KANSAS GENERAL COMMODITY MOTOR CARRIERS: REGULATION AND SERVICE PROBLEMS

by

RANDALL ERIC SHELDON

B. S., Kansas State University, 1968

969-5358

A MASTER'S REPORT

submitted in partial fulfillment of the

requirements for the degree

MASTER OF SCIENCE

Department of Economics

KANSAS STATE UNIVERSITY
Manhattan, Kansas

1972

Approved by:

Orlo Sorenson
Major Professor

LD
2668
R4
1972
S42
C.2
Documents

TABLE OF CONTENTS

CHAPTER

1. INTRODUCTION 1

Advantages of Motor Transportation 1

Statement of the Problem 2

Objectives of the Paper 8

2. FEDERAL REGULATIONS 11

Interstate Commerce Act 11

Motor Common Carriers 18

Operating Authority of Motor Common Carriers 19

Regulation of Motor Common Carrier Rates 24

Motor Contract Carriers 29

Operating Authority of Motor Contract Carriers 30

Regulation of Motor Contract Carrier 32

Motor Common or Contract Carrier 34

3. STATE REGULATION 38

State Regulation of Interstate Commerce 38

State Regulation of Motor Common Carriers Operating in Intrastate Commerce 40

State Regulation of Motor Contract Carriers Operating in Intrastate Commerce 45

State Regulation of Private Carriers Operating in Intrastate Commerce 48

State Regulation of Motor Carriers Operating in the Kansas City Commercial Zone 50

4. SERVICE FAILURES OF MOTOR COMMON CARRIERS 51

5. STRUCTURE OF THE GENERAL COMMODITY CARRIER INDUSTRY IN KANSAS AND EVALUATION OF CARRIER SERVICE IN KANSAS RURAL TOWNS 63

Structure of Intrastate Motor Common Carriers Serving Kansas 63

Procedure of Survey 65

Findings of Survey 68

Conclusions of the Survey 74

6. SUMMARY AND CONCLUSIONS 76

ACKNOWLEDGMENTS 79

APPENDIX 80

BIBLIOGRAPHY 86

LIST OF TABLES

Table

1. Distribution of Tons of Small Shipments Originated by Weight Categories for Shipper Groups in the Census of Transportation Sample, 1967 5

2. Percent Distribution by Distance of Shipment and the Percent Distribution of Rail and Truck 7

3. Percent Distribution of Weight of Shipment by Means of Transport, 1967 9

4. Percentage Distribution of Intercity Ton-Miles Transported by Motor Carriers Regulated by the Interstate Commerce Commission 36

5. Percentage Distribution of Intercity Freight Revenues of Motor Carriers Regulated by the Interstate Commerce Commission 37

6. Comparison of Variable Unit Cost of Transporting Freight by Class I and Class II Motor Common Carriers of General Commodities for the Middlewest Region, 1969 and 1965 53

7. Variable Unit Cost for Platform Handling and Percentage of the Weight Handled over the Platform by Weight Bracket for Middlewest Region, 1969 and 1965 54

8. Profit Margins of Transporting One Hundred, Three Hundred, One Thousand and Ten Thousand Pound Shipments from Manhattan, Kansas to Kansas City, Kansas, 1969 . . 58

9. Intrastate Revenues and Expenses of Motor Common Carriers of General Commodities Operating in Kansas for Year Ended December 31, 1970 64

10. Kansas Counties Listed by Crop Reporting Districts 67

11. Average Number of Intrastate and Interstate Motor Common Carriers of General Commodities per Town by District for the State of Kansas 69

12. Average Number of Intrastate Motor Common Carriers of General Commodities per Rural Town with Population of 0-2,499 by District 71

13. Average Number of Interstate Motor Common Carriers of General Commodities per Rural Town with Population of 0-2,499 by District 73

CHAPTER I

INTRODUCTION

Advantages of Motor Transportation

Motor transportation is a large industry that provides for the interchange of goods in our society. All communities, large or small, heavily depend upon truck service for their everyday needs. Communities that once depended upon railroads now rely entirely upon trucking, since railroads are abandoning track and curtailing service, especially less-than-carload-lot freight service.

