


Why would U.S. Government Regulate Transportation?

- Transportation is a vital industry
 - jobs
 - standard of living
 - growth of economy
- Govt. has a vested interest
 - contributes to tax base
 -
 - must serve and protect public interest
- Transportation is a unique industry
 - , not discretionary
 - a hands off approach is dangerous


How is the Government Involved in Transportation?

- Infrastructure development
- Maintenance
- Financing
- Management
-
- Operation
- Research
- Police activity
-





What is the Focus of Transportation Regulation?

- Regulation
 - remedy for imperfect markets
- and Liability Regulation
 - protect the traveling public
- Antitrust Regulation
 - ensure fair trade between shippers and carriers, passengers and carriers
- Environmental Regulation
 - protection of natural resources and citizens
- Financial Regulation
 - protection against carrier bankruptcy



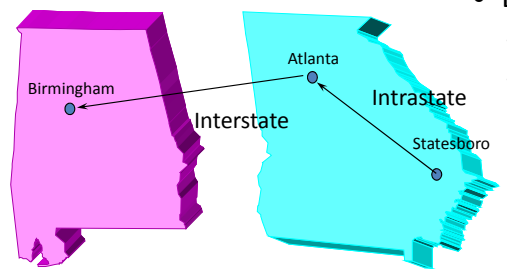


Regulatory Roles of Government

- Federal Government
 - economic, antitrust, and financial regulation
 - foster a sound financial base
 - keep industry strong and competitive
 - safety and environmental regulation
 - protect the environment and quality of life
- State and Local Government
 - primary role is in regulation
 - protect health and welfare of citizens
 - limited role in economic regulation
 - enforce federal mandates and regulations
 - cannot interfere with interstate commerce

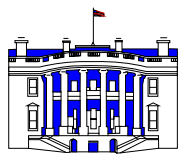










Intrastate and Interstate

- Who regulates and enforces
 - Driver's license
- Effects on business
 - Motor
 - Rail






Primary Participants in Transportation Regulation













Role of Participants




- Legislative Branch
 - develop statutory
 - specific enactment with general guidelines
 - appropriate
 - may/may not provide the money needed to enforce laws, run commissions, etc.
 - manage regulatory
 - power to create/eliminate commissions, set responsibilities and authority, etc.




Role of Participants




- Judicial Branch
 - interprets meaning and application of congressional statutes
 - interprets commission decisions and authority
 - enforces laws and commission rules through penalties
 - deals with litigation arising out of common law obligations of carriers
 - decisions serve as legal precedent under common law



Role of Participants









- Federal Regulatory Commissions
 - independent body of experts
 - enforces & interpret laws and regulations
 - fills in details of legislation
 - Interstate Commerce Commission
 - managed interstate surface transportation
 - established in 1887, abolished in 1996
 - Federal Maritime Commission
 - manages ocean transportation
 - Civil Aeronautics Board
 - managed economic regulation of airlines
 - established in 1938, abolished in 1985




Department of Transportation

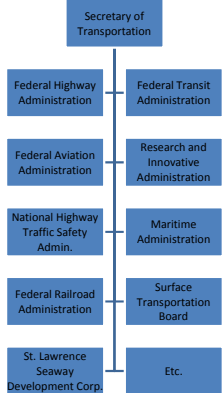
- Surface Transportation Board
- Federal Highway Admn
- National Highway Traffic Safety Admn
- Federal Motor Carrier Safety Admn
- Federal Aviation Admn
- Federal Railroad Admn
- Federal Transit Admn
- Maritime Admn
- Pipeline & Haz Materials Safety Admn
- Saint Lawrence Seaway Development
- Research & Innovative Tech Admn
- Bureau of Transportation Statistics


Department of Transportation

- Reports to the President
 - 55,000 employees and a \$70 billion budget






Department of Transportation



- Surface Transportation Board
 - replaced the ICC as of January 1, 1996
 - independent 3-member board
 - former ICC commissioners
 - supported by 125 member staff
 - authority over railroads
 - track abandonment and construction
 - mergers and acquisitions
 - max rates charged to captive shippers
 - little authority over motor carriers
 - dispute resolution process for HHG movers
 - bus line mergers and route requirements

