. Rate regulation, therefore, prevents firms from setting prices that are lower than prescribed rates (those set by the regulatory agency). Likewise, entry restrictions ensure that only qualified, financially healthy carriers serve the industry.

Current research does not indicate the presence of ruinous competition in the motor carrier industry following regulatory changes. Studies relative to intrastate trucking deregulation in Florida and Arizona indicate that rates have fallen slightly since regulatory reform, but none of the studies indicate that instability exists in the industry.¹³

¹²Friedlander, A.F., and R.H. Spady, Freight Transport Regulation: Equity, Efficiency, and Competition in the Rail and Trucking Industries, Cambridge, Massachusetts: MIT Press, 1980.

¹³Beilock, Richard and James Freeman identified several studies documenting this in "Deregulated Motor Carrier Service to Small Communities," Transportation Journal, Vol. 23:4, Summer, 1984.

PREVENTING DISCRIMINATORY PRACTICES

Regulation is also probable if those firms providing the service are able to discriminate against certain classes of users. Thus, in a free market environment economic incentives must exist for firms supplying the service to continue doing so on a nondiscriminatory basis. Current research does not indicate the existence of discriminatory service following regulatory reform at either the federal or state levels.

REGULATORY RENTS

Regulatory rents may be defined as the amount regulation raises prices above competitive levels. Regulatory rents are much the same as monopoly rents in that excess profits exist in an industry. However, a firm that extracts regulatory rents is not exerting monopoly power, but is simply performing a service and charging a corresponding prescribed price that is higher than would exist in a free market environment. Regulatory rents will exist if the regulatory agency permits prices to be set at levels that are higher than normal market clearing levels or if entry into the industry is restricted, or both.

Figure 3 depicts graphically a regulatory rent example. Given a competitive environment, Q_e units would be offered and purchased at price P_e . However, imposing regulations, RR, that either raise the price or restrict entry, results in consumers decreasing their quantity demanded to Q_r at a corresponding price of P_r . The quantity demanded and supplied are less than would be

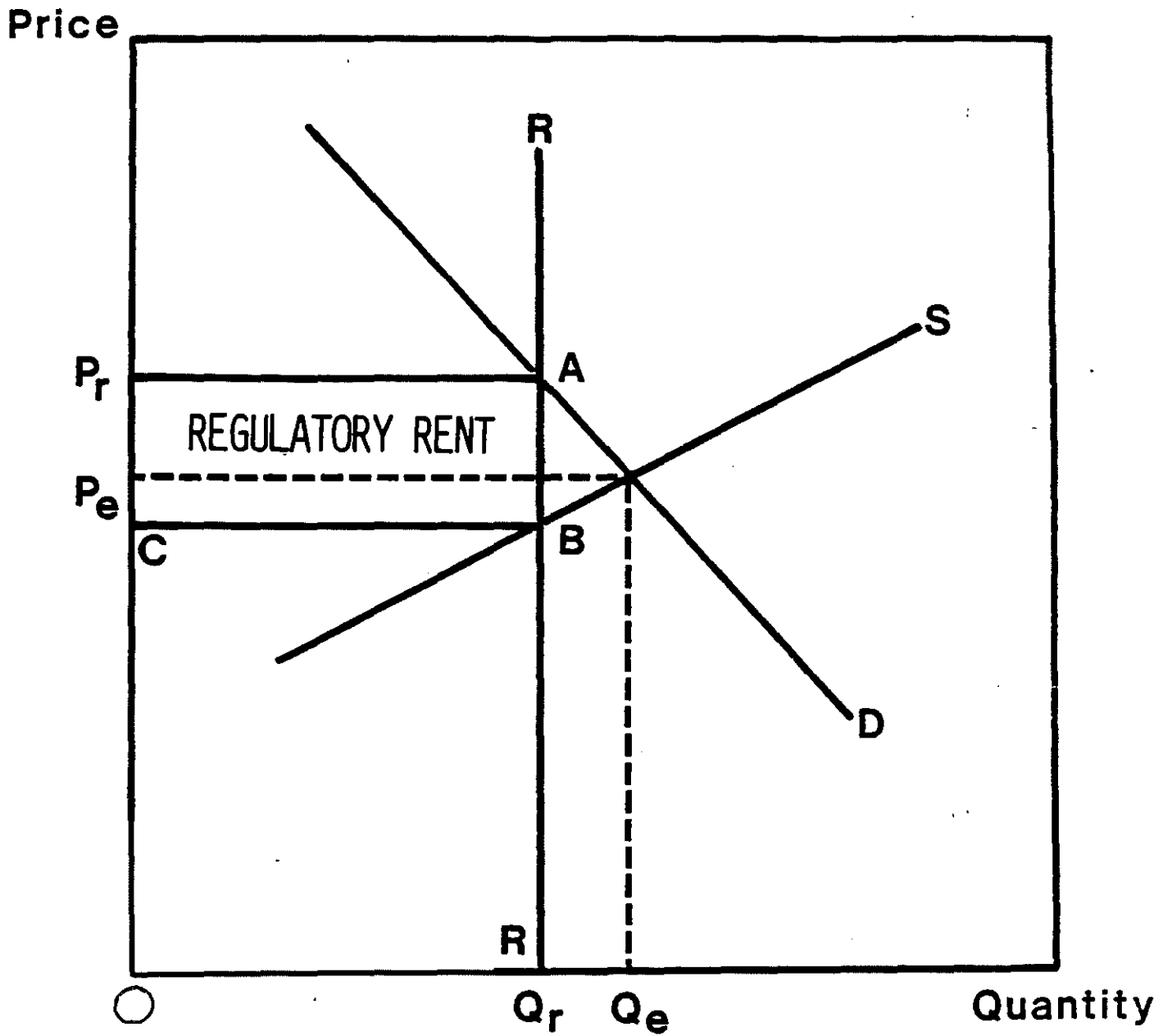


Figure 3. Example of Regulatory Rent

offered and purchased given a free market environment ($OQ_e - OQ_r$) and price is higher ($OP_r - OP_e$). The amount of the regulatory rent is equal to $ABCP_r$ and would be eroded by lower prices and higher costs at larger output under open market access.

Rose indicates that regulatory rents have declined in the interstate motor carrier industry since passage of the Motor Carrier Act of 1980.¹⁴ She also indicates that even though regulatory rents were present in the industry, they were partially offset through higher labor costs and service competition that emerged in a regulated environment.

There is considerable evidence supporting the existence of regulatory rents in the intrastate motor carrier industries in Florida and Arizona prior to regulatory reform. Beilock and Freeman concluded that both states now have generally lower freight rates than would have existed if regulation were still in force.¹⁵ They also concluded that freight rates for service to remote communities were not significantly different than rates for service to urban communities.

ECONOMIES OF SCOPE

While economies of scale generally do not exist in the motor carrier industry, economies of scope have been shown to exist.

¹⁴Rose, op.cit.

¹⁵Beilock, Richard and James Freeman, The Impact of Motor Carrier Deregulation on Freight Rates in Arizona and Florida, Final Report Under Contract DTRS 5683-C-00032 to U.S. Department of Transportation, April, 1985.

Harmatuck found that the marginal cost of providing one service decreases with increases in the level of other services for certain motor carriers.¹⁶ For example, one major trucking company exhibited scope economies relative to truckload (TL) traffic as a byproduct to supplement less than truckload (LTL) traffic at certain times, traffic lanes, or directions.

The implication of the existence of scope economies relative to the intrastate motor carrier industry in North Dakota is primarily from the standpoint of a trucking firm holding more than one certificate of authority. For example, if a heavy equipment hauler was allowed to provide oilfield service, the firm might exhibit declining marginal cost relative to oilfield traffic as heavy equipment volume increased. This may be due to spreading joint costs over an increased volume. In other words, some of the cost of providing heavy equipment service may now become a "shared" cost with oilfield service. Thus, in this example, oilfield service would be a byproduct of heavy equipment service and shared cost would allow the firm to supply the additional service (oilfield traffic) at a competitive level. Nonetheless, economies of scope provide trucking firms with the potential to supply new enterprises at competitive levels because of existing investment in current enterprises.

¹⁶Harmatuck, op.cit.

NORTH DAKOTA'S REGULATION OF INTRASTATE TRUCKING

Portions of North Dakota's trucking industry have been regulated by state law since 1933. In that year the Legislature directed that the Board of Railroad Commissioners (now the Public Service Commission) regulate motor carriers and thereby 1) relieve undue burdens on highways, 2) protect the traveling and shipping public, and 3) preserve, foster and coordinate transportation services and facilities. The 1933 legislation eventually became Chapter 49-18 of the North Dakota Century Code. This chapter of the Century Code still prescribes the extent to which the Public Service Commission (PSC) is to administer regulations concerning intrastate trucking in North Dakota.

CURRENT REGULATORY ENVIRONMENT

Regulated Intrastate Service

The extent to which North Dakota motor carriers are regulated by the Public Service Commission (PSC) is dictated by Chapter 49-18 of the North Dakota Century Code (NDCC). All motor carrier services that involve movements between points within the state are subject to regulation by the PSC unless specifically exempted by law (NDCC 49-18-02).

The PSC administers regulations concerning intrastate movements as opposed to interstate movements. Intrastate transportation is transportation that originates and terminates within the state. Conversely, interstate transportation is defined as a movement between states or across state lines. The

distinction between intrastate and interstate traffic is not straightforward and "gray" areas exist. For example, a shipment moving over U.S. Highway 75 (in Minnesota) may be considered a North Dakota intrastate move if the shipment originated in Fargo and terminated in Grand Forks. Similarly, a parcel transported from Minot to Bottineau may be an interstate move even though the delivering carrier's vehicles never leave the state. The shipment may be interstate if the package was sent from Minneapolis to Minot on a regional or national carrier and then transferred to another carrier for local delivery. The origin and destination specified on the bills of lading in these cases determines whether the shipment was interstate or intrastate.

Obtaining Operating Authority

A motor carrier must have operating authority from the PSC before it initiates regulated intrastate service. A motor carrier that is seeking authority submits an application to the PSC. The PSC provides carriers possessing similar authorities with a "Notice of Opportunity for Hearing" after it receives an application. If requests for a hearing are not received the applicant provides the PSC with written statements from potential shippers that support the motor carrier's application. The PSC either grants or denies the application based upon these statements and the criteria set forth in Section 49-18-14 of the NDCC. Factors to be considered include:

1. need for service proposed by the applicant;

2. increased cost of maintaining highways resulting from the proposed operation;
3. effect on other existing transportation facilities (other carriers);
4. fitness and ability of applicant to provide service;
5. adequacy of proposed service; and
6. such other information as the PSC may deem appropriate.

The PSC processed 147 applications for operating authority during the 1983-85 biennium, 91 of these applications were uncontested and eventually granted. Authority was typically granted within 45 days for uncontested applications.

Hearings were requested for 56 applications for operating authority during the 1983-85 biennium. The PSC automatically schedules hearings when they are requested. Six cases were settled without a hearing because of either withdrawn applications or amended applications. The remaining 50 contested cases were decided based on the statutory criteria listed earlier and input received from the applicant, its supporters and protestants at the hearing.

The 50 proceedings that required hearings during the 1983-85 biennium resulted in 45 grants of authority and five denials. The PSC's decision was appealed to the courts in eight instances and in each case was upheld by the courts. Applications for operating authority that were protested required an average of 90 days to process. The PSC incurred expenditures of approximately \$120,000 (\$816 per application) during the biennium processing

applications. The major costs incurred related to staff time, court reporting services, travel expenses, printing and postage.

Once a carrier has obtained operating authority from the PSC it must:

1. provide the PSC with proof of insurance;
2. register all vehicles with the PSC; and
3. operate in accordance with the rules and rates filed with and accepted by the PSC.

These requirements must be satisfied before a carrier can commence operations. A carrier's operating authority can be suspended by the PSC at any time if the carrier falls into non-compliance in any given area.

Types of Operating Authority

There are three different types or classes of motor carrier authority: 1) Class A, 2) Special and 3) Contract. Class A certificated carriers operate over fixed routes and on fixed schedules. Special certificated carriers, on the other hand, operate within defined territories and do not adhere to fixed schedules. For example, the bus service between Fargo and Grand Forks is provided by a Class A certificated carrier (fixed route and fixed schedule). Conversely, a charter bus service is a Special certificated carrier (flexible route and flexible schedule). The majority of certified carriers in North Dakota are Special rather than Class A operators (Table 1).

TABLE 1. INTRASTATE OPERATING AUTHORITIES BY CERTIFICATE TYPE AND AREA OF SPECIALIZATION, 1985.

	Type of Authority			Total
	Class A	Special	Contract	
General				
Commodities	10	111	16	137
Bulk	0	16	15	31
Household	0	16	0	16
Oilfield	0	22	6	28
Heavy				
Equipment	0	13	0	13
Mobile Home	0	13	0	13
House Mover	0	33	0	33
Passenger	<u>13</u>	<u>28</u>	<u>3</u>	<u>44</u>
TOTAL	23	252	40	315

Class A and Special certificated carriers are by definition common carriers. That is, they must be available to provide service to anyone within the parameters of the authority granted to them by the PSC. A contract carrier, on the other hand, provides service to a limited number of specified shippers. For example, a motor carrier that transports gasoline and diesel fuel solely from refineries to local Cenex stations is typically a contract carrier. The carrier cannot provide the service to anyone else unless additional authority is applied for and granted by the PSC.

Intrastate Trucking Industry Segments

North Dakota's regulated intrastate trucking industry provides eight general types of services. These service types (and example carriers) are listed below:

1. General commodity carriers (i.e. Midwest Motor Express).
2. Bulk carriers (i.e. Transport, Inc.).
3. Household goods carriers (i.e. Bud's Moving and Storage).
4. Oilfield carriers (i.e. Getter Trucking).
5. Heavy equipment haulers (i.e. Low-Boy Services).
6. Mobile home movers (i.e. Barrett Mobile Home Transport).
7. House movers (i.e. Weiss House Movers).
8. Passenger carriers (i.e. Greyhound Lines).

Not all carriers can be easily categorized into one of these eight industry segments. As carriers diversify they often provide services outside their original area of specialization. An oilfield carrier may, for example, also provide certain heavy equipment and bulk transport services. These occurrences are, however, more an exception than a rule as most carriers provide relatively specialized services.

There are between 275 and 300 motor carriers that provide regulated intrastate transportation service in North Dakota. These firms hold 315 certificates of authority (Table 1). About ten percent of the carriers operate under more than one certificate of authority.

Operating authorities are generally restricted, either by commodity or by territory. For example, a carrier may have authority to transport gasoline solely to, from and within Wells County. The only type carrier that has authority to transport any commodity anywhere within the state is one that has statewide

"general commodity" authority. There were five carriers that had statewide authority in 1985. All other carriers were restricted in the scope of their operations to varying degrees.

Unregulated Motor Carrier Services

The preceding section contained a discussion of intrastate carriers and services that are directly regulated by the Public Service Commission. This section covers freight that moves over North Dakota's roadways but which is not subject to PSC regulation. This discussion entails both unregulated intrastate transportation services and interstate transportation services.

Unregulated Intrastate Services. As indicated earlier, all intrastate motor carrier services are subject to PSC regulation unless specifically exempted by law. Exemptions to North Dakota's motor carrier laws are set forth in Section 49-18-02 of the Century code. This statute names 21 broad areas of intrastate transportation that are exempt from PSC regulation.

These exemptions include:

1. transportation that is not "for hire";
2. movements where the person or business is transporting his/her own property on a vehicle that he/she owns or is leasing;
3. transportation between farms and markets by an association of farmers for one of its members;
4. movements, a segment of which, are made by an air carrier;
5. transportation of property to or from a city not served at least twice a week by a regulated carrier;

6. movements of livestock and poultry feed and unprocessed agricultural commodities (dairy products, poultry, livestock and grain);
7. transportation of non-liquid fertilizer;
8. transportation of students and school personnel for school and school-related activities;
9. shipments of newspapers, magazines, and periodicals;
10. towing of disabled or abandoned vehicles;
11. transportation of water for domestic purposes;
12. ambulance services;
13. movements of sand, gravel, concrete mix, fill materials, dirt and rock;
14. transportation of garbage;
15. ridesharing (i.e. carpools and vanpools);
16. transportation of U.S. mail;
17. shipments of coal and lignite;
18. transportation of passengers provided by non-profit organizations (i.e. elderly and handicapped transportation services);
19. transportation of commodities of extreme value (i.e. gold and silver being transported via armored trucks);
20. transportation within the commercial zone of a city (depending on the size of the city this zone can extend up to six miles beyond the city limits of a city);
21. intercorporate hauling (transportation services provided for one member of a corporate family by another business entity within the same overall corporation).

The scope of these exemptions makes many intrastate transportation movements in North Dakota exempt from PSC regulation. They also result in some interesting anomalies. For example, a carrier can deliver drinking water to a rural home without PSC authority. However, the carrier cannot deliver water

to an oilwell for drilling purposes. Similarly, a noncertificated carrier can transport salt that will be used as a livestock feed additive, but the carrier is technically unable to transport the same salt if it will be used for human consumption or well-drilling.