For the U.S., the motor carrier industry's share of total ton-miles of intercity freight increased from 7 percent in 1946 to 19 percent in 1969.[1] Railroads' share declined from 69 percent to 36 percent.[2] Each mode increased absolute ton-miles from 1946 to 1969.[3] During this period, the other modes of transportation (pipeline, water, and airline) increased their share of total ton-miles from 25 percent to 45 percent.

The trucking industry has been able to increase its relative share of the ton-mile market because of an inherent ability to provide advantageous services to the shipper. The advantages of motor carrier transportation are speed, flexibility, economy and convenience. Technological

---

[1]A ton-mile is a statistical unit measuring weight and distance - 1 ton of freight transported 2 miles is 2 ton-miles.

[2]Interstate Commerce Commission, 62nd Annual Report for the Year Ended October 31, 1948 (Washington, D.C.: Government Printing Office, 1949), p. 15.

[3]Interstate Commerce Commission, 85th Annual Report for the Year Ended June 30, 1971 (Washington, D.C.: Government Printing Office, 1971), p. 120

advance in the form of better equipment and an improved highway system has aided motor carriers in development of these advantages.[4]

The trucking industry is operating with a unit that, on the average, has less capacity than a railroad freight car. The trucker doesn't have to wait as long to accumulate freight and can depart immediately after he is loaded while railroads must assemble freight cars into a train. The flexibility of trucks has enabled them to provide faster transit speed. With frequent and dependable schedules and prompt collection and delivery, truck transportation is reliable and convenient to the shipping public.

The saving in time from faster transit speed has allowed retailers, wholesalers and manufacturers to have a faster turnover of stocks, less inventory and broader marketing areas.[5] Business firms are adopting the physical distribution approach of interrelated cost of transportation, material handling, industrial packaging, warehousing and inventory control. The concept is reducing the cost of getting the goods to the customer. The efficient and economic handling of goods could contribute much to the welfare and progress of our nation.

Statement of the Problem

The trucking industry in the 1930's and 40's was extremely interested in obtaining all types of freight. Small shipments were an attractive market for them. Truckers advertised "express service at freight rates."[6]

---

[4]Charles A. Taff, Commercial Motor Transportation, (Fourth Edition; Homewood, Illinois; Richard D. Irwin, Inc., 1969), p. 8.

[5]Ibid., pp. 9-10.

[6]Interstate Commerce Commission, Bureau of Economics, The Role of Regulated Motor Carriers in the Handling of Small Shipments, Statement No. 67-2 (Washington, D.C.: Government Printing Office, 1967), p. 45.

By providing a door-to-door service, they were able to divert traffic from the railroads. In the 1950's, motor carriers became more selective of the traffic they were willing to haul. The reasons were narrowing profit margins and competition from other modes. Motor carriers started to avoid many types of small shipments which were considered unprofitable and solicited only that cargo which would yield profits. This curtailment of service has seriously affected the movement of small shipments.

The Interstate Commerce Commission stated that, "Development of adequate small shipment service is one of the most perplexing current issues facing both the Commission and the transportation industry."[7] A small shipment is defined as traffic moving in lots of under 10,000 pounds.

The ICC describes the small shipment problem as carrier avoidance of commodities considered undesirable because of physical characteristics or volume, failure of carriers to interline to obtain the through movement of a shipment, inability to obtain service to small cities or areas with low traffic volume, withdrawal of service from low volume traffic points following carrier merger, and by-passing of communities not served by the interstate highway system.[8]

Small shipment service problems aren't confined to individuals and small businesses. In fact, large manufacturers are the principle users of small shipment services. There are three main categories of shippers that are concerned with the problem.[9]

---

[7]Interstate Commerce Commission, 82nd Annual Report for Year Ended June 30, 1968, (Washington, D.C.: Government Printing Office, 1968) p. 15.

[8]Ibid., p. 15.

[9]Interstate Commerce Commission, Bureau of Economics, The Role of Regulated Motor Carriers in the Handling of Small Shipments, pp. 6-7.

1. Large volume shippers of single and multi-piece small-lot shipments.

2. Small volume shippers of single and multi-piece small-lot shipment.

3. Individual shippers, either business or residential, of occasional single-piece shipments or parcels.

The type of commodities that move as small shipments include the whole spectrum of manufactured products. It is apparent from Table 1 that small shipments constitute an insignificant percentage of bulk-type commodity movements of coal, stone, clay and chemicals. On the other hand, small shipments make up a significant percentage of clothing, furniture, watches, clocks, and textile goods.