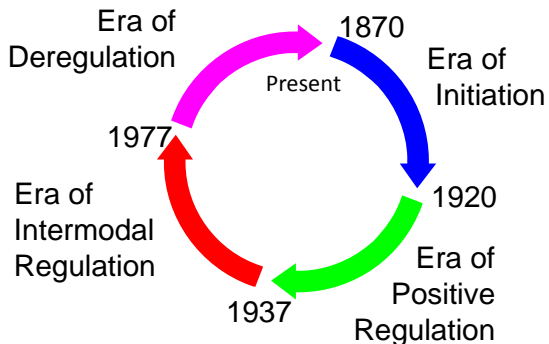
Economic Regulation of Transportation

- The Case for Regulation
 - Noncompetitive markets
 - natural monopoly for one carrier
 - opportunity for customer price gouging
 - Overly competitive markets
 - ruinous competition between carriers
 - excess capacity encourages price wars
 - possibility that service quality will diminish
 - possibility that service will be lost




Rail monopolies and abusive practices led to regulation of the transportation industry in the late 18th century

Historical Overview of The Regulation Cycle



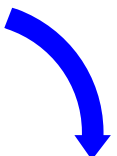

The diagram illustrates a cyclical process of regulation in transportation. It starts with the **Era of Initiation** in 1870, moving to the **Era of Positive Regulation** in 1920, then the **Era of Intermodal Regulation** in 1937, followed by the **Era of Deregulation** in 1977, and finally reaching the **Present**.

Economic Regulation of Transportation



- Era of Initiation
 - attempt made to curb discriminatory practice of
 - different prices for same service
 - higher prices for shorter trips
 - preferential pricing for certain locations and commodities


1870


1920

- regulation established
 - rate publication
 - maximum rates
 - criminal penalties for failure to comply

Economic Regulation of Transportation




- Era of Positive Regulation
 - attempt to improve the financial stability of the rail industry
 - initial regulation too restrictive
 - minimum rate control
 - promote cooperation between rail companies to achieve economies




1920

- recognition that transportation companies must make a reasonable amount of revenue
 - to maintain equipment
 - to attract capital

1937




Economic Regulation of Transportation




- Era of Intermodal Regulation
 - regulatory control of
 - protect inherent advantages of each mode
 - foster sound conditions in the industry
 - promote coordination, adequate service, and reasonable rates

1978




1935





- established duties of common carriers
 - must provide service to
 - must not
 - must provide safe delivery of goods
 - must charge reasonable rates

Economic Regulation of Transportation

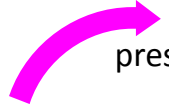


- The case against regulation
 - Issues that led to regulation no longer exist
 - barriers to entry are lower
 - intermodal competition exists
 - Regulation is a poor substitute for market forces
 - competition promotes efficiency, productivity, quality, and low prices
 - law of supply and demand encourages investment in what is desired
 - Regulation discourages management initiative and responsibility
 - Regulation is slow, inconsistent, and costly







Economic Regulation of Transportation



1976


present

- Era of Deregulation
 - eased economic regulation of air, motor, and rail carriers significantly
 - federal preemption of state regulations
 - provided rate freedom and flexibility
 - streamlined abandonments and mergers
 - eased market entry and exit rules
 - expanded contract carriage opportunities
 - elimination of most regulatory agencies
 - market forces largely "regulate" carrier prices and availability of supply
 - " " for shippers buying services

Regulation Types

- Types of Regulation
 - - rates, routes, licensing
 - - hours, noise, speeds
- Anti-trust
 - Sherman Act, 1890
 - anti-trust and price fixing
 - Clayton Act, 1914
 - strengthen anti-trust and id. monopolies
 - Federal Trade Commission Act, 1914
 - strengthen and defined unfair comp.
 - Robinson-Patman Act, 1936
 - no discrimination on prices or goods




Safety Regulation of Transportation

- Government fosters safety by
 - monitoring system performance
 - researching and analyzing accidents
 - improving vehicle design requirements
 - improving roadway design
 - financing training and awareness programs
 - developing and enforcing safety regulations




Key Safety Regulations

- Operator Requirements
 - pre-employment training
 - standardized licensing systems
 - drug and alcohol testing
 - limited hours of service
- Company Requirements
 - requiring more safety equipment
 - increasing inspection requirements
 - increasing retraining requirements
 - increasing penalties for noncompliance
 - standardizing rules and regulations


Types of Carriers

- - backbone of for-hire transportation
- - most heavily regulated duties include:
 - to serve the general public
 - to deliver the product
 - to charge reasonable rate
 - to not discriminate between customers
- - contract relationship with each user
- - "Rule of Eight" used to limit
- - increased flexibility since 1980




Types of Carriers, cont.