Existing regulatory laws can also be circumvented with a degree of ingenuity on the part of noncertificated carriers. A noncertificated gasoline or diesel fuel bulk carrier can purchase a truckload of bulk fuel from a refinery, transport it as private property (an unregulated move under state law), and sell it to a receiver service station. The carrier consequently moves the commodity without holding PSC operating authority.

A similar circumstance arises when a business provides "free" delivery with a given purchase. As long as the transportation service is not technically "for hire" it is not subject to PSC regulation. In actuality it is doubtful that the service involved is "free", but rather transportation costs are included in the price of the product.

Interstate Services. As described earlier, interstate transportation generally includes any movement that: (1) originates in another state and is destined for a North Dakota point, (2) originates in North Dakota and has an out-of-state destination, or (3) is passing through North Dakota enroute from an out-of-state origin to another out-of-state destination. As

is the case with North Dakota intrastate transportation, some interstate truck transportation is regulated while some is not.

Regulation of motor carriers that provide interstate transportation service is the responsibility of the federal Interstate Commerce Commission (ICC). In theory, federal statutes and ICC practices are very similar to North Dakota statutes and the PSC's administration of regulatory policies.

Interstate motor carrier services were first regulated as a result of the Motor Carrier Act of 1935. This legislation was enacted not to protect the public from monopolistic practices as was the case with railroad regulation, but rather to protect the newly emerging motor carrier industry from excessive internal competition. From 1935 until the early 1980s federal and state regulatory laws and practices were very similar. Specific differences existed but general philosophies were the same.

Since 1980, however, Congress has enacted: (1) the Motor Carrier Act of 1980, (2) the Household Goods Transportation Act of 1980, and (3) the Bus Regulatory Reform Act of 1982. These enactments coupled with the ICC's administration of these acts have deregulated many facets of the interstate motor carrier industry. For example, carriers that want to transport non-exempt commodities must still apply for ICC operating authority even though such applications are rarely denied. Carriers often receive broader authority than they apply for. The ICC's liberal approach is illustrated by the fact that in 1980 there were between 2,500 and 3,000 interstate carriers registered with the

PSC to operate over North Dakota's roadways. In 1985 this number rose to nearly 6,000. Nationally, the number of certificated carriers rose from 17,300 in 1979 to 33,500 in 1985.

Regulated interstate carriers are required to file tariffs which publicize their rate schedules although they are no longer reviewed by the ICC. Rate related investigations by the ICC were once common, but are currently infrequent.

On September 12, 1985, the U.S. Department of Transportation (DOT) sent a bill supported by the Administration to Congress that proposed further deregulation of the trucking industry. If enacted as drafted the bill would eliminate all entry and rate regulation requirements that currently face the interstate trucking industry. The bill would also eliminate antitrust immunity that permits motor carriers to collectively establish rates. Congressional action on this and other deregulation legislation is expected sometime in late 1986 or early 1987.

Since passage of the Motor Carrier Act of 1980 a number of states have followed the federal government's lead and have either partially or totally deregulated their intrastate motor carrier industry. Arizona, Delaware, Florida, Maine and Wisconsin have repealed statutes regarding entry and rate regulation relative to the motor carrier industry. Other states have partially deregulated the industry by easing entry. For example, motor carriers in Wyoming can enter the industry by purchasing operating authority. A summary of each state's

regulatory requirements relative to motor carrier operations and rates is presented in Appendix A.

Discussions concerning motor carrier deregulation on the federal level include the possibility of pre-empting states' rights to regulate intrastate motor carrier operations relative to entry and rates. Opponents will probably challenge such an enactment before the courts. However, similar federal legislation has been upheld relative to the bus and railroad industries. Therefore, it is conceivable that Congress could make motor carrier deregulation effective at both the interstate and intrastate levels.

NON-REGULATORY REQUIREMENTS

The preceding sections contained discussions of economic regulation as it pertains to motor carrier's operating authority as granted by the PSC or ICC. Requirements over and above those previously discussed exist that must be complied with before a carrier can legally operate. These nonregulatory requirements include registration of authority, vehicle licensing and fuel tax payments. Each action generates tax revenues for the state.

Before an ICC regulated carrier can operate in North Dakota it must register with the Public Service Commission. This registration includes a one time \$25 fee plus an annual fee of \$5 for every vehicle that will be used in the state. Carriers based in North Dakota are assessed a \$2 per vehicle charge. This registration program was once considered a form of economic regulation because it was accompanied by a degree of regulatory enforcement. However, it is currently nothing more than a tax. The program generates approximately \$1.25 million annually for the state's general fund. Exempt commodity carriers and companies transporting their own property do not register.

While only ICC regulated carriers must register their authorities with the PSC, all carriers are required to license their vehicles with the Motor Vehicle Department. North Dakota is a participant, along with 34 other states, in the International Registration Plan (IRP) which allows carriers to register their vehicles at one time and place and to have all applicable vehicle license fees prorated to the member states based upon the miles traveled in each state. North Dakota's license fees are based upon the age and weight of the vehicle.

Nationally, annual license fees average about \$1,200 per vehicle. North Dakota's license fee is approximately \$1,030 per vehicle. Truck licenses currently generate approximately \$7.2 million annually for the state's highway distribution fund. All trucking companies, whether interstate or intrastate, exempt, private or regulated, must license their vehicles. Obtaining

adequate liability insurance is a prerequisite for obtaining a vehicle license.

In addition to licensing vehicles and registering authorities, out-of-state trucking firms (except those based in Minnesota) must purchase a \$15 fuel permit from the State Tax Department. This permitting system is a means of insuring that nonresident firms either purchase fuel in North Dakota and thereby pay fuel taxes that finance road maintenance, or pay a user fee to the Tax Department based on miles traveled in the state when using fuel purchased outside the state is consumed.

Under this permitting system trucking firms that are not based in North Dakota or Minnesota (a reciprocal agreement exempts Minnesota firms) are required to purchase the \$15 fuel permit and to submit quarterly reports to the Tax Department. These reports contain information regarding miles traveled, fuel used and gallons purchased in and out-of-state. With these data it is possible to determine if a proportionate amount of fuel is purchased and fuel tax paid in North Dakota. If North Dakota purchases are proportionately low the firm is required to make payments to the state in an amount necessary to make its total contribution proportionate to the miles traveled on North Dakota roadways. North Dakota and Minnesota trucking firms are not required to participate in the program since it is presumed that they make their necessary payments when fuel is purchased at the pump.

Over 99 percent of the truck fuel consumed in North Dakota is diesel fuel. The diesel fuel tax in North Dakota and South Dakota is 13 cents per gallon while it is 17 cents per gallon in Montana and Minnesota. Diesel fuel taxes generated approximately \$12.3 million in revenue for North Dakota in 1985.¹⁷ Fuel permit sales generate approximately \$400,000 in tax revenue per year.¹⁸ Both fuel tax and fuel permit revenues are deposited in the state's highway distribution fund.

RATES

As indicated in the preceding section, rates charged by regulated interstate motor carriers are largely deregulated. Similarly, rates charged by exempt commodity carriers at the federal and state level are a matter of negotiation between shippers and carriers. Rates charged by regulated intrastate carriers are, however, subject to review by the Public Service Commission.

Chapter 49-18 of the NDCC requires that regulated carriers must file their proposed rates with the PSC. These rates must generally be filed at least 30 days in advance of their proposed effective date. All proposed rates are subject to review by the PSC which has the authority to suspend and further investigate a rate if it is deemed to be too high or too low. Rate reasonableness is generally based on the cost of providing the

¹⁷North Dakota Tax Department.

¹⁸Ibid.

service, the financial condition of the issuing carrier, the rates charged by other carriers that provide similar type services, and other factors deemed appropriate by the PSC.

The PSC reviews rates but does not prescribe them. Rate proposals are subject to review, but the PSC does not, except in certain investigated cases, mandate a certain level of rates. Rates charged by various carriers with similar types of operating authority may and sometimes do vary, but in some instances the rates charged by different carriers are identical.

A major factor considered by the PSC when making rate related determinations is the carrier's cost of providing the service. If a carrier incurs costs of \$1.00 per mile the PSC would probably allow the carrier to charge between \$1.05 and \$1.10 per mile for its services, thereby providing the carrier with a reasonable profit.

Once a certain level of rates is approved for one carrier, other carriers with similar type operations can submit applications for the same rate ("me to" rules) and have them approved. The first firm to file for a rate increase usually bears the burden of proof regarding reasonableness while subsequent filers have an easier time getting their submittals accepted since a new rate level has been established.

This type of ratesetting environment does not force carriers to maximize efficiencies and keep operating costs down in areas where competition is limited. With entry into the industry restricted by state law and the PSC, and rate levels justifiably

based largely on expenses, there is not the incentive to control costs as there might be in a more competitive environment.

Despite this lack of unlimited competition, the existing intrastate environment does provide a degree of competitiveness that may affect rate levels. This competition may come from a variety of sources. In some instances it may come from other common carriers or it may result from a shipper proposing private carriage.

State law (NDCC 49-18-18) makes it illegal for a certificated carrier to charge a rate that is more than, less than, or different from the schedule of rates that it has on file with the PSC. This requirement has resulted in occasional problems in recent years for shippers, carriers and the PSC. In 1982, for example, the downturn in the oil exploration business resulted in the implementation of cost cutting measures by drilling companies. These companies began soliciting bids from oilfield carriers relative to moving oil rigs. On the surface this practice does not appear unreasonable. However, state law makes it illegal for these carriers to submit bids for prospective traffic.

Oilfield carrier tariff rates are based on the weight of the equipment being moved, the type equipment utilized, and the time needed to make the move. The indefinite nature of each individual move makes it impossible to accurately predict how long it will take to make a move and therefore exactly what it will cost. Experience makes it possible to prepare fairly

accurate estimates, but the drilling companies were demanding binding bids. Carriers were therefore caught in a difficult situation--shippers were demanding bids and state law made that practice illegal. The PSC intervened and met with the carriers. Complaints subsequently ceased, but bidding practices have apparently continued.

An example of what can result in such an environment occurred in March 1986, when the PSC received a complaint against a motor carrier from one of its competitors. The complaint alleged that the carrier was not abiding by its tariff and was thereby undercharging the shipper. The PSC subsequently determined that the complaint was justified and penalized the carrier \$1,000 for not charging high enough rates.

Similar problems sometimes occur relative to services provided by household goods carriers. As is the case with oilfield services, household goods carriers base their published rates on distance traveled and the weight of the shipment. It is impossible to accurately estimate the weight of a shipment in advance of loading and it is therefore impossible to legally give a shipper a firm bid prior to a move.

A direct result of this situation is that original weight estimates, and thereby cost estimates, sometimes do not coincide with actual weights and rates. State law requires, however, that the carrier bill the shipper in accordance with its legally published tariff as filed with the PSC. The end result may be an original estimate of \$1,000, an actual bill of \$1,200 or more,

and a dissatisfied customer. However, the carrier does not have pricing flexibility since it is legally required to bill as per its tariff--no more or no less.

Differing rules between interstate and intrastate rates may result in confusion and/or detrimental effects on the shipping public. For example, a recent household goods carrier advertisement announced a 30-day 20 percent discount offer.¹⁹ However, the discount applied only on interstate movements, not on intrastate movements because it is currently prohibited by law. The only way for an intrastate carrier to implement such a discount offer would be to make an appropriate tariff filing with the PSC. However, the governing statute requires 30 days notice to make such changes, thus impeding the timeliness of such a rate change.

Some states have addressed these types of problems by making tariff rates maximum rates. Carriers are permitted to charge any amount up to the rates published in their tariff, thereby making published rates a ceiling rather than an absolute. Similarly, the ICC recently ruled that a household goods carrier could bill customers based on the lower of the estimated or actual shipment weights.

¹⁹The Bismarck Tribune, April 13, 1986.

Rate Comparison

A limited sample was drawn to illustrate some "typical" rates that are published by motor common carriers that are involved in North Dakota intrastate service (Table 2). Rates were collected for each industry segment except housemovers which are not required by law to publish their rates in a tariff.

Rates for medium size and large size general commodity carriers and household goods carriers were identical. General commodity carrier rates are typically collectively set through Middlewest Motor Freight Bureau (MMFB) while household goods rates are set collectively through the North Dakota Motor Carrier Association (NDMCA).

All oilfield carriers in the sample had identical rates published while bulk, heavy equipment, mobile home and passenger carriers all had different rates. Because rates in some industry segments varied across each size classification does not necessarily mean that a competitive pricing environment exists. Rather competition is limited because entry into a given market is limited by state statutes. While some markets may experience varying degrees of rate competition, in most instances it (competition) is virtually nonexistent.²⁰

²⁰An example of the limited price competition that exists in the industry is especially apparent in the household goods segment where no tariff revisions were filed between November 1983 and May 1986.

TABLE 2. COMMON CARRIER INTRASTATE RATE COMPARISONS, 1986.^a

Industry Segment	Description of "Typical" Shipment	Applicable Rate		
		"Typical" Small Carrier	"Typical" Medium Carrier	"Typical" Large Carrier
----- (Dollars) -----				
General Commodities	100#-100 mi.	12.50	28.20 ^c	28.20 ^c
	500#-250 mi.	--- ^b	66.50 ^c	66.50 ^c
Bulk	Gasoline- 8,000 gallons- 100 miles	220.80	187.52	231.20
Household Goods	10,000#-250 mi.	1,152.00	1,531.00 ^d	1,531.00 ^d
Oilfield	Move utilizing equipment with unladen weight of 30,000+wench-10 hrs.	545.00	545.00	545.00
Heavy Equipment	80,000# shipment- 100 miles	345.00	350.00	370.00
Mobile Home	Used mobile home- 70 ft. long, 14 ft. wide, 250 miles	549.91	502.20	500.20
Housemover ^e	-----	-----	-----	-----
Passenger	200 miles roundtrip	18.80	17.70	24.25

^aRates in effect in January 1986.

^b"Small" carrier studied lacked authority to transport over 200 miles.

^cRates are identical-set "collectively" through Middlewest Motor Freight Bureau.

^dRates are identical-set "collectively" through North Dakota Motor Carrier Association.

^eRates are not subject to regulation.

Source: North Dakota Public Service Commission.

Pricing Practices

While it is difficult to identify "nontypical" pricing practices that may exist in the North Dakota intrastate motor carrier industry some isolated examples have been documented. Two examples exist in the oilfield segment. The first example, detailed in an earlier section, involved a carrier that was undercharging shippers and was subsequently fined by the PSC. The carrier was charging an hourly rate that was lower than the rate that was published in the applicable tariff. Thus, the carrier was not adhering to state law and was penalized.

The second example also involves an oilfield carrier that was knowingly undercharging shippers.²¹ However, in this case the carrier was charging according to the applicable tariff (hourly rate), but was bidding fewer hours to accomplish the task. The end result is the same in that a degree of pricing flexibility has been incorporated. However, it would be substantially more difficult to document than the first example since it would be fairly complex to calculate the specific time needed to accomplish a given move. Nonetheless, in both cases the carrier determined a need to incorporate pricing flexibility into his operations in order to attract traffic, but is statutorily prohibited from practicing such pricing freedom. Thus, carriers operating in a regulated environment are unable to

²¹This pricing practice was identified through personal interviews with various oilfield haulers.

respond to certain market situations because of the rigidity that exists due to statutory requirements.

General commodities carriers have also practiced a certain degree of pricing flexibility with respect to North Dakota intrastate traffic. Two of the largest (in terms of revenues) intrastate general commodities carriers publish discount tariffs for specified traffic lanes that supercede Middlewest Motor Freight Bureau (MMFB) tariff filings to which both carriers participate. Both carriers have obviously deemed it appropriate to practice differential pricing in certain markets rather than to rely on applicable collectively set rates.

Collective Ratemaking

Collective ratemaking is the activity of several carriers acting through the medium of a rate bureau to meet, discuss and establish rates. Collective ratemaking first evolved in the late 1800s in the railroad industry when carriers operated within fairly small geographical areas. It was common for traffic to originate on the line of one carrier and to terminate on the line of another carrier, thus, requiring a mechanism to facilitate the establishment of rates to cover such joint ventures. Collective ratemaking was adopted in the trucking industry following passage of the Motor Carrier Act of 1935 although it was not totally legal until passage of the Reed-Bulwinkle Act of 1948. Two primary associations represent North Dakota intrastate motor carriers in establishing collectively set rates, Middlewest Motor

Freight Bureau (MMFB) and North Dakota Motor Carriers Association (NDMCA). Generally, MMFB represents general commodities carriers while NDMCA represents household goods carriers. Regulated carriers were granted antitrust immunity through passage of the Reed-Bulwinkle Act of 1948 in order to facilitate legal collective ratemaking.²²

Recent legislation has changed collective ratemaking activities to a certain degree. The Railroad Revitalization and Regulatory Reform Act of 1976 specified that railroad bureaus were no longer permitted to allow carriers to participate in or vote on single line rates, and that only those carriers that could practically participate in a given movement could vote.²³ The Motor Carrier Act of 1980 also addressed this issue, stipulating that only those carriers with authority to participate in a single line or joint line rate could vote on the rate(s).²⁴

Senator Bob Packwood (R-Oregon) has drafted federal legislation (S.2240) that would further deregulate the interstate motor carrier industry. The Packwood deregulation plan also calls for phasing out antitrust immunity for collectively set rates by 1990. The National Industrial Traffic League (NITL) has

²²Interstate Commerce Act, Section 5a, 49 U.S.C., Sec. 5b.