For these shipper groups, the average distance that any weight of shipment was transported by rail, truck, air, water and express in 1967 was 490 miles compared to 477 miles in 1963.[10] The average length of haul for rail, for-hire motor carrier, and private truck in 1967 was respectively 550, 270, and 152 miles. The average length of haul for air, water, and all other[11] was respectively 933, 816, and 470 miles.[12] More than 50 percent of the traffic by weight was shipped less than 300 miles (Table 2). For-hire and private motor carriers were the dominant

---

[10]U.S. Department of Commerce, Bureau of the Census, Census of Transportation; 1967, Vol. III, Commodity Transportation Survey, Part I, Shipper Groups (Washington, D.C.: Government Printing Office, 1970), p. 2.

[11]All other includes express, U.S. parcel post, freight forwarders, messenger service, bus delivery and etc.

[12]The 1967 Census of Transportation reported that the average length of haul for rail, motor carrier, private truck, air, water, and all other in 1963 was respectively 527, 253, 138, 955, 834, and 521 miles. The scope of the 1967 Census of Transportation includes the universe of manufacturing concerns with 20 or more employees located in the 48 states and District of Columbia. The 1963 Census included concerns with less than 20 employees. These average length of haul in 1963 was adjusted in the 1967 Census by excluding those firms with less than 20 employees.

TABLE 1

DISTRIBUTION OF TONS OF SMALL SHIPMENTS ORIGINATED BY WEIGHT CATEGORIES FOR SHIPPER GROUPS IN THE CENSUS OF TRANSPORTATION SAMPLE, 1967
(THOUSANDS OF TONS)

Shipper Groups	Under 50 Pounds	50 to 99 Pounds	100 to 999 Pounds	1,000 to 2,999 Pounds	3,000 to 9,999 Pounds	Total	Percent of Group Total	Group Total
Meat and dairy products	81	146	1,846	1,345	1,885	5,303	15.0	35,390
Canned and frozen foods and other food products, except meat and dairy	5	15	730	1,845	5,257	7,852	5.3	147,754
Candy beverages, and tobacco products	12	31	1,129	698	1,158	3,028	8.5	35,531
Textile mill and leather products	79	118	1,705	1,731	2,428	6,061	44.7	13,565
Apparel and related products	267	208	1,213	581	509	2,778	70.3	3,954
Paper and allied products	18	31	1,138	2,255	5,001	8,443	12.3	68,905
Basic chemicals, plastic materials, synthetic rubber and fibers	6	8	227	528	1,794	2,563	2.9	87,506
Drugs, paints, and other chemical products	44	62	1,508	1,843	3,125	6,587	11.3	58,551
Petroleum and coal products	2	3	107	182	593	887	-	341,155
Rubber and plastics products	25	39	816	1,086	1,775	3,741	38.1	9,806
Lumber and wood products except furniture	5	11	256	299	967	1,538	2.6	59,759
Furniture, fixtures, and miscellaneous manufactured products	101	144	2,220	1,367	1,531	5,363	62.9	8,523
Primary iron and steel products	5	9	313	737	2,467	3,531	2.8	124,844
Stone, clay and glass products	19	23	449	565	1,933	2,989	2.5	119,205
Primary nonferrous metal products	9	14	379	751	1,314	2,467	11.6	21,302
Fabricated metal products except metal cans and miscellaneous fabricated metal products	44	55	997	951	1,467	3,514	22.9	15,350

TABLE 1--Continued

Shipper Groups	Under 50 Pounds	50 to 999 Pounds	100 to 999 Pounds	1,000 to 2,999 Pounds	3,000 to 9,999 Pounds	Total	Percent of Group Total	Group Total
Metal cans and miscellaneous fabricated metal products	39	61	991	1,231	2,497	4,819	27.3	21,302
Industrial machinery, except electrical	54	53	684	758	1,006	2,555	42.2	6,058
Machinery, except electrical and industrial	45	61	894	1,062	1,832	3,894	26.4	14,771
Communication products and parts .	38	38	359	343	423	1,201	48.4	2,479
Electrical products and supplies .	60	72	1,004	986	1,389	3,493	30.8	11,348
Motor vehicles and equipment . . .	12	16	265	1,186	10,588	12,067	38.1	31,673
Transportation equipment, except motor vehicles	9	10	161	249	460	889	15.1	5,871
Instruments, photographic equipment, watches, and clocks	49	43	382	299	241	1,014	67.8	1,495