- - not required to deal with economic regulations
- - applies to specific products:
 - perishables (motor)
 - bulk shipments (water)
 - piggyback and boxcar (rail)
- - also, not required to deal with economic regulations
- - firm must pass the "non primary business" test
- - losing popularity recently

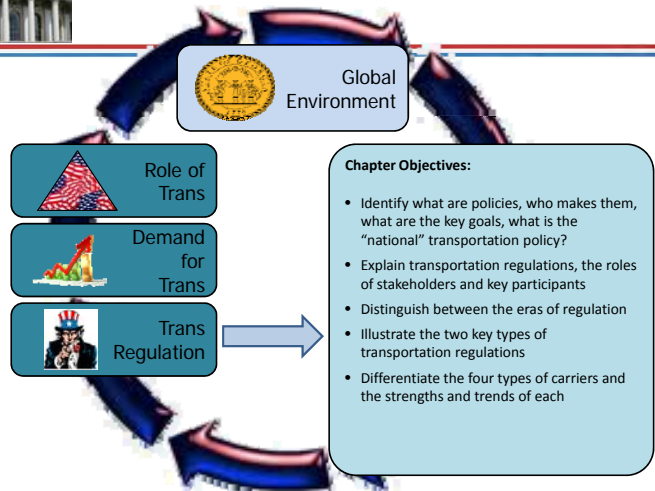


Summary



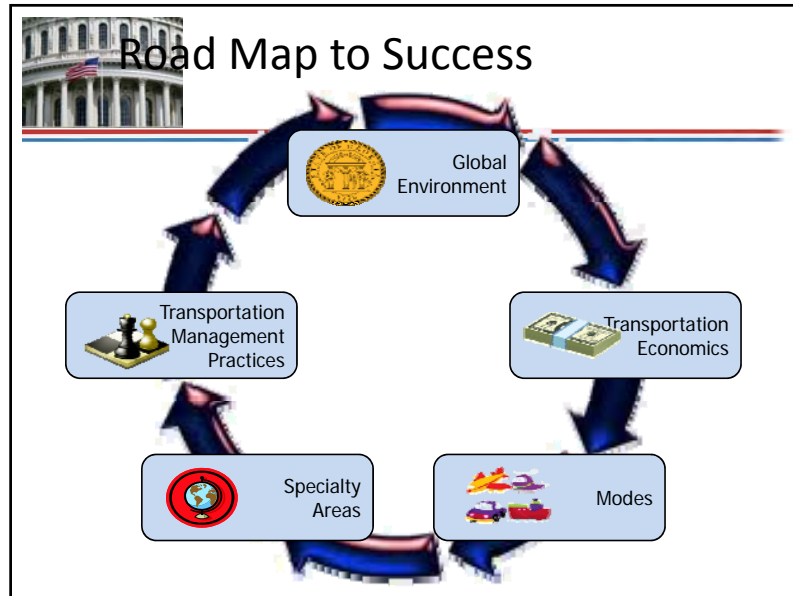
- Economic Regulation has decreased
- Safety Regulation
- Regulation is set by individuals and agencies
- Goal is for the benefit of a group:
 - Historically to protect the carriers
 - Recently to help the shippers
- DOT is the primary agency
- Regulation is
- Many successes and failures

Road Map to Success



Chapter Objectives:

- Identify what are policies, who makes them, what are the key goals, what is the "national" transportation policy?
- Explain transportation regulations, the roles of stakeholders and key participants
- Distinguish between the eras of regulation
- Illustrate the two key types of transportation regulations
- Differentiate the four types of carriers and the strengths and trends of each



End Here for Exam 1!!

- Multiple choice only
 - based mostly on lecture
 - 25-40 questions
 - Questions from the book
 - Bring a scan form!!
 - Form 2052 (brown)

45