²³Association of American Railroads, Basic Provisions of Railroad Revitalization and Regulatory Reform Act of 1976, Washington, D.C., 1976.

²⁴Lieb, Robert C., Transportation: The Domestic System, 2d Edition, Reston Publishing Company, Inc., Reston, Virginia, 1981.

commented that the four year phaseout is unnecessary and that antitrust immunity should be eliminated immediately.²⁵ The National Small Shipments Traffic Conference supports a two year phaseout.²⁶

The United States Supreme Court is currently clarifying intrastate economic regulation and effects on federal antitrust laws (Sherman Act). The Court recently found that under the "state action" doctrine of *Parker v. Brown* state Public Service Commissions (or similar agencies) could authorize collective intrastate ratemaking and that the resultant ratemaking would not violate the Sherman Act.²⁷

Much of the past discussion on collective ratemaking has centered on carriers participation in single line and joint line rates. However, current discussion calls for eliminating collective ratemaking altogether. While railroads and airlines currently establish joint line rates without freight bureau activity it is uncertain whether trucking firms would be equally successful given abolishment of antitrust immunity. Because of the large number of motor carriers, both interstate and intrastate, a case can be made for continuing collective ratemaking with respect to joint line rates. Freight bureau activity and antitrust immunity can facilitate the process of

²⁵Traffic World, May 26, 1986, p. 64.

²⁶Ibid.

²⁷*Parker v. Brown*, 317 U.S. 341 (1943).

establishing joint line rates, especially when a large number of carriers could conceivably participate in the rate.

It can also be argued that collective ratemaking can be implemented to protect carriers against ruinous competition and shippers against discriminatory abuses. The Regular Common Carrier Conference (RCCC) maintains that "damaging forms of economic discrimination" would result under unrestrained competition because of the structure and characteristics of the motor carrier industry.²⁸

While these arguments can be supported to a certain degree they also can be debated. With respect to ruinous competition, a carrier does not have to participate in a freight bureau's tariff filing and could conceivably publish a tariff at any level desired. If enough carriers were competing in a given market considerable price cutting (ruinous competition) could ensue. However, because a regulated environment usually limits the number of entrants into a given market segment, it is improbable such an occurrence would result. Also, current research does not indicate the presence of ruinous competition following intrastate deregulation in other states.²⁹

Collective ratemaking also does not preclude price discrimination as is often argued. For example, at least two general commodities carriers in North Dakota that are parties to

²⁸Regular Common Carrier Conference, Issues in American Trucking, American Trucking Association, Washington, D.C., 1981.

²⁹Beilock and Freeman, op.cit.

MMFB tariffs also file discount tariffs that apply to certain markets and not others.³⁰ These carriers are effectively practicing discriminatory pricing in a regulated environment that permits collective ratemaking as a means of protecting shippers against such pricing discrimination. While the administrative agency, the PSC, is administering regulatory policy according to current law, such an example illustrates the anomalies that occasionally exist in today's regulatory environment. The carriers are operating totally within the bounds of current regulatory policy and the PSC is administering such policies according to the law, but nonetheless, the regulatory scheme is falling short of intended goals. That is, these carriers are able to practice differential pricing even though they participate in a rate conference which is intended to prevent such pricing practices. Thus, there is not a need for collective ratemaking in this example, otherwise the carriers would not be filing discount tariffs.

Collective Ratemaking in Practice

In April 1986, the NDMCA and carriers that are parties to NDMCA's household goods (HHG) tariff contacted the PSC seeking a rate increase of seven percent on packing and accessorial services and 14 percent on line haul charges. Generally, packing and accessorial services account for about a third of a HHG

³⁰Personal communication with North Dakota Public Service Commission.

carriers' operating revenues. Rates in effect at the time of filing the request had remained unchanged since November 1983. The NDMCA and participating carriers requested a "short notice" tariff filing and an effective date of June 1. A short notice tariff filing allows the proposed rates to go into effect less than 30 days after filing for the tariff amendment.

Based on 1985 annual statements filed with the PSC, participating conference carriers had operating ratios that ranged from 81.9 to 106.9 and had a composite ratio of 97.2 (Table 3). PSC staff convinced the conference that the request for a seven percent increase on packing and accessorial services and a 14 percent increase on line haul service was unjustifiable. A seven percent across-the-board increase is currently pending. Based on 1985 revenues and expenses, the increase approved by the PSC will increase revenues to \$775,462 ($\$724,731 \times 1.07$) and result in a composite ratio of 90.8 if 1985 operating expenses are used. A ratio of 93.1 will result if operating expenses are adjusted to reflect lower fuel costs and higher insurance premiums.

TABLE 3. OPERATING REVENUES, OPERATING EXPENSES AND OPERATING RATIOS OF EIGHT HOUSEHOLD GOODS CARRIERS SEEKING A RATE INCREASE IN JUNE, 1986.^a

Carrier	Operating Revenues	Operating Expenses	Operating Ratio
	----- (dollars) -----		
A	52,804 (56,500)	50,235	95.1 (88.9)
B	152,652 (163,338)	163,193	106.9 (99.9)
C	266,541 (285,199)	255,599	95.9 (89.6)
D	87,403 (93,521)	86,007	98.4 (92.0)
E	79,603 (85,175)	68,053	85.5 (79.9)
F	31,182 (33,365)	31,372	100.6 (94.0)
G	25,858 (27,668)	26,225	101.4 (94.8)
H	28,688 (30,696)	23,495	81.9 (76.5)
TOTAL	724,731 (775,462)	704,179	97.2 (90.8)

^aNumber of parentheses represent estimates based on PSC's approval of a seven percent rate increase.

Source: North Dakota Public Service Commission.

Assuming that revenues increase by seven percent and expenses remain at 1985 levels, the rate increase granted by the PSC will result in operating ratios that range from a low of 76.5 to a high of 99.9. However, ratios may be somewhat higher in reality because of increases in certain operating expense items such as wages and salaries, FICA taxes, etc. Nonetheless, the increase granted by the PSC will result in a substantial boost in intrastate revenues for HHG carriers in a time when many carriers are offering discounts on interstate service.

The seven percent rate increase that was granted by the PSC was based mainly on 1985 annual reports filed with the PSC by the HHG carriers and on fuel and insurance adjustments.³¹ On average

³¹Personal communication with North Dakota Public Service Commission.

a one-year "snapshot" picture of the HHG carrier segment of the North Dakota intrastate motor carrier industry may be representative of actual operating conditions. However, if 1985 happened to be an aberration from normal operating conditions expenses and/or revenues may be overstated or understated. Thus, the seven percent rate increase may be deemed to be too high or too low depending on industry segment norms. Given that the NDMCA and participating carriers accepted the PSC's offer to grant a seven percent increase, it appears that the rate proposal is not too low. Otherwise, the conference would have presumably remained firm on their 7/14 percent rate hike request.

The foregoing collective ratemaking process identifies certain inequities. An inefficient firm (relative to the other carriers based on 1985 operating data) such as carrier "B" with an operating ratio of 106.9 was granted the same rate increase as an efficient firm (carrier "H") with an operating ratio of 81.9. It is questionable, economically, whether efficient firms should be granted rate increases when they are operating profitably or whether inefficient firms should be granted increases so that they can operate profitably. Given a competitive environment, it is conceivable that consumers would realize lower rates because the efficient firms would be in a position to pass on some of their efficiency gains. Instead, consumers will be paying seven percent more for HHG carrier services because the rates are based on all carriers' operating data. The seven percent increase granted by the PSC assures a relatively healthy HHG carrier

segment, but does not address the issue of inefficient operations.

FINANCIAL ANALYSIS

This section contains a financial analysis of the intrastate regulated motor carrier industry serving North Dakota. Data for the analyses were collected from Public Service Commission reports.³² The reports do not include carriers involved in oilfield service. Thus, a more detailed financial analysis by industry segment follows this section.

OPERATING RATIO

The operating ratio is one measure of the financial condition of a motor carrier. The ratio expresses the percentage relationship between operating expenses and operating revenues. It is calculated as follows:

$$R = OE/OR$$

where,

R = Operating ratio

OE = Operating expenses

OR = Operating expenses

Because motor carriers have relatively low fixed costs, they are able to operate profitably with operating ratios in the lower

³²North Dakota Public Service Commission, Annual Reports to the Governor and Office of Management and Budget, Various Biennial Periods.

nineties.³³ Generally, a carrier's stability and service are impaired when its operating ratio is above 95 percent.³⁴

The greater the difference between operating expenses and revenues the greater revenues will contribute to fixed costs or nonoperating expenses. For example, if a firm has an operating ratio of 98 percent only two percent of revenues will be used to cover nonoperating expenses. Conversely, 10 percent of revenues can be used if a firm's operating ratio is 90 percent. A firm does not contribute to nonoperating expenses if the operating ratio is 100 percent or greater.

INTRASTATE REGULATED MOTOR CARRIER INDUSTRY

The intrastate regulated motor carrier industry serving North Dakota has been fairly stable over the past quarter century. However, the number of firms has fallen steadily since 1970, from 213 to 156 in 1985 (Table 4). Special carriers comprise the largest type of carrier followed by Class A, Contract and Liquid Petroleum, respectively.

Intrastate carriers, in the aggregate, have maintained a fairly healthy financial operating environment (Table 5). Operating ratios have consistently been around the 95 percent level and have not deviated significantly throughout the years.

³³Lieb, Robert C., Transportation: The Domestic System, 2d Edition, Reston Publishing Company, Inc., 1981.

³⁴Ibid.

TABLE 4. NUMBER OF INTRASTATE REGULATED MOTOR CARRIERS OPERATING IN NORTH DAKOTA.

Year	Class A	Special ^a	Contract ^a	Liquid Petroleum	Total
1960	19	150	20	7	196
1965	20	150	23	7	200
1970	21	162	24	6	213
1975	17	150	22	6	195
1976	16	145	28	5	194
1977	16	143	27	5	191
1978	15	126	26	4	171
1983	26	117	20	5	168
1984	23	115	20	6	164
1985	23	111	16	6	156

^aIncludes only those with general commodities authority.

TABLE 5. REVENUES AND EXPENSES, NORTH DAKOTA INTRASTATE REGULATED MOTOR CARRIER INDUSTRY.^a

Year	Operating Revenues	Operating Expenses	Number of Firms	Operating Ratio
	----- (Dollars) -----			(%)
1960	15,339,389	14,701,834	196	95.8
1965	17,649,561	16,572,478	200	93.9
1970	25,403,322	22,681,388	213	89.3
1975	37,671,152	35,577,077	195	94.4
1976	42,113,196	39,994,155	194	95.0
1977	43,154,547	41,077,029	191	95.2
1978	43,225,069	41,219,821	171	95.4
1983	50,394,285	46,780,546	168	92.8
1984	51,292,339	48,985,808	164	95.5

Source: North Dakota Public Service Commission.

^a Does not include oilfield service carriers or house movers.

Thus, given the past cost structure of the carriers, it appears that they have not earned excess profits. However, a similar conclusion cannot be drawn as to the reasonableness of rates. It cannot be determined, by simply comparing revenues to expenses, that the intrastate regulated motor carrier industry is "efficient." That is, such an analysis would not reveal the relative efficiency of individual motor carriers.

Certificate Type

Significant differences exist with respect to operating ratios depending on the type of certificate that is held by the carriers (Table 6). For example, contract carriers had substantially lower operating ratios in 1983 (85.7) and 1984 (86.9) than other carriers. Special petroleum carriers had the highest operating ratios with 99.6 and 103.8 in 1983 and 1984, respectively.

Class A carriers of property and passengers were marginally profitable in 1983 and 1984. Both types of carriers marginally contributed to fixed costs. However, Class A carriers of property had a fairly good operating ratio in 1983 (95.4).

Special carriers of property had operating ratios of 93.9 and 93.5 in 1983 and 1984, respectively. These carriers, along with contract carriers, were the most profitable types of carriers in 1983 and 1984.

TABLE 6. REVENUES AND EXPENSES, NORTH DAKOTA INTRASTATE REGULATED MOTOR CARRIER INDUSTRY, BY TYPE OF CERTIFICATE, 1983 AND 1984.

	Operating Revenues		Operating Expenses		Operating Ratio	
	1983	1984	1983	1984	1983	1984
	----- (Dollars) -----				----- (%) -----	
Class A, Property	18,063,440 (11)	16,477,743 (10)	17,224,083	16,018,399	95.4	97.2
Class A, Passenger	4,833,652 (15)	4,458,221 (13)	4,795,035	4,327,586	99.2	97.1
Special, Property	18,070,768 (117)	22,157,746 (115)	16,975,636	20,713,113	93.9	93.5
Contract, Property	3,556,025 (20)	3,459,383 (20)	3,046,546	3,006,263	85.7	86.9
Special, Petroleum	5,870,403 (5)	4,739,246 (6)	5,849,331	4,920,437	99.6	103.8
TOTAL	50,394,288 (168)	51,292,339 (164)	47,890,631	48,985,798	92.8	95.5

SURVEY OF MOTOR CARRIER ANNUAL REPORTS TO THE
PUBLIC SERVICE COMMISSION

A representative sample of annual reports filed by motor carriers with the PSC was drawn to get an indication of differences in financial factors by various industry classifications. This analysis contains data for oilfield carriers, whereas the previous analysis did not.

Motor carriers that are regulated by the PSC are required to file annual statements (see Appendix B). Carriers file information relative to operating revenues, operating expenses, mileage, etc. These data were used to assess the relative financial condition of the North Dakota intrastate motor carrier industry in 1984.

INDUSTRY SEGMENT

The intrastate regulated motor carrier industry serving North Dakota consists mainly of eight industry segments.³⁵ In addition, the oilfield segment is divided into two subsegments, oilfield bulk and oilfield heavy haulers. Oilfield bulk carriers comprise the largest industry segment in terms of revenues (Table 7). Oilfield bulk carriers had \$34.8 million in operating revenues in 1984. The smallest segment, mobile home movers, had less than \$500,000 in operating revenues in 1984.

Oilfield carriers in 1984, both bulk and heavy haulers, accounted for over three-fourths of industry revenues

³⁵These industry segments were described in a previous section.

TABLE 7. OPERATING REVENUES AND OPERATING EXPENSES, BY INDUSTRY SEGMENT^a, NORTH DAKOTA INTRASTATE REGULATED MOTOR CARRIER INDUSTRY, 1984.

Industry Segment	Revenues	Operating Expenses	Ratios
	----- (Dollars) -----		(%)
Bulk	7,029,317	7,082,558	100.7
General Commodities	3,821,456	3,716,864	97.3
Household Goods	846,208	825,205	97.5
Heavy Equipment	1,225,977	1,269,393	103.5
Mobile Home	378,074	367,418	97.3
Oilfield - Bulk	34,812,650	32,905,721	94.5
Oilfield - Heavy Haulers	16,786,000	16,721,117	99.6
Passenger	<u>1,802,321</u>	<u>1,750,728</u>	<u>97.1</u>
TOTAL	66,707,003	64,640,504	96.9

^aFigures are not for the entire population, but are for a representative sample.

(about \$52 million out of \$103 million). If industry operating revenues are expanded to account for all carriers, oilfield carriers still represent over half of total revenues (Table 8). Total industry revenues were estimated to be about \$103 million in 1984. When oilfield carriers are included, the operating ratio of 96.1 for the entire industry indicates a marginally profitable intrastate motor carrier industry.

TABLE 8. ESTIMATED TOTAL INTRASTATE REGULATED MOTOR CARRIER REVENUES AND EXPENSES, 1984.

Segment	Operating		Ratio (%)
	Revenues	Expenses	
	----- (000 Dollars) -----		
Oilfield	51,604	49,628	96.5
Other Carriers	<u>51,292</u>	<u>48,986</u>	<u>95.5</u>
TOTAL	102,896	98,614	95.8

SIZE OF FIRM

Motor carriers were broken down as to firm size to determine relative differences in financial condition. Size categories were large, medium and small, and were based on 1984 operating revenues as reported by motor carriers to the Public Service Commission:

<u>Firm Size</u>	<u>1984 Operating Revenues (Dollars)</u>
Small	0 - 250,000
Medium	250,001 - 750,000
Large	750,000

Carriers with revenue in excess of \$750,000 accounted for almost 87 percent of industry revenues (\$57.96 million/\$66.71

million) and expenses (\$56.38 million/\$64.64 million) in 1984 (Table 9). Large size firms had revenues of over \$57.9 million while medium and small size firms had revenues of \$4.0 million and \$4.7 million, respectively. Medium size firms had the best operating ratio, 91.1, while large and small size firms were both around 97.