Source: U.S. Department of Commerce, Bureau of the Census, Census of Transportation: 1967, Vol. III, Commodity Transportation Survey, Part I, Shipper Groups (Washington, D.C.: Government Printing Office, 1970), Shipper Groups 1 - 24, Tables No. 2, pp. 31-1148.

TABLE 2

PERCENT DISTRIBUTION BY DISTANCE OF SHIPMENT AND THE PERCENT DISTRIBUTION OF RAIL AND TRUCK[a]

Distance Shipped	Percent Distribution by Distance	Tons of Shipment (thousands of tons)	Percent Distribution by Transport Mode			
			Rail	Truck[b]	Other[c]	All
Under 100 miles	27.1	374,969	18.2	66.0	15.8	100.0
100 to 199 miles	14.8	206,667	33.4	57.1	9.5	100.0
200 to 299 miles	11.3	156,804	41.2	41.7	17.1	100.0
300 to 399 miles	7.6	104,847	40.7	36.6	22.7	100.0
400 to 499 miles	4.8	65,850	55.9	33.8	10.3	100.0
500 to 999 miles	17.5	241,855	42.6	21.5	35.9	100.0
1,000 to 1,499 miles	10.6	146,526	20.0	6.8	73.2	100.0
1,500 miles and over	6.3	87,099	46.0	3.1	50.9	100.0
Total	100.0	1,384,617	32.9	40.5	26.6	100.0

[a]Distance of shipments to foreign destinations are calculated only to the U.S. port of exit.

[b]Includes for-hire motor carriers and private trucks.

[c]Other includes water, air, and express (i.e., R.E.A., Bus express, U.S. Parcel Post).

Source: U.S. Department of Commerce, Bureau of the Census, Census of Transportation: 1967, Vol. III, Commodity Transportation Survey, Part I, Shipper Groups, (Washington, D.C.: Government Printing Office, 1970), p. 14.

carriers. Rail became the dominant carrier for mileage blocks from 300 to 999 miles. Table 3 shows the percentage distribution of weight of shipment by means of transport. Shipments that weighed under 50 pounds were transported by other means such as U.S. Parcel Post. Motor carriers were dominant in all weight brackets from 50 to 59,999 pounds. Rails became dominant in weight brackets from 60,000 to 89,999 pounds with water carriers transporting the largest share of shipments that weighed over 90,000 pounds.

From these three tables, it can be concluded that small shipments cover a wide range of commodities and that motor carriers are the dominant mode of transport for these shipments. A change in shipping rates or services offered by motor carriers will affect a wide range of manufacturers and consumers of these products. Due to the inherent advantages of truck transportation, motor carriers are well suited to handle small shipments that move relatively short distances.

Objectives of the Paper

The objectives of this paper are to examine Federal and State regulations that apply to motor common and contract carriers of general commodities in Kansas and to determine structure, costs and performance of the general commodity motor carrier industry serving rural Kansas communities to the extent that this is possible from secondary data. Areas with small towns and low population densities such as Kansas provide conditions for small shipment problems as previously described from reports by the Interstate Commerce Commission.

Information for this report is largely from published reports of the Interstate Commerce Commission and unpublished information from the