Driver salaries, as a percentage of operating expenses, differed significantly between the various size classifications. The proportion of driver salaries to operating expenses was 28.7 percent for large firms and 23.2 percent and 21.8 percent for medium and small size firms, respectively. The relatively high driver salaries for large size firms is most likely due to unionized drivers hired by larger firms. Many small and medium size firms are not unionized and have relatively lower driver salaries.

This relationship generally exists for firms operating nationally as well. For example, analysis of 1,670 ICC regulated motor carriers in 1984 revealed that Class I carriers had driver salaries that were 18.1 percent of operating expenses while Class II carriers had a driver salary to operating expense ratio of 15.9 percent.³⁶ Class I carriers are those with annual gross revenues of \$5 million or more. Class II carriers have annual revenues between \$1 million and \$4,999,999.

³⁶ATA, Financial and Operating Statistics Service, Department for Statistical Analysis, 1984 Motor Carrier Annual Report, 1985.

TABLE 9. NORTH DAKOTA INTRASTATE REGULATED MOTOR CARRIER INDUSTRY FINANCIAL STATISTICS, BY SIZE OF CARRIER, 1984.^a

Financial Statistic	Size of Carrier			Total
	Small	Medium	Large	
	----- (000 Dollars) -----			
Operating Revenue	4,741	4,010	57,957	66,707
Operating Expenses	4,603	3,655	56,383	64,641
Operating Ratio (%)	97.1	91.1	97.3	96.9
Administrative Salaries	363 (7.9)	219 (6.0)	2,881 (5.1)	3,464 (5.4)
Driver Salaries	1,066 (23.2)	798 (21.8)	16,181 (28.7)	18,045 (27.9)
Office/Terminal	173 (3.7)	212 (5.8)	1,714 (3.0)	2,099 (3.2)
Insurance	194 (4.2)	113 (3.1)	1,889 (3.4)	2,196 (3.4)
Depreciation	378 (8.2)	201 (5.5)	4,118 (7.3)	4,696 (7.3)
Licensing/Taxes	161 (3.5)	62 (1.7)	3,599 (6.4)	3,822 (5.9)
Other Expenses	1,952 (42.5)	1,364 (37.3)	18,670 (33.1)	21,987 (34.0)

^aNumbers in parentheses represent the percentage of that statistic in relation to operating expenses.

Small carriers had higher administrative salaries (7.9 percent) than medium (6.0 percent) and large (5.1 percent) size carriers when compared to operating expenses. Higher administrative salaries for small and medium size firms was probably due to a lower traffic base over which to spread such an expense item. Thus, administrative salaries accounted for a relatively larger share of operating expenses for the smaller firms. This was also the case for general commodities carriers on the national level as Class I carriers had administrative salaries of 3.7 percent of expenses while Class II carriers had a ratio of 4.3 percent.³⁷

Total salaries (driver and administrative) to operating expense ratios for North Dakota firms were 33.8 percent for large size carriers, 31.0 percent for small carriers and 27.8 percent for medium size carriers. On the national level ratios were 27.1 percent for Class I carriers and 21.5 percent for Class II carriers.

While the above comparisons between North Dakota carriers and Class I and Class II national carriers are based on different size criteria,³⁸ it nonetheless reflects similar relationships between carrier size and various expense items. Generally, differences that occur between Class I and Class II national

³⁷Ibid.

³⁸For example, a carrier classified as being "large" by North Dakota standards had annual revenues in excess of \$750,000 while a Class I carrier has annual revenues greater than \$5 million.

carriers also occur between the three size classifications for North Dakota PSC regulated carriers.

Industry Segment and Size

Differences between various expense items were more pronounced when the intrastate motor carrier industry was further segregated by industry segment and size of firm (Tables 10-17). Generally, large size carriers within each industry had higher driver salary to operating expense ratios than medium and small size firms. For example, large bulk carriers had a ratio of 28.9 percent while medium bulk and small bulk carriers had ratios of 17.9 percent and 22.3 percent, respectively. Not all industry segments had carriers within each size classification.

Operating ratios for bulk carriers ranged from 93.2 for medium size carriers to 104.2 for large carriers. Overall, bulk carriers had an average ratio of 100.8. General commodities carriers had an overall ratio of 97.3 with small carriers at 97.0 and large carriers at 97.4. Small size passenger carriers had the worst operating ratio (105.0) while small oilfield-heavy haulers had the most profitable ratio (82.8).

Type of Carrier

The bulk carrier segment provided the only opportunity to compare common versus contract carriage within the North Dakota PSC regulated intrastate motor carrier industry. Bulk contract carriers had a significantly better operating ratio (89.7) than bulk common carriers (104.5) in 1984 (Table 18). All bulk

TABLE 10. NORTH DAKOTA INTRASTATE REGULATED MOTOR CARRIER INDUSTRY FINANCIAL STATISTICS, BULK CARRIERS, BY SIZE OF CARRIER, 1984.^a

Financial Statistic	Size of Carrier			Total
	Small	Medium	Large	
	(Dollars)			
Operating Revenue	1,381,909	1,407,374	4,240,034	7,029,317
Operating Expenses	1,353,372	1,312,135	4,417,051	7,082,558
Operating Ratio (%)	97.9	93.2	104.2	100.8
Administrative Salaries	101,437 (7.5)	39,846 (3.0)	350,979 (7.9)	492,262 (7.0)
Driver Salaries	301,534 (22.3)	234,395 (17.9)	1,276,649 (28.9)	1,812,578 (25.6)
Office/Terminal	32,000 (2.4)	20,666 (1.6)	142,846 (3.2)	195,512 (2.8)
Insurance	41,053 (3.0)	37,039 (2.8)	41,631 (0.9)	119,723 (1.7)
Depreciation	107,799 (8.0)	74,018 (5.6)	80,702 (1.8)	262,519 (3.7)
Licensing/Taxes	45,353 (3.4)	12,311 (0.9)	203,175 (4.6)	260,839 (3.7)
Other Expenses	622,591 (46.0)	817,572 (62.3)	1,860,404 (42.1)	3,300,567 (46.6)

^aNumbers in parentheses represent the percentage of that statistic in relation to operating expenses.

TABLE 11. NORTH DAKOTA INTRASTATE REGULATED MOTOR CARRIER INDUSTRY FINANCIAL STATISTICS, GENERAL COMMODITIES CARRIERS, BY SIZE OF CARRIER, 1984.^a

Financial Statistic	Size of Carrier			Total
	Small	Medium	Large	
----- (Dollars) -----				
Operating Revenue	1,123,431	-	2,698,025	3,821,456
Operating Expenses	1,089,351	-	2,627,513	3,716,864
Operating Ratio (%)	97.0	-	97.4	97.3
Administrative Salaries	119,821 (11.0)	-	463,885 (17.7)	583,706 (15.7)
Driver Salaries	293,770 (27.0)	-	930,482 (35.4)	1,224,252 (32.9)
Office/Terminal	33,700 (3.1)	-	108,496 (4.1)	142,196 (3.8)
Insurance	34,914 (3.2)	-	50,403 (1.9)	85,317 (2.3)
Depreciation	57,571 (5.3)	-	126,078 (4.8)	183,649 (4.9)
Licensing/Taxes	25,736 (2.4)	-	138,463 (5.3)	164,199 (4.4)
Other Expenses	466,655 (42.8)	-	688,879 (26.2)	1,155,534 (31.1)

^aNumbers in parentheses represent the percentage of that statistic in relation to operating expenses.

TABLE 12. NORTH DAKOTA INTRASTATE REGULATED MOTOR CARRIER INDUSTRY FINANCIAL STATISTICS, HOUSEHOLD GOODS CARRIERS, BY SIZE OF CARRIER, 1984.^a

Financial Statistic	Size of Carrier			Total
	Small	Medium	Large	
	----- (Dollars) -----			
Operating Revenue	559,193	287,015	-	846,208
Operating Expenses	562,083	263,122	-	825,205
Operating Ratio (%)	100.5	91.7	-	97.5
Administrative Salaries	60,915 (10.8)	46,942 (17.8)	-	107,857 (13.1)
Driver Salaries	176,025 (31.3)	140,270 (53.3)	-	316,295 (38.3)
Office/Terminal	59,275 (10.5)	13,649 (5.2)	-	72,924 (8.8)
Insurance	38,066 (6.8)	3,800 (1.4)	-	41,866 (5.1)
Depreciation	42,721 (7.6)	6,416 (2.4)	-	49,137 (6.0)
Licensing/Taxes	23,071 (4.1)	3,481 (1.3)	-	26,552 (3.2)
Other Expenses	191,605 (35.0)	36,048 (13.7)	-	232,653 (28.2)

^a Numbers in parentheses represent the percentage of that statistic in relation to operating expenses.

TABLE 13. NORTH DAKOTA INTRASTATE REGULATED MOTOR CARRIER INDUSTRY FINANCIAL STATISTICS, HEAVY EQUIPMENT CARRIERS, BY SIZE OF CARRIER, 1984.^a

Financial Statistic	Size of Carrier			Total
	Small	Medium	Large	
	----- (Dollars) -----			
Operating Revenue	117,298	-	1,108,697	1,225,977
Operating Expenses	112,467	-	1,156,926	1,269,393
Operating Ratio (%)	95.9	-	104.4	103.5
Administrative Salaries	900 (0.8)	-	70,388 (6.1)	71,288 (5.6)
Driver Salaries	24,763 (22.0)	-	5,531 ^b (0.5)	30,294 (2.4)
Office/Terminal	10 (<0.1)	-	41,805 (3.6)	41,815 (3.3)
Insurance	5,922 (5.3)	-	30,888 (2.7)	36,810 (2.9)
Depreciation	25,360 (22.5)	-	44,464 (3.8)	69,824 (5.5)
Licensing/Taxes	11,322 (10.1)	-	4,814 (0.4)	16,136 (12.7)
Other Expenses	27,927 (24.8)	-	863,299 (74.6)	891,226 (70.2)

^aNumbers in parentheses represent the percentage of that statistic in relation to operating expenses.

^bOver 90 percent of large size heavy equipment carrier revenues and expenses were generated from leased vehicles. Thus, many expense items may appear disproportionate to operating expenses.

TABLE 14. NORTH DAKOTA INTRASTATE REGULATED MOTOR CARRIER INDUSTRY FINANCIAL STATISTICS, MOBILE HOME CARRIERS, BY SIZE OF CARRIER, 1984.^a

Financial Statistic	Size of Carrier			Total
	Small	Medium	Large	
	----- (Dollars) -----			
Operating Revenue	378,074	-	-	378,074
Operating Expenses	367,918	-	-	367,918
Operating Ratio (%)	97.3	-	-	97.3
Administrative Salaries	20,252 (5.5)	-	-	20,252 (5.5)
Driver Salaries	107,079 (29.1)	-	-	107,079 (29.1)
Office/Terminal	14,307 (3.9)	-	-	14,307 (3.9)
Insurance	25,717 (7.0)	-	-	25,717 (7.0)
Depreciation	16,475 (4.5)	-	-	16,475 (4.5)
Licensing/Taxes	13,002 (3.5)	-	-	13,002 (3.5)
Other Expenses	118,774 (32.3)	-	-	118,774 (32.3)

63

^aNumbers in parentheses represent the percentage of that statistic in relation to operating expenses.

TABLE 15. NORTH DAKOTA INTRASTATE REGULATED MOTOR CARRIER INDUSTRY FINANCIAL STATISTICS, OIL FIELD BULK CARRIERS, BY SIZE OF CARRIER, 1984.^a

Financial Statistic	Size of Carrier			Total
	Small	Medium	Large	
	----- (Dollars) -----			
Operating Revenue	-	-	34,817,650	34,817,650
Operating Expenses	-	-	32,905,721	32,905,721
Operating Ratio (%)	-	-	94.5	94.5
Administrative Salaries	-	-	1,254,507 (3.8)	1,254,507 (3.8)
Driver Salaries	-	-	9,634,570 (29.3)	9,634,570 (29.3)
Office/Terminal	-	-	885,694 (2.7)	885,694 (2.7)
Insurance	-	-	1,154,255 (3.5)	1,154,255 (3.5)
Depreciation	-	-	2,438,931 (7.4)	2,438,931 (7.4)
Licensing/Taxes	-	-	2,675,470 (8.1)	2,675,470 (8.1)
Other Expenses	-	-	10,152,200 (30.9)	10,152,200 (30.9)

64

^aNumbers in parentheses represent the percentage of that statistic in relation to operating expenses.

TABLE 16. NORTH DAKOTA INTRASTATE REGULATED MOTOR CARRIER INDUSTRY FINANCIAL STATISTICS, OIL FIELD HEAVY HAULERS, BY SIZE OF CARRIER, 1984.^a

Financial Statistic	Size of Carrier			Total
	Small	Medium	Large	
	----- (Dollars) -----			
Operating Revenue	547,735	1,145,851	15,092,414	16,786,000
Operating Expenses	453,560	993,262	15,275,295	16,722,117
Operating Ratio (%)	82.8	86.7	101.2	99.6
Administrative Salaries	17,603 (3.9)	77,756 (7.8)	741,570 (4.9)	836,929 (5.0)
Driver Salaries	51,538 (11.4)	270,116 (27.2)	4,333,908 (28.4)	4,655,562 (27.8)
Office/Terminal	16,657 (3.7)	53,894 (5.4)	535,621 (3.5)	606,172 (3.6)
Insurance	9,599 (2.1)	42,193 (4.2)	612,269 (4.0)	664,061 (3.9)
Depreciation	40,986 (9.0)	89,774 (9.0)	1,427,565 (9.3)	1,558,325 (9.3)
Licensing/Taxes	23,467 (5.2)	34,710 (3.5)	577,540 (3.8)	635,717 (3.8)
Other Expenses	277,034 (61.1)	326,445 (32.9)	5,105,467 (33.4)	5,708,946 (34.1)

65

^aNumbers in parentheses represent the percentage of that statistic in relation to operating expenses.

TABLE 17. NORTH DAKOTA INTRASTATE REGULATED MOTOR CARRIER INDUSTRY FINANCIAL STATISTICS, PASSENGER CARRIERS, BY SIZE OF CARRIER, 1984.^a

Financial Statistic	Size of Carrier			Total
	Small	Medium	Large	
	------(Dollars)-----			
Operating Revenue	632,840	1,169,481	-	1,802,321
Operating Expenses	664,392	1,086,336	-	1,750,728
Operating Ratio (%)	105.0	92.9	-	97.1
Administrative Salaries	42,259 (6.4)	54,734 (5.0)	-	96,993 (5.5)
Driver Salaries	111,067 (16.7)	153,187 (14.1)	-	264,254 (15.1)
Office/Terminal	16,562 (2.5)	123,708 (11.4)	-	140,270 (8.0)
Insurance	38,642 (5.8)	29,489 (2.7)	-	68,131 (3.9)
Depreciation	86,716 (13.1)	30,362 (2.8)	-	117,078 (6.7)
Licensing/Taxes	18,655 (2.8)	11,341 (1.0)	-	29,996 (1.7)
Other Expenses	242,858 (36.6)	184,053 (16.9)	-	426,911 (24.4)

^aNumbers in parentheses represent the percentage of that statistic in relation to operating expenses.

TABLE 18. NORTH DAKOTA INTRASTATE REGULATED MOTOR CARRIER INDUSTRY FINANCIAL STATISTICS, BULK CARRIERS, BY TYPE OF CARRIER, 1984.^a

Financial Statistic	Type of Carrier		
	Common	Contract	Total
	----- (Dollars) -----		
Operating Revenue	5,239,619	1,789,698	7,029,317
Operating Expenses	5,477,710	1,604,848	7,082,558
Operating Ratio (%)	104.5	89.7	100.8
Administrative Salaries	435,458 (7.9)	56,804 (3.5)	492,262 (7.0)
Driver Salaries	1,527,076 (27.9)	285,502 (17.8)	1,812,578 (25.6)
Office/Terminal	168,421 (3.1)	27,091 (1.7)	195,512 (2.8)
Insurance	67,313 (1.2)	52,410 (3.3)	119,723 (1.7)
Depreciation	147,544 (2.7)	114,975 (7.2)	262,519 (3.7)
Licensing/Taxes	237,682 (4.3)	23,157 (1.4)	260,839 (3.7)
Other Expenses	2,366,542 (43.2)	934,025 (58.2)	3,300,567 (46.6)

27

^aNumbers in parentheses represent the percentage of that statistic in relation to operating expenses.

ICC authority while 43 carriers (21.5 percent) had neither ICC nor PSC authority. The remaining seven respondents did not indicate what kind of operating authority was held by their firms.

TABLE 19. QUESTIONNAIRE RESPONDENTS BY TYPE OF OPERATING AUTHORITY.

Type of Operating Authority	Respondents -----(n)----	Proportion of Respondents -----(%)-----
ICC	20	10.8
PSC	40	21.5
ICC & PSC	76	40.9
No Authority	43	23.1
Unknown	<u>7</u>	<u>3.8</u>
TOTAL	186	100.0

Interstate vs. Intrastate Authority Applications

A significant number of survey respondents indicated that their firms attempted to expand or initiate new interstate and/or intrastate authority in the past five years (Table 20). A total of 51 firms applied for PSC authority while 73 respondents applied for ICC authority. A higher success rate was achieved by carriers applying for ICC authority (97.3 percent) than those applying for PSC authority (76.5 percent). The difference in the success rates is due to the more relaxed operating environment at the interstate level than at the intrastate level. The Motor Carrier Act of 1980 made it easier for new firms to enter the ICC regulated motor carrier industry and for existing carriers to expand operations. For example, between 1979 and December 31,

1985, the number of motor carriers of property and freight forwarders increased from 17,267 to 33,548.³⁹

TABLE 20. NUMBER OF SURVEY RESPONDENTS APPLYING FOR NORTH DAKOTA INTRASTATE AND/OR FEDERAL INTERSTATE REGULATED AUTHORITY BETWEEN 1980 AND 1985.

Type of Authority	Firms Filing Applications ------(number)-----	Successful Firms -----	Success Rate (%)
PSC Regulated	51	39	76.5
ICC Regulated	73	71	97.3

Industry Segment and Size

Most of the carriers that responded to the survey were relatively small firms with revenues under \$100,000 per year (Table 21). Carriers with intrastate generated revenues of less than \$100,000 in 1985 accounted for 44.1 percent of all respondents. Carriers with less than \$100,000 of total system generated revenues represented 40.9 percent of all responding firms. The \$100,000-500,000 revenue range accounted for the next largest respondent group with 19 firms responding with North Dakota revenues within this range and 41 firms responding with total system revenues in this range. Six carriers had over \$5 million in intrastate generated revenues while 18 firms had over \$5 million in total system generated revenues in 1985.

General commodities carriers accounted for the largest proportion of survey respondents with 55 carriers returning

³⁹ICC, Office of Transportation Analysis, Highlights of Activity in the Property Motor Carrier Industry, Staff Report No. 10, March, 1986.

TABLE 21. SURVEY RESPONDENTS BY SIZE CLASSIFICATION, 1985.

Size Classification	N.D. Revenues		System Revenues	
	Respondents	Pct.	Respondents	Pct.
(1985 Revenues in Dollars)	----(n)----		----(n)----	
Less than 100,000	82	44.1	76	40.9
100,000 to 500,000	19	10.2	41	22.0
500,000 to 1 million	6	3.2	17	9.1
1 million to 2 million	4	2.2	13	7.0
2 million to 5 million	1	0.5	7	3.8
Over 5 million	6	3.2	18	9.7
Unknown	<u>68^a</u>	<u>36.6</u>	<u>14</u>	<u>7.5</u>
TOTAL	186	100.0	186	100.0

^aMany of these respondents did not have North Dakota revenues during 1985.

questionnaires (Table 22). Most of these respondents (38) held just general commodities authority while 17 firms had general commodities authority in conjunction with another type of authority. A large number of firms (67) indicated that they were "other" haulers or did not indicate an industry segment. Most of these carriers did not have PSC operating authority and thus did not indicate an industry segment.

MOTOR CARRIER'S PERCEPTIONS OF THE INTRASTATE REGULATORY ENVIRONMENT

Motor carrier officials were asked for responses concerning varying degrees of regulatory reform relative to the operating environment of the North Dakota intrastate trucking industry (see Appendix C, questions 9a. to 9d.) In addition, they were asked to indicate which regulatory framework they would prefer to see in North Dakota in the future (see Appendix B, question 10).

The results of the two series of questions were quite mixed. For example, some carriers would indicate that they agreed with statement 9a., but would indicate a preference for complete freedom of entry and pricing concerning statement 10. Likewise, some carriers indicated that they preferred rate flexibility (they agreed with statement 9c.), but indicated that they preferred a regulatory environment similar to the one that currently exists in statement 10. Thus, Tables 23 and 24 contain the results of the motor carrier officials' responses to statements 9a.-9d. and 10 of the survey while Table 25 combines

TABLE 22. SURVEY RESPONDENTS BY INDUSTRY SEGMENT, 1985.

Industry Segment	Number of Respondents	Proportion of All Respondents
		----(Pct.)----
Bulk	18	9.7
General Commodities	38	20.4
Heavy Equipment	5	2.7
Household Goods	9	4.8
House Mover	7	3.8
Mobile Home	7	3.8
Oilfield Bulk	1	0.5
Oilfield Heavy Hauler	3	1.6
Passenger	4	2.2
Combination Bulk/Oilfield	6	3.2
Combination General Commodities/Other	17	9.1
Other Combination	4	2.2
Other	19	10.2
Unregulated or Other	<u>48</u>	<u>25.8</u>
TOTAL	186	100.0

TABLE 23. MOTOR CARRIER SURVEY PARTICIPANT'S RESPONSES TO VARIOUS STATEMENTS CONCERNING NORTH DAKOTA'S INTRASTATE REGULATED MOTOR CARRIER OPERATING ENVIRONMENT, 1986.

Statement	Carrier's Response		
	Agree	Disagree	Don't Know
	----- (Number) -----		
North Dakota should not alter its intrastate motor carrier environment. (9a.)	83	59	36
North Dakota should ease entry restrictions. (9b.)	68	87	26
Rate flexibility should be initiated. (9c.)	89	52	39
Complete pricing (rate) freedom should be incorporated. (9d.)	77	77	28

TABLE 24. MOTOR CARRIER SURVEY PARTICIPANT'S RESPONSES TO VARIOUS REGULATORY FRAMEWORKS, 1986.

Regulatory Framework	Responses	Response Rate
	---(#)---	---(%)---
A regulatory environment similar to the one that currently exists.	76	41.3
An environment with eased entry, but with rates strictly controlled by the PSC.	23	12.5
An environment with eased entry and a zone of pricing (rate) freedom (rates would be monitored within a range by the PSC).	31	16.8
An environment with eased entry and no rate controls.	17	9.2
Complete freedom of entry and pricing.	<u>37</u>	<u>20.1</u>
TOTAL	184	100.0

TABLE 25. MOTOR CARRIER SURVEY PARTICIPANT'S PREFERENCES OF VARYING DEGREES OF REGULATORY CHANGE
RELATIVE TO THE NORTH DAKOTA INTRASTATE MOTOR CARRIER OPERATING ENVIRONMENT, 1986.^a

Regulatory Environment	Carrier's Responses		
	Agree	Disagree	Don't Know
	----- (Number) -----		
No change	61	102	15
Eased entry	95	70	16
Rate flexibility	109	46	25
Complete pricing (rate) freedom	85	74	23

76

^aThis table contains the results of combining motor carrier's responses to statements 9a-9d and 10.

the responses and summarizes carriers' attitudes towards varying degrees of regulatory change.

Motor carrier officials generally agreed with the statement that North Dakota should not alter its intrastate motor carrier environment as 83 firms agreed with the statement and 59 disagreed (Table 23). However, a number of firms that agreed with that statement also either agreed with statements 9b-9d or chose a regulatory environment on statement 10 that called for change in regulations. Thus, when the survey results are combined, 61 firms felt that no change in regulation should be made while 102 felt that some sort of change is in order (Table 25).

Originally, 68 motor carriers agreed with the statement that, "North Dakota should ease entry restrictions" (statement 9b) while 87 disagreed (Table 23). However, several of these carriers indicated a preference for eased entry in their response to statement 10. Thus, overall 95 firms felt that entry restrictions should be eased while 70 felt that restrictions should not be changed (Table 25).

More carriers (89) agreed with the statement that rate flexibility should be incorporated than any other statement regarding regulatory reform. When the responses to statement 10 were combined with 9c, 109 firms felt that rate flexibility should be initiated.

Carriers were split on their preference for complete freedom of pricing with 77 firms agreeing and 77 firms disagreeing with

the statement. Combining statement 10 resulted in 85 firms opting for complete pricing freedom and 74 indicating a preference against total pricing freedom.

Regulatory Framework

Statement 10 solicited motor carriers' responses to alternative degrees of regulation (Appendix C, statement 10). Most carriers (108) indicated a preference for regulatory change while 76 firms indicated no change (Table 24). However, 30 firms that indicated a preference for a regulatory environment similar to the one that current exists also indicated a preference for eased entry, rate flexibility and/or complete pricing (rate) freedom. Thus, overall only 46 survey participants indicated a preference for no regulatory change while 138 desired some sort of change.

Of those firms that indicated a preference for regulatory change, most preferred complete freedom of entry and pricing (37 responses) while the fewest indicated a preference for eased entry and no rate controls (17 responses). An environment with eased entry was chosen by 31 respondents while 23 chose an environment with eased entry and strictly controlled rates.

Industry Segment

There were significant differences between the various industry segments relative to motor carriers' responses to varying degrees of regulatory changes (Tables 26-29). Bulk

TABLE 26. MOTOR CARRIER SURVEY PARTICIPANT'S RESPONSES TO NOT CHANGING THE REGULATORY ENVIRONMENT OF THE NORTH DAKOTA INTRASTATE MOTOR CARRIER INDUSTRY, BY INDUSTRY SEGMENT, 1986.

Industry Segment	Carrier's Responses		
	Agree	Disagree	Don't Know
	(Number)		
Bulk	6	10	1
Combination ^a	8	12	0
General Commodities	12	21	4
Heavy Equipment	3	2	0
Household Goods	8	1	0
House Movers	3	0	2
Mobile Home	4	3	0
Oilfield	6	4	0
Passenger	1	2	1
Other ^b	3	15	1
Unknown ^b	7	32	6

^aCarriers that are involved in more than one industry segment.

^bGenerally, these carriers haul exempt commodities and/or are interstate (ICC) regulated carriers. They generally do not hold intrastate (PSC) operating authority.

TABLE 27. MOTOR CARRIER SURVEY PARTICIPANT'S RESPONSES TO EASING ENTRY INTO THE NORTH DAKOTA INTRASTATE MOTOR CARRIER INDUSTRY, BY INDUSTRY SEGMENT, 1986.

Industry Segment	Carrier's Responses		
	Agree	Disagree	Don't Know
	----- (Number) -----		
Bulk	11	6	1
Combination ^a	9	10	1
General Commodities	20	13	5
Heavy Equipment	2	3	0
Household Goods	1	8	0
House Movers	1	5	1
Mobile Home	2	4	1
Oilfield	2	7	0
Passenger	1	2	1
Other ^b	14	4	1
Unknown ^b	32	8	5

^aCarriers that are involved in more than one industry segment.

^bGenerally, these carriers haul exempt commodities and/or are interstate (ICC) regulated carriers. They generally do not hold intrastate (PSC) operating authority.

TABLE 28. MOTOR CARRIER SURVEY PARTICIPANT'S RESPONSES TO INCORPORATING RATE FLEXIBILITY INTO THE NORTH DAKOTA INTRASTATE MOTOR CARRIER INDUSTRY, BY INDUSTRY SEGMENT, 1986.

Industry Segment	Carrier's Responses		
	Agree	Disagree	Don't Know
	(Number)		
Bulk	10	8	0
Combination ^a	15	4	1
General Commodities	22	10	5
Heavy Equipment	3	1	1
Household Goods	1	7	1
Housemovers	2	0	3
Mobile Home	4	2	1
Oilfield	4	5	1
Passenger	1	2	1
Other ^b	14	4	1
Unknown ^b	33	3	10

^aCarriers that are involved in more than one industry segment.

^bGenerally, these carriers haul exempt commodities and/or are interstate (ICC) regulated carriers. They generally do not hold intrastate (PSC) operating authority.

TABLE 29. MOTOR CARRIER SURVEY PARTICIPANT'S RESPONSES TO ALLOWING COMPLETE PRICING FREEDOM IN THE NORTH DAKOTA INTRASTATE MOTOR CARRIER INDUSTRY, BY INDUSTRY SEGMENT, 1986.

Industry Segment	Carrier's Responses		
	Agree	Disagree	Don't Know
	----- (Number) -----		
Bulk	6	10	1
Combination ^a	13	6	1
General Commodities	10	22	6
Heavy Equipment	4	1	0
Household Goods	1	8	0
House Movers	4	1	1
Mobile Home	3	3	1
Oilfield	2	7	1
Passenger	1	2	1
Other ^b	10	5	4
Unknown ^b	31	9	7

^aCarriers that are involved in more than one industry segment.

^bGenerally, these carriers haul exempt commodities and/or are interstate (ICC) regulated carriers. They generally do not hold intrastate (PSC) operating authority.

carriers were generally in favor of altering the regulatory environment by easing entry restrictions and incorporating price flexibility. The majority of the bulk carriers did not favor complete pricing freedom. This was also the case with general commodities carriers as the majority of survey respondents indicated a preference for easing entry and allowing rate freedom.

Household goods carriers had the strongest opposition to any regulatory change with only one carrier opting for easing entry restrictions, allowing rate flexibility and allowing complete pricing freedom. A total of nine household goods carriers responded to the statements concerning altering the regulatory environment.

Carriers hauling exempt commodities and/or those involved in interstate regulated service (classified as "other" and "unknown") overwhelmingly supported total pricing freedom, price flexibility and easing entry. Oilfield carriers indicated a preference for pricing flexibility, but were generally not in favor of complete pricing freedom or easing entry restrictions.

Size of Carrier

Survey respondents were broken down into various revenue classifications to analyze the relationship between size of carrier and carriers' responses to various statements regarding regulatory reform. Data were collected for both total system revenues and North Dakota intrastate revenues. Responses for

carriers hauling exempt commodities and carriers with only ICC authority were recorded in the "unknown" carrier classification for the North Dakota revenue portion of the analysis.

Total System Revenues. Generally, the smaller size motor carriers (those with revenues of less than 100,000 and those with revenues between \$100,000 and \$500,000 in 1985) overwhelmingly supported altering the regulatory environment of the intrastate motor carrier industry (Tables (30-33)). Preferences of larger size carriers were relatively mixed. Carriers with revenues under \$100,000 supported incorporating rate flexibility (48 respondents agreed while 9 disagreed) moreso than easing entry or allowing complete pricing freedom. Easing entry was favored by 41 carriers with revenues under \$100,000 while 25 carriers disagreed that entry restrictions should be relaxed. Complete pricing freedom was supported by 40 carriers in the smallest size group and was opposed by 19 small carriers.

Carriers in the \$2 million-\$5 million revenue group were the only size category that did not support changing the current intrastate regulatory environment. Only two carriers supported changing regulations while five respondents did not support altering the current environment. The two carriers that supported regulatory reform were in favor of eased entry and pricing flexibility, but only one firm supported complete pricing freedom.

TABLE 30. MOTOR CARRIER SURVEY PARTICIPANT'S RESPONSES TO NOT CHANGING THE REGULATORY ENVIRONMENT OF THE NORTH DAKOTA INTRASTATE MOTOR CARRIER INDUSTRY, BY SIZE OF CARRIER BASED ON TOTAL SYSTEM REVENUES, 1986.

Total System Revenues (1985)	Carrier's Responses		
	Agree	Disagree	Don't Know
---(Dollars)---	------(Number)-----		
Less than 100,000	19	43	10
100,000 to 500,000	13	24	3
500,000 to 1 million	7	9	0
1 million to 2 million	4	9	0
2 million to 5 million	5	2	0
More than 5 million	9	9	0
Unknown	<u>4</u>	<u>6</u>	<u>2</u>
TOTAL	61	102	15

TABLE 31. MOTOR CARRIER SURVEY PARTICIPANT'S RESPONSES TO EASING ENTRY INTO THE NORTH DAKOTA INTRASTATE MOTOR CARRIER INDUSTRY, BY SIZE OF CARRIER BASED ON TOTAL SYSTEM REVENUES, 1986.

Total System Revenues (1985)	Carrier's Responses		
	Agree	Disagree	Don't Know
---(Dollars)---	----- (Number) -----		
Less than 100,000	41	25	7
100,000 to 500,000	22	13	6
500,000 to 1 million	9	7	1
1 million to 2 million	9	4	0
2 million to 5 million	2	5	0
More than 5 million	7	10	0
Unknown	<u>5</u>	<u>6</u>	<u>2</u>
TOTAL	95	70	16

TABLE 32. MOTOR CARRIER SURVEY PARTICIPANT'S RESPONSES TO INCORPORATING RATE FLEXIBILITY INTO NORTH DAKOTA INTRASTATE MOTOR CARRIER INDUSTRY, BY SIZE OF CARRIER BASED ON TOTAL SYSTEM REVENUES, 1986.

Total System Revenues (1985)	Carrier's Responses		
	Agree	Disagree	Don't Know
---(Dollars)---	------(Number)-----		
Less than 100,000	48	9	14
100,000 to 500,000	25	10	6
500,000 to 1 million	10	7	0
1 million to 2 million	8	4	1
2 million to 5 million	2	4	1
More than 5 million	10	8	0
Unknown	<u>6</u>	<u>4</u>	<u>3</u>
TOTAL	109	46	25

TABLE 33. MOTOR CARRIER SURVEY PARTICIPANT'S RESPONSES TO ALLOWING COMPLETE PRICING FREEDOM IN THE NORTH DAKOTA INTRASTATE MOTOR CARRIER INDUSTRY, BY SIZE OF CARRIER BASED ON TOTAL SYSTEM REVENUES, 1986.