TABLE 3

PERCENT DISTRIBUTION OF WEIGHT OF SHIPMENT BY MEANS OF TRANSPORT: 1967

Weight of Shipment	Tons of Shipment (thousands of tons)	Percent Distribution by Means of Transport							
		All Means of Transport	Rail	Motor Carrier	Private Truck	Air	Water	Other	Unknown
Under 50 pounds	1,027	100.0	2.5	39.2	12.7	5.1	.1	40.2	.2
50 to 99 pounds	1,271	100.0	3.3	63.7	18.9	3.0	.1	10.7	.3
100 to 199 pounds	2,880	1-0.0	2.9	71.3	19.9	2.0	.1	3.6	.2
200 to 499 pounds	7,767	100.0	2.7	74.7	19.2	1.2	.2	1.8	.2
500 to 999 pounds	9,127	100.0	2.9	74.1	20.5	.9	.2	1.2	.2
1,000 to 1,999 pounds	12,333	100.0	2.7	71.6	23.8	.5	.3	.9	.2
2,000 to 2,999 pounds	10,533	100.0	7.1	65.2	25.9	.4	.3	.9	.2
3,000 to 3,999 pounds	13,119	100.0	24.1	58.5	16.3	.1	.3	.6	.1
4,000 to 4,999 pounds	10,315	100.0	20.0	57.6	21.3	.1	.2	.6	.2
5,000 to 9,999 pounds	28.204	100.0	6.0	57.9	34.7	.1	.3	.9	.1
10,000 to 19,999 pounds	57,175	100.0	11.7	45.0	42.1	-	.3	.3	.3
20,000 to 29,999 pounds	67,275	100.0	14.5	51.0	33.8	-	.3	.3	.1
30,000 to 39,999 pounds	105,984	100.0	14.6	54.4	30.3	-	.3	.3	.1
40,000 to 49,999 pounds	157,076	100.0	11.3	59.8	28.2	-	.5	.1	.1
50,000 to 59,999 pounds	62,495	100.0	34.8	45.7	18.9	-	.4	.1	.1
60,000 to 69,999 pounds	36,058	100.0	74.9	19.2	5.0	-	.5	.1	.1
70,000 to 79,999 pounds	34,788	100.0	84.9	11.0	2.9	-	1.0	.1	.1
80,000 to 89,999 pounds	39,291	100.0	89.5	8.1	1.8	-	.5	-	.1
90,000 pounds and over	585,748	100.0	43.2	4.4	1.6	-	50.7	-	.1
Total	1,242,455	100.0	34.2	27.5	13.8	.1	24.1	.2	.1

Note: Includes only shipments represented by bills of lading and invoices. Summary records which did not show individual weights of shipments are not included. Other means of transport include R.E.A., U.S. Parcel Post and Bus Express.

Source: U.S. Department of Commerce, Bureau of the Census, Census of Transportation: 1967, Vol. III, Commodity Transportation Survey, Part I, Shipper Groups, p. 15.

State Corporation Commission of Kansas. Statewide coverage of for-hire motor carriers was estimated for a sample of Kansas towns by determining the number of motor common carriers of general commodities authorized to serve each town. Towns were classed according to size and crop reporting district. The assumption is that the number of motor common carriers of general commodities per town would provide an indication of how well general commodity freight needs are served. No data on frequency of service, pick-up and delivery service and terminal facilities were obtained.

CHAPTER II

FEDERAL REGULATION

INTERSTATE COMMERCE ACT

Federal regulation of motor carriers began with passage of the Motor Carrier Act of 1935. Prior to 1925, the states exercised some degree of control over interstate carriers of property and passengers; but in 1925, the Supreme Court ruled that a state couldn't refuse a permit to an interstate operator.[1] Bills were introduced in Congress in 1925 and every subsequent session of Congress until passage of the Motor Carrier Act of 1935. This Act was later incorporated into Part II of the Interstate Commerce Act. The National policy for transportation was added to the ICC Act in 1940. The declared policy was to preserve the inherent advantages of all modes of transportation, foster sound conditions in the transporting industry, promote adequate transportation service at reasonable rates, encourage coordination among the various modes of transportation and encourage cooperation between federal and state regulatory authorities.[2]

The Act placed under the jurisdiction of the Interstate Commerce Commission all motor carriers engaged in interstate and foreign commerce. This includes motor carriers who operate within a state boundary but carry shipments that move in interstate and foreign commerce.

---

[1]Michigan Public Utilities Commission vs. Duke, 266 U.S. 570 (1925).

[2]Charles A. Taff, Commercial Motor Transportation, p. 380.

Part II of the Interstate Commerce Act or Motor Carrier Act deals with four types of transportation agencies by motor vehicles: (1) common carriers, (2) contract carriers, (3) private carriers, (4) transportation brokers. There are two broad fields of regulation - economic and safety. Safety regulations are under the Department of Transportation, and these regulations apply to all vehicles. Economic regulation is under the jurisdiction of the Interstate Commerce Commission with private carriers and certain classes of for-hire carriers exempted from economic regulation.