Total System Revenues (1985)	Carrier's Responses		
	Agree	Disagree	Don't Know
---(Dollars)---	------(Number)-----		
Less than 100,000	40	19	15
100,000 to 500,000	19	17	5
500,000 to 1 million	8	9	0
1 million to 2 million	5	7	1
2 million to 5 million	1	4	1
More than 5 million	5	13	0
Unknown	<u>7</u>	<u>5</u>	<u>1</u>
TOTAL	85	74	23

Firms with revenues in excess of \$5 million in 1985 favored an environment with increased pricing flexibility, but generally disfavored easing entry and/or allowing complete pricing freedom. Firms in the middle two revenue categories (\$500,000-\$1 million and \$1 million-\$2 million) favored easing entry and incorporating pricing flexibility, but were not in favor of complete pricing freedom.

North Dakota Revenue. The major difference between motor carriers' responses to varying degrees of regulatory reform based on North Dakota intrastate revenues versus total system revenues was in the \$100,000-\$500,000 revenue classification (Tables 34-37). For example, respondents with total system revenues within that range favored changing the regulatory environment by a 24 to 13 margin (Table 30) while those with North Dakota revenues within the \$100,000-\$500,000 range favored not changing the current environment by a 11 to 7 margin (Table 34). Also, because many carriers that responded to the survey did not generate revenue on intrastate regulated service, there were considerably more responses in the "unknown" category.

TABLE 34. MOTOR CARRIER SURVEY PARTICIPANT'S RESPONSES TO NOT CHANGING THE REGULATORY ENVIRONMENT OF THE NORTH DAKOTA INTRASTATE MOTOR CARRIER INDUSTRY, BY SIZE OF CARRIER BASED ON NORTH DAKOTA INTRASTATE REVENUES, 1986.

North Dakota Revenues (1985)	Carrier's Responses		
	Agree	Disagree	Don't Know
---(Dollars)---	----- (Number) -----		
Less than 100,000	24	48	7
100,000 to 500,000	11	7	0
500,000 to 1 million	4	2	0
1 million to 2 million	3	1	0
2 million to 5 million	4	2	0
More than 5 million	3	3	0
Unknown or No North Dakota Revenues	15	41	8

TABLE 35. MOTOR CARRIER SURVEY PARTICIPANT'S RESPONSES TO EASING ENTRY INTO THE NORTH DAKOTA INTRASTATE MOTOR CARRIER INDUSTRY, BY SIZE OF CARRIER BASED ON NORTH DAKOTA INTRASTATE REVENUES, 1986.

North Dakota Revenues (1985)	Carrier's Responses		
	Agree	Disagree	Don't Know
---(Dollars)---	----- (Number) -----		
Less than 100,000	44	28	9
100,000 to 500,000	6	11	2
500,000 to 1 million	2	4	0
1 million to 2 million	0	3	0
2 million to 5 million	0	1	0
More than 5 million	3	3	0
Unknown or No North Dakota Revenues	40	20	5

TABLE 36. MOTOR CARRIER SURVEY PARTICIPANT'S RESPONSES TO INCORPORATING RATE FLEXIBILITY INTO THE NORTH DAKOTA INTRASTATE MOTOR CARRIER INDUSTRY, BY SIZE OF CARRIER BASED ON NORTH DAKOTA INTRASTATE REVENUES, 1986.

North Dakota Revenues (1985)	Carrier's Responses		
	Agree	Disagree	Don't Know
---(Dollars)---	----- (Number) -----		
Less than 100,000	52	15	12
100,000 to 500,000	7	11	1
500,000 to 1 million	3	3	0
1 million to 2 million	1	2	1
2 million to 5 million	0	1	0
More than 5 million	2	4	0
Unknown or No North Dakota Revenues	44	10	11

TABLE 37. MOTOR CARRIER SURVEY PARTICIPANT'S RESPONSES TO ALLOWING COMPLETE PRICING FREEDOM IN THE NORTH DAKOTA INTRASTATE MOTOR CARRIER INDUSTRY, BY SIZE OF CARRIER BASED ON NORTH DAKOTA INTRASTATE REVENUES, 1986.

North Dakota Revenues (1985)	Carrier's Responses		
	Agree	Disagree	Don't Know
---(Dollars)---	----- (Number) -----		
Less than 100,000	39	33	9
100,000 to 500,000	4	13	1
500,000 to 1 million	1	5	0
1 million to 2 million	1	2	1
2 million to 5 million	0	1	0
More than 5 million	1	5	0
Unknown or No North Dakota Revenues	39	15	12

Type of Carrier

Motor carriers' responses to varying degrees of regulation differed significantly depending on the type of carrier (Tables 38-41). Survey respondents were classified as to whether they were PSC regulated carriers (PSC), ICC regulated carriers (ICC), ICC and PSC regulated carriers (ICC & PSC), or neither PSC nor ICC regulated carriers (neither). The majority of carriers that held only PSC authority were against changing the current regulatory environment as 17 respondents were against change while 15 carriers favored change. ICC carriers and carriers with neither ICC nor PSC authority overwhelmingly were in favor of altering the regulatory environment. Only two ICC carriers agreed that current North Dakota regulations should not be changed while 15 favored changing regulations. For carriers with neither ICC nor PSC authority responses for no change totalled eight while responses for change totalled 28.

PSC carriers did not favor easing entry, but were in favor of incorporating pricing freedom by a 2 to 1 margin (18 to 9) and favored complete pricing freedom (17 favored, 14 disfavored). ICC carriers and carriers with neither ICC nor PSC authority were strong supporters of easing entry, incorporating pricing flexibility and allowing complete pricing freedom.

TABLE 38. MOTOR CARRIER SURVEY PARTICIPANT'S RESPONSES TO NOT CHANGING THE REGULATORY ENVIRONMENT OF THE NORTH DAKOTA INTRASTATE MOTOR CARRIER INDUSTRY, BY TYPE OF CARRIER, 1986.

Type of Carrier	Carrier's Responses		
	Agree	Disagree	Don't Know
	----- (Number) -----		
PSC	17	15	6
ICC	2	15	3
ICC & PSC	33	38	2
Neither	8	28	4
Unknown	1	6	0

TABLE 39. MOTOR CARRIER SURVEY PARTICIPANT'S RESPONSES TO EASING ENTRY INTO THE NORTH DAKOTA INTRASTATE MOTOR CARRIER INDUSTRY, BY TYPE OF CARRIER, 1986.

Type of Carrier	Carrier's Responses		
	Agree	Disagree	Don't Know
	----- (Number) -----		
PSC	16	20	3
ICC	15	3	2
ICC & PSC	32	38	4
Neither	26	8	7
Unknown	6	1	0

TABLE 40. MOTOR CARRIER SURVEY PARTICIPANT'S RESPONSES TO INCORPORATING PRICING FLEXIBILITY INTO THE NORTH DAKOTA INTRASTATE MOTOR CARRIER INDUSTRY, BY TYPE OF CARRIER, 1986.

Type of Carrier	Carrier's Responses		
	Agree	Disagree	Don't Know
	----- (Number) -----		
PSC	18	9	9
ICC	11	2	7
ICC & PSC	40	32	3
Neither	35	1	6
Unknown	5	2	0

TABLE 41. MOTOR CARRIER SURVEY PARTICIPANT'S RESPONSES TO ALLOWING COMPLETE PRICING FREEDOM IN THE NORTH DAKOTA INTRASTATE MOTOR CARRIER INDUSTRY, BY TYPE OF CARRIER, 1986.

Type of Carrier	Carrier's Responses		
	Agree	Disagree	Don't Know
	----- (Number) -----		
PSC	17	14	7
ICC	12	4	4
ICC & PSC	22	48	4
Neither	30	6	7
Unknown	4	2	1

Type of Labor

Survey respondents were classified as being either union or nonunion in order to determine differences in carriers' responses to statements on regulatory reform based on the type of labor utilized. Only 20 survey respondents indicated that their firms utilized union labor. Unionized firms were basically split in their responses to various statements concerning regulatory reform while nonunionized firms heavily supported some form of regulatory reform, with most of their support going for rate flexibility (Table 42).

DEREGULATORY BEHAVIOR

Motor carrier survey participants were asked a speculative question as to their potential behavior in the event the legislature deregulated the North Dakota intrastate motor carrier industry (Appendix C, question 8). Most survey respondents indicated that their firms would initiate new service and/or expand existing service, and generally would not alter current rates to any significant degree (Table 43). A total of 63 firms indicated that they would initiate new service while another 63 indicated that they would expand service if regulatory reform was instituted. Only nine respondents indicated that their firm would decrease rates while 25 firms indicated that they would increase rates. However, the majority of the firms indicated that they would neither increase nor decrease rates (44 and 52 firms, respectively).

TABLE 42. MOTOR CARRIER PARTICIPANT'S RESPONSES TO VARIOUS STATEMENTS REGARDING REGULATORY REFORM IN THE NORTH DAKOTA INTRASTATE MOTOR CARRIER INDUSTRY, BY TYPE OF LABOR, 1986.

Regulatory Statement/Type of Labor	Carrier's Responses		
	Agree	Disagree	Don't Know
	----- (Number) -----		
North Dakota should not alter its intrastate motor carrier environment:			
Union	10	10	0
Nonunion	51	91	15
North Dakota should ease entry:			
Union	8	9	3
Nonunion	87	61	12
Rate flexibility should be initiated:			
Union	10	9	1
Nonunion	98	37	24
Complete pricing freedom should be incorporated:			
Union	7	13	0
Nonunion	77	61	23

TABLE 43. MOTOR CARRIER SURVEY PARTICIPANT'S RESPONSES TO THEIR FIRM'S POTENTIAL BEHAVIOR GIVEN REGULATORY REFORM IN THE NORTH DAKOTA INTRASTATE TRUCKING INDUSTRY, 1986.

Potential Reaction	Carrier's Responses		
	Yes	No	Don't Know
	----- (Number) -----		
Initiate new service	63	36	42
Expand existing service	63	31	44
Increase rates	25	44	60
Decrease rates	9	52	57

Ranking of Regulatory Factors

Motor carrier officials were asked to rank the importance of several factors relative to the intrastate motor carrier industry in North Dakota. Survey respondents ranked such factors as safety, protection of shippers and carriers, guaranteed service and others (see Appendix C, Question #11). Most motor carriers indicated that safety should be the primary reason for regulating trucking firms as 109 survey participants ranked safety as the most important factor (Table 44). Protect motor carrier profits, stable freight rates and guarantee service were ranked first by 36, 35 and 34 participants, respectively. Thus, survey respondents overwhelmingly indicated that safety regulation is the most important factor to consider in economic regulation of intrastate trucking in North Dakota.

TABLE 44. MOTOR CARRIER SURVEY PARTICIPANT'S RESPONSES TO THE IMPORTANCE OF FACTORS RELATING TO THE REGULATION OF THE NORTH DAKOTA INTRASTATE TRUCKING INDUSTRY, 1986.

Factor	Rank of Importance					
	First	Second	Third	Fourth	Fifth	Other
Safety	109	21	8	4	-	3
Protect motor carrier profits	36	23	17	5	2	2
Promote competition	9	17	22	4	3	8
Provide stable freight rates	35	34	16	6	3	10
Guarantee service	34	15	20	6	2	5
Provide flexible service	21	22	13	2	3	9
Attract new entrants	7	5	20	1	2	7
Insure low freight rates	4	11	11	1	-	5
Insure high freight rates	7	6	13	-	1	6
Protect consumers (shippers)	24	16	18	11	7	8
Control predatory pricing	21	14	15	9	6	5
Avoid discriminatory service	29	7	8	8	8	12
Prevent discriminatory pricing	30	9	9	5	9	14

Effects of Deregulation/Issues

Motor carriers were asked three additional opinion type questions relative to the regulatory and operating environment of North Dakota's intrastate regulated trucking industry (Questions 12, 13 and 14, Appendix C). The first question pertained to reasons for regulating the intrastate motor carrier industry. Safety was picked as the primary reason to regulate (42 responses) followed by offering high quality service (35 responses) - (Table 45).

Most survey respondents (32) indicated that the free market would properly regulate the industry if deregulation occurred while 22 respondents indicated that competitive pricing would evolve. Ten percent of the respondents (17) indicated that safety problems would evolve in a deregulated environment.

Slightly more than a third (35 percent) of survey respondents felt that one of the major issues currently facing motor carriers is cost of insurance. The second major issue was profitability of rates (45 respondents) followed by taxes (20 respondents).

TABLE 45. MOTOR CARRIER SURVEY PARTICIPANT'S RESPONSES TO VARIOUS FACTORS CONCERNING THE REGULATORY AND OPERATING ENVIRONMENT OF THE NORTH DAKOTA INTRASTATE REGULATED TRUCKING INDUSTRY, 1986.

Factor/Response	Number of Responses	Percent of Total Responses
Primary reason for regulation:		
Safety	42	24
Quality service	35	20
No reason, but prefer deregulation	17	10
Ensure profitable rates	12	7
Other	66	38
TOTAL	172	100
Effects if deregulation occurred:		
Free market would be the regulatory	32	19
Competitive pricing	22	13
Unknown, but prefer regulation	19	11
Safety problems	17	10
Loss in quality of service	15	9
Excessive competition	15	9
Other	49	29
TOTAL	169	100
Current issues concerning motor carriers:		
Insurance	93	35
Profitability of rates	45	17
Taxes	20	8
Safety	19	7
Fuel costs	19	7
Other	68	26
TOTAL	264	100

SHIPPER/RECEIVER ATTITUDES
TOWARD REGULATORY REFORM

Wilson conducted a survey in 1981 of businesses located in communities with populations less than 5,000 to assess shippers/receivers (SR) perceptions relating to motor carrier deregulation.⁴¹ Survey respondents represented a wide range of businesses and were grouped into 11 separate categories (Table 46). Most respondents represented auto parts/service centers (30) followed by gas/fuel suppliers (28). SR survey respondents favored both deregulating motor carrier entry and rates (Table 47). About 80 percent of the survey respondents favored deregulation of entry while 60 percent favored allowing pricing freedom. It is interesting to note that more SR favored unregulated entry to unregulated rates (129 to 105), while motor carriers were more in favor of pricing flexibility relative to easing entry (see Table 25).

⁴¹Wilson, op.cit.

TABLE 46. SHIPPER/RECEIVER SURVEY RESPONDENTS, BY NATURE OF BUSINESS.

Nature of Business	Responses (Number)	Proportion of Total Responses ----- (Pct.) -----
Implement dealer, parts and service	26	13
Hardware	26	13
Supply	8	4
Liquor	2	1
Auto dealer, parts and service	30	5
Clothing	12	6
Pharmacy	8	4
Gas/fuel suppliers	28	4
Flowers, gifts, crafts and jewelry	9	4
Construction	9	4
Other	<u>49</u>	<u>24</u>
TOTAL	207	100

TABLE 47. SHIPPER/RECEIVER RESPONSES TO DEREGULATING MOTOR CARRIER ENTRY AND RATES.^a

Carrier's Responses	Unregulated Entry	Unregulated Rate
Favor	129 (81%)	105 (60%)
Disfavor	31 <u>(19%)</u>	69 <u>(40%)</u>
TOTAL	160 (100%)	174 (100%)

^aNumbers in parentheses are percentages of total responses.

Source: Wilson, op.cit.

CONTRIBUTION OF INTRASTATE TRUCKING
TO NORTH DAKOTA'S ECONOMY

Input-output (IO) analysis is used in this section to detail the contribution to North Dakota's economy derived from trucking firms providing intrastate PSC regulated service. IO analysis is a technique for calculating and describing the linkages (interdependencies) between industrial groups (sectors) within an economy.⁴² In short, dollars that are spent in a given economy flow through the economy at varying rates (multiplier effect). Thus, one dollar that is spent in North Dakota flows through the economy and generates more than one dollar of gross business volume. For example, a multiplier of 4.12 indicates that for every dollar that is generated in a particular sector, \$4.12 in gross business volume would be contributed to the overall economy. Knowledge of the linkages or interdependencies of the various sectors in an economy is vitally important to policy-makers since legislation that affects one sector generally affects other sectors of a given economy both directly and indirectly.

The contribution to the state's gross business volume by intrastate trucking firms varies depending on several factors. Among these factors is the dollars that are spent in North Dakota by those firms that provide trucking service. Firms that are

⁴²For a detailed description of Input-Output analysis see, Coon, Randy C., F. Larry Leistritz, Thor A. Hertsgaard and Arlen G. Leholm, The North Dakota Input-Output Model: A Tool for Analyzing Economic Linkages, Agricultural Economics Report No. 187, Department of Agricultural Economics, NDSU, Fargo, North Dakota, Nov. 1985.

domiciled in North Dakota will tend to generate more gross business volume in North Dakota than firms that are domiciled in other states, *ceteris paribus*, even though both provide trucking service within the state. For example, if firm A and firm B both have total expenditures of \$100,000 that are equally split among various line items, but firm A makes all purchases in North Dakota and firm B makes only 50 percent of all purchases in the state, firm A will contribute more to gross business volume.

Firms domiciled out of North Dakota had higher operating revenues (\$40.5 million versus \$26.2 million) in 1984 than North Dakota domiciled firms (Table 48). It is difficult to ascertain whether or not regulatory reform would lead to a higher or lower proportion of North Dakota domiciled firms. States such as Florida and Arizona have not experienced a shift from out-of-state domiciled firms to in-state domiciled firms.⁴³ However, North Dakota's intrastate regulated traffic base is different than the traffic bases in those two states. For instance, oilfield traffic in North Dakota accounts for a substantial portion of total intrastate traffic. In addition, much of the intrastate traffic in North Dakota is truckload traffic, whereas Florida and Arizona have substantial intrastate less than truckload (LTL) traffic. Thus, smaller firms would have an easier time finding loads if they decided to enter the industry than if the existing traffic base was largely comprised of LTL

⁴³Personal communication with Rich Beilock, Florida State University.

traffic which normally requires substantial investment in terminal facilities.

TABLE 48. FINANCIAL STATISTICS OF NORTH DAKOTA DOMICILED AND OUT-OF-STATE DOMICILED INTRASTATE PSC REGULATED TRUCKING FIRMS, 1984.

Financial Statistic	State of Domicile	
	North Dakota	Other
	----- (Dollars) -----	
Operating Revenues	26,167,269	40,539,734
Operating Expenses	24,766,945	39,873,559
Vehicle Repairs	3,688,180	4,704,493
Salaries	8,415,029	13,093,649
Fuel and Oil	3,419,404	4,454,549
Other Transportation Expenses	627,310	2,157,584
Office and Terminal	837,348	1,261,542
Travel and Entertainment	114,336	181,129
Insurance	947,697	1,248,183
Depreciation	1,831,234	2,864,704
Licenses and Permits	576,803	1,576,152
Corporate Taxes	78,105	1,590,851
Equipment Leases	2,310,618	5,012,861
Rental of Non-office Space	221,181	187,148
Interest	862,918	242,880
Miscellaneous	1,769,976	1,530,715

GROSS BUSINESS VOLUME

The financial statistics contained in Table 48 were allocated to various sectors within North Dakota's economy to analyze changes in gross business volume depending on alternative levels of spending. For example, office and terminal expenses were allocated to the finance, insurance and real estate (FIRE) sector while salaries were allocated to the household sector. Dollars spent in each of the sectors of the economy go through the economy at different rates (multiplier effect) and affect gross business volume to varying degrees.

Assuming that North Dakota domiciled firms would replace out-of-state domiciled firms in a deregulated environment, changes in gross business volume (GBV) in North Dakota were estimated using an IO model.⁴⁴ Changes in GBV were estimated for four scenarios in which varying proportions of revenue earned by out-of-state domiciled firms engaged in North Dakota intrastate PSC regulated trucking service were replaced by North Dakota domiciled firms (Table 49). Changes in GBV are based on the assumption that North Dakota domiciled firms spend a higher proportion of dollars in the state as opposed to out-of-state

⁴⁴Thor Hertsgaard, Department of Agricultural Economics, North Dakota State University, maintains a computerized IO model for analyzing linkages between the various sectors of North Dakota's economy. This model is detailed in Coon, et.al., op.cit.

domiciled firms. For example, salaries paid to employees of firms inside the state are more apt to be spent locally than salaries paid to employees of firms located outside the state. Thus, North Dakota based firms generate a higher proportion of GBV in North Dakota than firms based out of the state.

TABLE 49. ESTIMATES OF CHANGES IN GROSS BUSINESS VOLUME IN NORTH DAKOTA BASED ON THE SUBSTITUTION OF REVENUE EARNED BY NORTH DAKOTA DOMICILED TRUCKING FIRMS FOR REVENUE EARNED BY OUT-OF-STATE DOMICILED TRUCKING FIRMS, NORTH DAKOTA INTRASTATE PSC REGULATED SERVICE.

Percentage of Substituted Revenue	Change in Gross Business Volume in North Dakota Economy (000 Dollars)
25 ^a	20,804
50 ^a	41,607
75 ^a	62,412
100 ^a	83,215
25 ^b	(13,268)
50 ^b	(26,537)
75 ^b	(39,804)
100 ^b	(53,071)

^aSubstitution of revenue earned by North Dakota domiciled firms for revenue earned by out-of-state domiciled firms.

^bSubstitution of revenue earned by out-of-state domiciled firms for revenue earned by out-of-state domiciled firms.

The change in GBV varies from \$20.8 million to \$83.2 million depending on the percentage of revenue that is substituted. A 25 percent substitution results in an increase of \$20.8 million in

GBV while a 75 percent substitution results in a \$62.4 million increase in GBV. Conversely if the substitution involves a diversion of revenue from North Dakota based firms, GBV will decline. A 25 percent diversion from North Dakota results in a loss of \$13.3 million while diversions of 50 percent, 75 percent and 100 percent result in losses in GBV of \$26.5 million, \$39.8 million and \$53.1 million, respectively.

As was mentioned earlier, it is difficult to ascertain how much substitution would take place given regulatory reform. It is doubtful that the revenue diversion would be from North Dakota based firms to out-of-state based firms. Rather it is more likely that the diversion would be in the opposite direction. However, the magnitude of such a diversion is likely to be minimal even though North Dakota's truckload traffic base would undoubtedly attract new entrants into the industry. This was substantiated by motor carrier survey respondents as 126 firms indicated that they would either initiate new service or expand existing service if North Dakota's intrastate trucking industry was deregulated (Table 43). Additionally, 40 firms that did not provide intrastate PSC regulated trucking service at the time of the survey (Winter of 1986), indicated that they would provide such service if they were allowed to operate in the industry.

CONCLUSIONS

Survey results indicate that motor carriers overwhelmingly support altering North Dakota's intrastate trucking regulatory environment. Carriers are generally more in favor of incorporating pricing flexibility than other types of regulatory changes. However, when given their choice among several alternative regulatory frameworks, most carriers indicated a preference for complete freedom of entry and pricing. Thus, carriers generally feel that the current intrastate trucking regulatory environment is too rigid and should be changed.

Much of North Dakota's intrastate traffic base is truckload in nature. Less-than-truckload (LTL) traffic while significant, accounts for a smaller portion of all North Dakota intrastate traffic relative to many states. The nature of truckload traffic makes it relatively easy for carriers to enter the industry and pick-up traffic. Moreso, for example, than LTL traffic where terminal facilities are required in order to perform both break-bulk and consolidation activities. Nonetheless, many small LTL carriers currently perform peddle run operations to small rural communities throughout the state.

Many motor carriers that responded to the survey indicated that they would both initiate new service and/or expand existing service if North Dakota's regulatory environment allowed them to do so. This indicates that service would not deteriorate if the regulatory environment is altered, but would probably improve. A recent example of the willingness of motor carriers to serve

North Dakota's communities was evidenced when Dugan Transport withdrew from the industry in 1985. Immediately following Dugan's exit the PSC received applications for operating authority from several bulk carriers. In addition, a carrier purchased Dugan's operating authority. Thus, several firms were willing to replace one firm that exited the industry.

RECOMMENDATIONS

North Dakota's intrastate motor carrier regulatory environment, as it currently exists, is too rigid. Carriers are limited, to a degree, in the scope of their operations because broad operating authorities are generally not granted by the PSC. This also limits the number of firms serving shippers/receivers and restricts carrier choice. In addition, carriers have limited pricing (rate) flexibility because they cannot charge more or less than the rates that are published in their tariffs.

Carriers could benefit from a freer operating environment by stream-lining their operations through such things as increasing loaded backhauls. The current regulatory environment thwarts many such efficiency-gaining opportunities by limiting a carriers scope of operating authority. For example, a livestock hauler has applied several times for authority to haul products from Bismarck back to the town where cattle are originated for the move to Bismarck. However, because an existing carrier that serves that corridor protested each application, the livestock hauler's requests were denied. Thus, the carrier and

shippers/receivers were not able to benefit from the carrier obtaining backhaul traffic.

Additionally, easing entry requirements would permit carriers to realize economies of scope. That is, carriers could accrue cost savings in certain enterprises (industry segments) by adding other enterprises. This would allow carriers to provide service in more than one industry segment while simultaneously realizing cost savings in one or more segment(s) by spreading joint costs among the various enterprises. Carriers would benefit through increased profit margins while shippers/receivers would benefit through rate savings and/or rate stability.

Based on the data that have been presented in this study it is recommended that the legislature change certain aspects of the regulatory environment for firms serving the North Dakota intrastate motor carrier industry in order to increase economic efficiency and enhance competition. Specific recommendations are as follows:

Recommendation No. 1 - Amend N.D.C.C. Section 49-18-14 as previously proposed by H.B. 1317 and thereby ease entry into the regulated portion of North Dakota's motor carrier industry. Entry would become primarily a matter of applicant fitness.

While this recommendation calls for eased entry, carriers would continue to be required to apply for authority through the Public Service Commission and to meet applicable safety and insurance requirements. Unfit carriers would continue to have their applications denied or their authorities revoked by the PSC. Fitness would mainly be determined by insurability and safety.

Motor carriers and shippers/receivers generally favor such a regulatory change. With eased entry, the North Dakota intrastate trucking industry would experience increases in both new entrants and in firms applying for expanded operating authority. Eased entry will put additional pressure on carriers to provide higher levels of service and more competitive rate offerings. This regulatory change would allow existing carriers to apply for expanded operating authority or new carriers to apply for statewide authority.

Implementation of this recommendation may have an adverse impact on some existing carriers. Bankruptcies among motor carrier firms are up since passage of the Motor Carrier Act of 1980. The same could happen with respect to some intrastate carriers operating in North Dakota. However, these are typically firms that cannot compete with new or existing more cost efficient firms that enter the industry or already operate in the industry.

Recommendation No. 2 - Amend N.D.C.C. Section 49-18-18 to permit regulated carriers to charge less than their legally filed tariff rates. This change would give all regulated carriers the ability to bid on shipper consignments.

State law currently prohibits regulated carriers to deviate from the schedule of rates that they have on file at the PSC. Both motor carriers and shippers/receivers have indicated a preference for incorporating rate flexibility into the operating environment of the North Dakota intrastate regulated trucking industry. Making tariff rates maximums rather than absolutes would protect shippers/receivers from overcharges while providing

carriers with pricing flexibility to react to competitive situations. Also, allowing carriers to submit binding bids on shipper consignments would permit both carriers and shippers to respond more effectively to market signals.

An alternative to allowing maximum rates would be to incorporate a zone of rate freedom (ZORF). A ZORF would allow carriers to amend their tariff rates, within a prespecified range, without investigation as to reasonableness by the regulatory agency (Public Service Commission). The new rates would be presumed to be reasonable so long as they were within the prescribed zone. A ZORF could be established using a certain percentage of existing rates or could be tied to an index (the index would be determined by the regulatory agency). The advantage of using a straight percentage zone (such as a zone that would allow rate decreases of 15 percent and rate increases of 10 percent within a one-year period) is that it is easy to administer. However, a disadvantage is that it does not take into account changes in carriers' costs. For example, inflation may result in a 15 percent increase in a carrier's costs, but the carrier would be able to increase his rates by only 10 percent because the ZORF is based on a straight percentage. Likewise, carriers would be allowed to increase rates during deflationary times. A ZORF that is based on an index would be time consuming to establish, but once an appropriate index is identified it would allow carriers rate adjustments that would be cost reflective. For example, if the index increased by 10 percent,

carriers would be allowed to increase rates by up to 10 percent without investigation as to rate reasonableness.

Another option would be to combine a system of maximum rates with a zone. A major disadvantage of a ZORF is that a carrier must always charge the tariff rate. On the other hand, maximum rates allow carriers to charge any rate up to the published rate (maximum) without tariff revisions. For example, carriers would be permitted to charge up to 105 percent (or up to a given level of rate times the index if maximum rates are based on an index) of existing rates without amending existing tariffs. This would allow carriers pricing flexibility without numerous tariff revisions.

Recommendation No. 3 - Enact legislation to prohibit the Public Service Commission from accepting rate tariff filings that have been collectively discussed and/or filed by more than one carrier unless those rates apply directly to shipments that require the direct physical involvement of the participating carriers.

Two major associations of motor carriers currently submit collectively established rate proposals to the PSC, the North Dakota Motor Carriers Association (NDMCA) and Middlewest Motor Freight Bureau (MMFB). The PSC develops a composite financial statement for participating carriers in determining the reasonableness of these rate filings. All carriers in the group are granted a rate increase if the resulting average indicates that revenues are inadequate. This composite approach results in rate increases to some carriers that already have adequate profit margins. Rate competition is discouraged since all participating carriers charge identical rates.

Generally, collectively set rates are intended to accomplish two primary goals. First, they provide equitable treatment for all shippers. And second, they purportedly provide carriers with rates that offset costs and provide an adequate profit margin. However, carriers in North Dakota are able to publish discount tariffs which in effect give preferential treatment to certain shippers. Thus, collectively set rates in intrastate commerce are not currently providing equitable treatment for all shippers. Hence, collective ratemaking should be discontinued so as to encourage rate competition.

Agencies that currently act as collective rate making associations would continue to be permitted to act as tariff publishing agents for individual carriers and for groups of carriers involved in joint line rate setting. However, since collective rate making for single line service would no longer be permitted, these agencies would no longer be allowed to submit single line collectively established rate proposals for intrastate motor carrier service.

Recommendation No. 4 - Repeal PSC rules which require ICC certificated carriers to register with the PSC before operating over the state's roadways. Increase truck license fees and/or fuel taxes to offset revenue losses resulting from the elimination of the registration program.

Interstate motor carriers operating over state roadways are required to license their vehicles in North Dakota and to pay, either directly or indirectly, state fuel taxes. In addition, if a carrier hauls commodities that are regulated by the Interstate Commerce Commission it must register its authority with the PSC.

These requirements may serve as a deterrent to some carriers, thereby serving to inhibit both intramodal and intermodal competition. Conversely, easing entry by repealing these rules would encourage competition.

The PSC's registration plan was originally tied to enforcement relating to ICC regulated carriers. This enforcement is no longer done and the registration program is effectively a tax. It is discriminatory in that it taxes only one portion of the industry, ICC certificated carriers, while other portions of the industry do not incur the expense.

The registration program generates approximately \$1.25 million annually for the North Dakota general fund. Therefore, eliminating the program would have a negative impact on the state's treasury. This impact could be overcome by increasing applicable license fees and/or fuel taxes. North Dakota's fees and taxes in these areas are below national averages. This approach would reduce general fund income and increase revenues to the highway trust fund.

In addition to being potentially revenue neutral and pro-competitive, this proposal has the potential to be a cost-cutting measure. Discontinuing the registration program and increasing other applicable fees and taxes would eliminate a state collection function without increasing the cost of others. Cost savings would result because collection functions are already in place for collecting fuel taxes and registration fees.

Federal deregulation of the motor carrier industry is another reason to discontinue the registration program. If the federal government deregulates trucking, there will no longer be ICC certificated carriers. This would result in no revenue under the PSC's current registration program since only ICC certificated carriers are required to register.

Recommendation No. 5 - Encourage the Tax Departments' involvement in the development of and participation in a multi-state fuel use tax reporting program.

Interstate motor carriers operating in North Dakota are required to purchase fuel permits and to submit quarterly mileage and fuel use reports to the Tax Department. While fuel permitting is a common practice among the states it is not procedurally uniform. This lack of uniformity imposes operational hardships for carriers that operate in several states.

North Dakota is a party to the International Registration Plan which allows multi-state carriers to satisfy all the state's licensing requirements at the administrative offices of any one of the participating states. A carrier that is based in another state can pay its North Dakota license fees and all similar fees required in other participating states at one time with one payment in its home state. This ability greatly reduces artificial operating barriers and increases operating efficiencies.

Utilizing a similar system to handle the purchase of fuel permits and to handle associated reporting requirements would

further increase efficiencies within the trucking industry. Eliminating this obstacle would encourage competition and would make fuel reporting easier for carriers. This increase in competition, when coupled with increased operating efficiencies, should have positive rate adjustment impacts on the shipping public. The implementation of procedural uniformity and multi-state agreements relative to fuel use taxes has been endorsed by the National Association of Tax Administration and the National Governors Association.

APPENDIX A
Regulatory Requirements of Other States

OPERATING AUTHORITY

Utility Commission Requirements

Alabama - PSC regulates entry and rates for motor common and contract carriers. Exempt-transportation of selected commodities and service within defined commercial zones. Common carrier rates may be filed individually or collectively.

Alaska - For hire carriers must get operating authority from the Alaska Transportation Commission. Exempt-transportation of ranch, farm and dairy products.