The Act requires a common carrier to have a certificate of public convenience and necessity and a contract carrier an operating permit before each can legally conduct interstate transportation operations. A certificate specifies what type of service, routes and points that the carrier is authorized to serve.[3] (The carrier after receiving this certificate is subject to all economic regulations prescribed by the Commission.) The Commission has the power to set maximum and minimum rates and maintains authority over quality and general adequacy of service provided by authorized carriers.

The contract carrier's permit specifies the type of service the carrier can provide and may limit the number or class of persons that the carrier can do business with.[4] The ICC has the power to set minimum rates that contract carriers can charge. A contract carrier must publish, file with the Commission, and keep open for public inspection their actual rates and the type and amount of the service performed thereunder, before such contract carrier can lawfully

---

[3]Interstate Commerce Act, Part II, Sec. 208 (a) (1968). U.S. Code, Vol. IL, Sec. 308 (a) (1971).

[4]Ibid., Part II, sec. 209 (b) (1968). U.S. Code, Vol. IL, sec. 309 (b) (1971).

engage in interstate transportation. This regulation doesn't require a contract carrier to maintain the same rate and type and amount of service for all shippers served but requires the contract carrier to publish the actual rate and character of service for each shipper served.[5]

Transportation brokers are required to have a license from the ICC. The Interstate Commerce Commission may prescribe rules and regulations to be observed by brokers and a bond or security must be posted by the broker.[6]

There are numerous exemptions from the act. A motor common carrier, operating strictly within any state, doesn't have to secure a certificate of public convenience and necessity from the ICC specifying operating authority to engage in interstate commerce. In order for a for-hire motor carrier to be exempted, the carrier must be a common carrier lawfully engaged in operations strictly within a state, the state has a board with the authority to issue a certificate of convenience and necessity authorizing intrastate operations, and the carrier has secured such a certificate from the board.[7] The state's certificate must recite that it was issued after notice to interested persons through publications in the Federal Register of the filing of the applicant request to engage in interstate and foreign commerce within the limits of its intrastate authority, the state board issued the certificate after reasonable opportunity was afforded to interested persons to be heard, and the state board found it was in the

---

[5] Ibid., Part II, sec. 218 (a) (1968). U.S. Code, Vol. IL, sec. 318 (a) (1971).

[6] Ibid., Part II, sec. 211 (a) (1) (1968). U.S. Code, Vol. IL, sec. 311 (a) (1) (1971).

[7] Taff, Commercial Motor Transportation, p. 393.

public convenience and necessity that the carrier by authorized to engage in interstate and foreign commerce which doesn't exceed the scope of the intrastate operations.[8]

If the carrier meets requirements for a state authorization, the ICC will issue the carrier a certificate of registration to operate in interstate and foreign commerce on its intrastate route. The carrier will be able to interline and provide intrastate service on its intrastate routes. The ICC certificate of registration cannot be transferred apart from the transfer of the state certificate. If the state certificate is transferred without the registration, the registration will be terminated in 180 days. Failure to renew a state certificate or termination of a state certificate will result in termination of the registration in 180 days. The registration will be valid as long as the holder is engaged in operations solely within a state and the carrier engaged in interstate operations outside of the state. The only exception is the Alaska Grandfather provision.[9]

An intrastate carrier operation within one state will be denied the advantage of a certificate of registration if he is involved in interstate operations in another state that is not physically adjoining the state in which application for intrastate authority is filed. The phrase, operating strictly within any state, in this proviso has been given a strict construction.[10] If an intrastate carrier is qualified

---

[8]Interstate Commerce Act, Part II, sec. 206(a) (6) (1968). U.S. Codes, Vol. IL, sec. 306(a) (6) (1971).

[9]Ibid.

[10]Texas & P. Motor Transport Co. Common carrier application - Louisiana, 10 MCC 525 (1938).

to file for a certificate of registration but seeks an interstate certificate of convenience and necessity instead, the carrier must prove that the public needs service that couldn't be provided under the certificate of registration or that some other benefit will accrue to the public.[11] The purpose is to prevent the carrier from obtaining an interstate certificate and selling off the intrastate certificate to another carrier.

Motor vehicles used for transportation by railroads, water carriers, or freight forwarders for the purpose of collection, transfer, or delivery service in terminal areas are exempted from the Motor Carrier Act but are regulated under the railroad, water carrier, or freight forwarders service sections of the Interstate Commerce Act. Also, motor carriers whose operations are local in nature are exempted. This includes school buses, taxicabs, hotel buses, and vehicles controlled by the Secretary of the Interior used principally for transporting persons in national parks.[12]

Another set of exemptions apply to agricultural groups and agriculture commodities. These exemptions include motor vehicles operated by farmers when used to haul agricultural commodities and products or supplies to the farm, motor vehicles controlled by cooperative associations, and motor vehicles operated for hire in carrying ordinary livestock, fish, horticultural products, or agricultural commodities (not including manufactured products thereof), if such vehicle isn't used

---

[11] H. A. Day Common Carrier Application, 53 MCC 672 (1952).

[12] Interstate Commerce Act, Part II sec. 203(c) (23) (b) (1968). U.S. Code, Vol. IL, Sec. 303(c) (23)(b) (1971).

for carrying any other property or passenger for compensation at that time.[13]

The agricultural exemption has caused difficult enforcement problems for the ICC in the area of for-hire movement. One problem was distinguishing between agricultural commodities and the manufactured products thereof. The Supreme Court in 1956 adopted a substantial identity test for determining if an agricultural product is manufactured. The Court said, "Where the commodity retains a continuing substantial identity through the processing state, we cannot say it has been manufactured."[14] From this ruling, frozen vegetables and fruits were declared exempted.

The Transportation Act of 1958 halted the expansion of the list of commodities that were exempted. The Act returned frozen vegetables and fruits to the nonexempted list and froze the list of exempted and nonexempted commodities issued by the Bureau of Motor Carriers in 1958. Presumably, if any agricultural commodity isn't listed by the Bureau or the statute, the commodity would be subjected to the substantial identity test.[15]

Another problem area of enforcement in the area of agricultural exemption is economic regulation of motor vehicles controlled by agricultural cooperative associations. For an association to be exempted

---

[13] Ibid.

[14] East Texas Motor Freight Lines, Inc. vs. Frozen Food Express, 351 U.S. 54 (1956).

[15] Philip D. Locklin, Economics of Transportation (6th ed.; Homewood, Illinois: Richard D. Irwin, Inc., 1966) p. 687.

from economic regulation, it must qualify as a cooperative under the applicable provisions of the Agricultural Marketing Act of 1929 as amended. In addition to agricultural commodities, an exempt association can haul non-farm products for nonmembers for compensation. However, this traffic must not exceed 15 percent of its total interstate transportation per fiscal year in tonnage and such traffic must be incidental to the association's primary transportation operations and necessary for its effective performance of primary transportation operations. Cooperative associations who haul such traffic must notify the Commission of its intent to do so prior to the commencement thereof.[16]

Private carriers are exempted from regulation. Private carrier means "not for hire" and are used for transporting goods for the carrier's own use or as an incident to his business or occupation.[17] The equipment may be owned or leased for the operation. In the case of lease, the shipper must have complete control over the vehicle and driver. The lease must be in writing and cover the equipment for a period not less than thirty days. The thirty day period is waived in the case of agricultural haulers who lease their equipment for a return load over direct routes from the destination of the agricultural commodities to the general origin of such shipment or the area where the equipment is based. Common carriers and contract carriers of general commodities cannot lease equipment with drivers to noncarriers unless authorized in their certificate or permit. Trailers or semitrailers are exempted from these rules except

---

[16]Interstate Commerce Act, Part II, sec. 203(b) (5) (1968). U.S. Code, Vol. IL, sec. 303(b) (5) (1971).

[17]Locklin, Economics of Transportation, p. 680.

for safety and inspection. This is to facilitate the interchange among authorized carriers of trailers loaded with freight.[18]

Motor Common Carriers

The term motor common carrier as defined by statute is any person who holds himself out to the general public to engage in the transportation by motor vehicle in interstate or foreign commerce of passengers or property over regular or irregular routes.[19] A common carriers' certificate of public convenience and necessity states the type of service to be rendered and the routes and/or territory over which the carrier is authorized to operate. The type of service rendered by common carriers ranges from general commodities to highly specialized types of service such as moving household goods. The type of route authority may be classified as regular route or irregular route.