Arizona - Arizona Corp. Commission regulation of entry and rates was repealed in November 1980.

Arkansas - Transportation Commission regulates entry and rates for motor common and contract carriers. Exempt-transportation within defined commercial zones; tow and dump truck service; transportation of raw agricultural products, live poultry, unmanufactured poultry products, livestock and poultry feed, sawdust, wood shavings and chips. Common carriers may file individually or collectively.

California - Public Utilities Commission regulates entry and rates for motor common and contract carriers. Exempt-transportation of agricultural commodities by farmers for neighboring farmers; in defined commercial zones; tow trucks; private carriers. Common carriers may file individually or collectively.

Colorado - P.U.C. regulates entry and rates of motor common and contract carriers. Exempt-transportation of products from farm or fishery, private carriers transporting own property; sand, gravel, rock, dirt, stone, insulrock, timber, wooden poles, household goods carriers. Common carriers may file individually or collectively.

Connecticut - P.U.C. regulates entry and rates of motor common and contract carriers. Exempt-armored cars, milk, agricultural cooperatives, farmers transporting agricultural products for neighboring farmers; transportation of property (except household goods) within defined commercial zones. Rates are filed individually or collectively.

Delaware - No regulation.

District of Columbia - No regulation.

Florida - PSC regulations terminated July 1980.

Georgia - PSC regulates entry and rates for motor common and contract carriers. Exempt-transportation of certain farm, fishery and forest products; transportation of property within boundaries of corporate municipalities and operations of private carriers. Rates may be filed individually or collectively.

Hawaii - P.U.C. regulates entry and rates for motor common and contract carriers. Exempt-farm and fishery products, livestock haulers, private carriers. Common carrier rates are filed individually or collectively.

Idaho - P.U.C. regulates entry and rates of motor common and contract carriers and operations of private carriers. Exempt-transportation within defined commercial zones and of agricultural commodities, livestock feed and household goods. Common carrier rates are filed individually, but carriers may file joint route and through agreements. Lease agreements require commission approval.

Illinois - Illinois Commerce Commission regulates entry and rates for motor common and contract carriers. Exempt-transportation of raw agricultural commodities, agricultural coop vehicles, certain tow truck operations. Common carrier rates may be filed individually or collectively.

Indiana - PSC regulates entry and rates for motor common and contract carriers. Exempt-transportation of livestock and supplies; fertilizer in transit to farms; farm, fishery and forest products; private carriers. Common carrier rates filed individually or collectively.

Louisiana - PSC regulates entry and rates for motor common and contract carriers. Exempt-transportation of raw agricultural, forestry and fishery products, sand, shells, soil, clay, livestock, taxis, wreckers, school buses, private carriers. Common carrier rates may be filed individually or collectively.

Maine - Regulation was repealed effective January 1982.

Maryland - PSC regulates both entry and rates for motor common carriers. Exempt-transportation of farm products, milk, armored cars, household goods carriers, private carriers and operation within Maryland PSC defined commercial zones. Common carrier rates filed individually, carriers are authorized to file joint route and through rate agreements.

Massachusetts - Department of Public Utilities regulates entry and rates for motor common and contract carriers. Exempt-transportation of agricultural commodities by farmers for neighboring farmers. Common carrier rates may be filed either individually or collectively.

Michigan - PSC regulates entry and rates for motor common and contract carriers. Exempt-private carriers, forest, farm or fishery, operations within PSC-defined commercial zones and intercorporate hauling provided transportation subsidiary is fully owned by parent corporation. Common carrier rates filed individually or collectively.

Minnesota - Transportation Regulation Board regulates entry and rates of for-hire carriers. Regular route and petroleum carriers require certificate of public convenience and necessity. Irregular route common carriers, livestock carriers, contract carriers and carriers of specific commodities require a permitted carriers permit. Exempt-transportation of raw agricultural or forestry products and within defined commercial zones. Carrier rates may be filed individually or collectively.

Nebraska - PSC regulates entry and rates for motor common and contract carriers. Exempt-transportation of agricultural commodities; transportation to or from farm, dairy or feed lot; within defined commercial zones; tow trucks, armored cars. Common carrier rates may be filed individually or collectively.

Nevada - PSC regulates entry and rates for motor common and contract carriers, also supervised licensing for motor private carriers. Exempt-private carriers, movement of contractors equipment on own vehicles, livestock and armored cars. Common carrier rates filed individually or collectively.

New Hampshire - P.U.C. regulates entry and rates for motor common and contract carriers. Exempt-private carriers, within defined commercial zones, specialized commodities. Common carrier rates filed individually except carriers are permitted to file joint route and through rate agreements.

New Jersey - P.U.C. regulates entry and rates for household goods carriers, special commodities (i.e., moving of uncrated articles) and bulk commodities. Exempt-all other common, contract and private carriers, farm and dairy products and transportation of property within the corporate limits of municipalities. Carriers file rates individually and may file joint route and through rate agreements.

New Mexico - The State Corporation Commission regulates entry and rates for motor common and contract carriers. Exempt-transportation within defined commercial zones, private carriers, livestock, transportation of sand, gravel, under government contract. Carriers of farm products must obtain certificate of registration. Common carrier rates are filed either individually or collectively.

New York - State Department of Transportation regulates entry and rates for motor common and contract carriers. Exempt-farm and fishery products, operations within defined commercial zones and private carriers. Common carrier rates are filed individually or collectively. Common carriers may lower or raise rates 10% without prior New York Department of Transportation approval.

North Carolina - North Carolina Utilities Commission regulates entry and rates for motor common and contract carriers. Exempt-transportation of native fruits and vegetables; farm and fishery products; private carriers and commercial zone operations. Common carrier rates filed individually or collectively.

North Dakota - PSC regulates entry and rates for motor common and contract carriers. Exempt-farm and fishery products, commercial zone operations, property with prior or subsequent movement by air, transportation of newspapers, periodicals, disabled vehicles, dump truck commodities, ready mix cement, garbage, coal, lignite, armored cars, private carriers. Common carrier rates filed individually or collectively.

Ohio - P.U.C. regulates entry and rates for motor common and contract carriers. Exempt-farm or fishery products, operation within defined commercial zones and private carriers. Common carrier rates are filed individually except that regular route common carriers are permitted to file joint route and through rate agreements.

Oklahoma - Oklahoma Corporation Commission regulates entry and rates for motor common and contract carriers. Exempt-farm or fishery products, in defined commercial zones, transportation of livestock or unprocessed agricultural commodities, and private carriers. Common carrier rates are filed either individually or collectively.

Oregon - P.U.C. regulates entry and rates of motor common and contract carriers and supervises the operations of private carriers. Exempt-farm, fishery and forestry products and within defined commercial zones. Common carrier rates are filed either individually or collectively however, irregular route carriers may not participate in joint rates, fares or charges.

Pennsylvania - P.U.C. regulates entry and rates for motor common and contract carriers. Exempt-transportation of unprocessed farm products by carriers not under Commission jurisdiction and private carriers. Common carrier rates filed individually or collectively.

Rhode Island - Division of Public Utilities and Carriers regulates entry and rates for motor common and contract carriers of property. Exempt-farm and fishery products and private carriers. Common carrier rates are filed either individually or collectively.

South Carolina - PSC regulates entry and rates for motor common and contract carriers of property. Exempt-farm and forest products, operation in defined commercial zones and private carriers. Common carrier rates are filed either individually or collectively.

South Dakota - P.U.C. regulates entry and rates for motor common and contract carriers. Exempt-transportation of raw agricultural and horticultural products, livestock, highway construction and maintenance materials, products from mining or logging and private carriers. Common carrier rates filed individually or collectively.

Tennessee - PSC regulates entry and rates for motor common and contract carriers. Exempt-farm and dairy products, livestock, coal and products of the soil, operations within defined commercial zones. Common carrier rates filed individually or collectively.

Texas - Texas Railroad Commission regulates entry and rates for common motor carriers, specialized motor carriers and contract motor carriers of property and motor bus companies. Exempt-private carriers and delivery of general commodities in specified commercial zones. Rates filed individually or collectively.

Utah - PSC regulates entry and rates of motor common and contract carriers. Exempt-raw agricultural and forestry products, tow trucks and armored cars. Transportation of coal is subject only to safety and insurance requirements of the commission. Common carrier rates are filed individually except that carriers are authorized to file joint rate and through agreements.

Vermont - Vermont Transportation Board regulates entry and rates for motor common and contract carriers. Exempt-transportation of raw agricultural commodities and private carriers. Common carrier rates filed individually or collectively.

Virginia - The Virginia Corporation Commission regulates entry and rates for motor common and contract carriers. Exempt-farm, fish and forestry products, within defined commercial zones and private carriers. Common carrier rates are filed either individually or collectively.

APPENDIX B

Example of Annual Report Filed by
Intrastate Regulated Motor Carriers
with the Public Service Commission

FOR YEAR ENDED _____

FILE NO. _____

129
ANNUAL REPORT

TO THE
PUBLIC SERVICE COMMISSION
State of North Dakota

This form for annual report should be filled out in duplicate and one copy returned to the office of the Public Service Commission, State Capitol, Bismarck, ND, 58505, not later than the 15th day of the fourth month following the close of the year for which this report is made. Retain one copy of report for your files for reference in case of correspondence regarding the report.

1. Name of Reporting Company _____

2. Name, title, and address of person to whom correspondence concerning this report should be addressed

(Name) (Title)

(Street) (City) (State) (Zip Code)

3. Carrier is _____
(Individual, Partnership, or Corporation) (Telephone No.)

4. Operating Under Certificate or Permit Number _____
(List all Certificates Held)

State of North Dakota,)
County of _____) ss
I, the undersigned, _____
(Title of Officer)

of _____
(Name of Company)

on my oath, do say that this report has been prepared, under my direction, from the original books, papers, and records of said Company; that I have carefully examined the same, and declare the same to be a complete and correct statement of the business and affairs of said Company in respect to each and every matter and thing herein embrace all of the financial operations of said Company during the period for which said report is made.

(President or Owner)

Subscribed and sworn to before me this _____ day of _____, 19 _____

_____, Notary Public, _____ County, _____

My Commission Expires _____

OPERATING STATEMENT

<u>Acct. No.</u>		<u>ND Intrastate Regulated Common Carrier Service</u> (1)	<u>Total Transportation System Figures (incl. ND from Col. 1)</u> (2)
	<u>OPERATING REVENUES</u>		
31	Freight Revenue	_____	_____
32	Passenger Revenue	_____	_____
33	Other (Specify) _____	_____	_____
34	<u>TOTAL OPERATING REVENUES</u>	_____	_____
	Percent of Total Operating Revenues Generated via Leased Vehicles	_____ %	_____ %
	<u>OPERATING EXPENSES</u>		
41	Vehicle repair & mtce. (incl. tires)	_____	_____
42a	Salaries - admin., clerical, sales, etc.	_____	_____
42b	Salaries - drivers, super., mech., etc.	_____	_____
43	Fuel & oil	_____	_____
44	Other transportation expenses	_____	_____
45a	Office & terminal exp.	_____	_____
45b	Travel & entertainment	_____	_____
46	Insurance & safety	_____	_____
47	Depreciation (<u>straight line</u>)	_____	_____
48a	License, permits, & non-gas hwy. taxes	_____	_____
48b	Corporate income taxes	_____	_____
49a	Equipment leases & rentals	_____	_____
49b	Rental of non-office space (net)	_____	_____
50	Other (Specify) _____	_____	_____
	<u>SUBTOTAL: OPERATING EXPENSES</u>	_____	_____
51	Interest expense & finance costs	_____	_____
55	<u>TOTAL EXPENSES</u>	_____	_____
56	<u>NET INCOME</u>	_____	_____
	<u>PASSENGERS CARRIED</u>	_____	_____
	<u>TRUCK/BUS MILES TRAVELED</u>	_____	_____
		(within ND)	(total system)
*	<u>Average Net Investment in Operating Equip. & Property</u>	_____	_____
*	<u>Stockholder/Owner Equity Less Intangibles</u>	_____	_____

* Partnerships and corporations only.

APPENDIX C
Motor Carrier Survey

SURVEY OF INTRASTATE MOTOR CARRIERS
SERVING NORTH DAKOTA

1. Do you have ICC interstate authority?

_____ Yes _____ No

2. Do you have ND Public Service Commission authority?

_____ Yes _____ No (If yes, go to #3; if no, go to #4).

3. What segment or segments of the ND intrastate motor carrier industry do you represent?

- _____ General Commodities
- _____ Bulk
- _____ Oil Field-Bulk
- _____ Oil Field-Heavy Hauler
- _____ Household Goods
- _____ Heavy Equipment
- _____ Passenger
- _____ Mobile Home
- _____ House Mover
- _____ Other, please specify _____

4. What were your revenues in 1985?

Total System	ND Intrastate Service
_____ less than \$100,000	_____ less than \$100,000
_____ \$100,000-\$500,000	_____ \$100,000-\$500,000
_____ \$500,000-\$1 million	_____ \$500,000-\$1 million
_____ \$1 million-\$2 million	_____ \$1 million-\$2 million
_____ \$2 million-\$5 million	_____ \$2 million-\$5 million
_____ over \$5 million	_____ over \$5 million

5. Have you attempted to initiate new or expand existing ND Public Service Commission intrastate regulated service in the past 5 years?

_____ Yes _____ No

Were you able to expand or initiate new intrastate service?

_____ Yes _____ No

If no, why not? _____

6. Have you attempted to initiate new or expand existing ICC interstate regulated service in the past 5 years? Yes No

Were you able to expand or initiate new interstate regulated service in the past 5 years? Yes No

If no, why not? _____

7. Does your company use unionized labor? Yes No

8. Please indicate what you would do if ND deregulated the intrastate motor carrier industry:

- | | | | |
|----------------------------|------------------------------|-----------------------------|-------------------------------------|
| a. Initiate new service | <input type="checkbox"/> Yes | <input type="checkbox"/> No | <input type="checkbox"/> Don't Know |
| b. Expand existing service | <input type="checkbox"/> Yes | <input type="checkbox"/> No | <input type="checkbox"/> Don't Know |
| c. Increase rates | <input type="checkbox"/> Yes | <input type="checkbox"/> No | <input type="checkbox"/> Don't Know |
| d. Decrease rates | <input type="checkbox"/> Yes | <input type="checkbox"/> No | <input type="checkbox"/> Don't Know |
| e. Other, please specify | _____ | | |
| | _____ | | |

9. Please respond to each of the following questions relative to the PSC regulated intrastate motor carrier industry:

- | | | | |
|---|--------------------------------|-----------------------------------|-------------------------------------|
| a. North Dakota should not alter its intrastate motor carrier environment. | <input type="checkbox"/> Agree | <input type="checkbox"/> Disagree | <input type="checkbox"/> Don't Know |
| b. North Dakota should ease entry restrictions. | <input type="checkbox"/> Agree | <input type="checkbox"/> Disagree | <input type="checkbox"/> Don't Know |
| c. Rate flexibility should be initiated. | <input type="checkbox"/> Agree | <input type="checkbox"/> Disagree | <input type="checkbox"/> Don't Know |
| d. Complete pricing (rate) freedom should be incorporated. | <input type="checkbox"/> Agree | <input type="checkbox"/> Disagree | <input type="checkbox"/> Don't Know |
| e. The current operating environment is competitive. | <input type="checkbox"/> Agree | <input type="checkbox"/> Disagree | <input type="checkbox"/> Don't Know |
| f. The current operating environment allows a motor carrier to be flexible and meet consumer demands. | <input type="checkbox"/> Agree | <input type="checkbox"/> Disagree | <input type="checkbox"/> Don't Know |

- g. Small communities currently receive adequate service. Agree Disagree Don't Know
- h. Rates for service to small communities are fair. Agree disagree Don't Know
10. Please indicate which regulatory framework you would prefer in North Dakota in the future (check the appropriate box):
- A regulatory environment similar to the one that currently exists.
- An environment with eased entry, but with rates strictly controlled by the PSC.
- An environment with eased entry and a zone of pricing (rate) freedom (rates would be monitored within a range by the PSC).
- An environment with eased entry and no rate controls.
- Complete freedom of entry and pricing.
11. Please rank the following factors as to their importance relative to regulation of the intrastate motor carrier industry in North Dakota. (1 = most important factor, 2 = 2d most important factor, 3 = 3d most important factor, etc.)--(only rank those factors you feel are important):
- Safety
- Protect motor carrier profits
- Promote competition
- Provide stable freight rates
- Guarantee service
- Provide flexible service
- Attract new entrants
- Insure low freight rates
- Insure high freight rates
- Protect consumers (shippers)
- Control predatory pricing
- Avoid discriminatory service.
- Prevent discriminatory pricing
12. In your opinion, what should be the primary reason for regulating the North Dakota intrastate motor carrier industry? _____
- _____
- _____
- _____

13. In your opinion, what would happen if the North Dakota legislature deregulated the intrastate motor carrier industry? _____

14. What are the biggest issues concerning motor carriers today?