General commodities may be classified as any commodities shipped except commodities excluded from the authority card (certificate of public convenience and necessity). Usually the ICC and the Kansas Corporation Commission grant general commodity authorities substantially as follows:

> "General commodities, except those of unusual value, and dangerous explosives and dangerous articles, household goods as defined by the I.C.C.; commodities in bulk; commodities requiring special equipment; livestock, and commodities injurious or contaminating to other lading."[20]

---

[18]Taff, Commercial Motor Transportation, pp. 221-224.

[19]Interstate Commerce Act, Part II, sec. 208(a) (1968). U.S. Code., Vol. IL, sec. 308(a) (1971).

[20]KCC, "Written Definitions of General Commodities," Unpublish Written definition.

The authority card also states the carrier's route authority. If highways are specified in the authority card, the route authority is termed regular route. If highways aren't specified, the carrier route authority is termed irregular. Irregular route is subdivided into radial service and nonradial service. An irregular route radial service carrier operates over irregular routes from a fixed base point or points to points or places located within such radial area as defined by the authority card. An irregular route nonradial service carrier operates over irregular routes between points or communities which have been defined in the authority card.[21] The distinction between radial service and nonradial service is that in the case of radial service, a base point and the area is defined while in nonradial service, communities are defined. In each case, the carrier chooses the route.

Regular route carriers provide consistent scheduled service to all shippers on a predetermined plan. Irregular route carriers have more lattitude in determining the route and schedule of the truck. Small, out-of-the-way towns with low freight volume may be served on an on-call basis.[22]

Operating Authority of Motor Common Carriers

The Interstate Commerce Commission is authorized by the Motor Carrier Act to issue common carrier certificates to motor common carriers if it is found that the service is required and that the

---

[21]Taff, Commercial Motor Transportation, pp. 109-110.

[22]Interstate Commerce Commission, Small Shipments Problem (Washington, D.C.: Government Printing Office, 1967), p. 9.

applicant is fit, willing, and able to properly perform the proposed service. The Commission must decide every case in light of its own special circumstances, and it would be impossible to lay down any general rule by which it could determine if certificates of public convenience and necessity should be issued.[23] However, questions for general consideration are: (1) does the new operation or service serve a useful public purpose responsive to a public demand or need, (2) is public purpose served as well by existing carriers, and (3) can the applicant serve this new operation or service without endangering or impairing the operations of existing carriers contrary to the public interest.[24]

In some instances, the Commission has determined that competition is desirable and in other instances, undesirable. In one case, the Commission said that "the maintenance of sound conditions in the motor carrier industry would be jeopardized by allowing new carriers to enter into a field in competition with existing carriers providing adequate, efficient, and economical service."[25] In another case, the Commission said, "We believe that when the available traffic permits it, competition should be encouraged."[26] In another case, the Commission ruled, "Existing carriers should be allowed to transport all of the traffic which they can handle adequately, economically and efficiently without competition of a new carrier."[27] In another case,

---

[23]San Antonio & A.P. Ry. Co. Construction, 79 I.C.C. 187 (1923), cited in Pan American Bus Lines Operations, 1 MCC 203 (1936).

[24]Pan-American Bus Lines Operations, 1 MCC 203 (1936).

[25]Clark Common Carrier Application, 1 MCC 477 (1936).

[26]Balch & Martin Motor Express Common Carrier Application, 47 MCC 78 (1947).

[27]L.C. Jones Trucking Co. Extension Utah, 69 MCC 276 (1956).

the Commission said, "It has been our view that in order to develop a healthy transportation system in a territory, a certain degree of competition should be encouraged."[28] The conclusion from these cases is that the Interstate Commerce Commission has been inconsistent.

The applicant for the certificate must be found to be fit, willing and able to perform the proposed service. The question of a carrier's "fitness" is an important question. The Commission has noted that regular route carriers and other carriers have an "Achilles heel" in that their past services seldom can match the services that a new applicant proposes. Once new authority has been granted, it isn't uncommon for a successful applicant to forget its promises and offer the same services as the other carriers serving the shipper. This produces an oversupply of carriers for which there is little remedy.[29]

Past violations of the Interstate Commerce Act by an applicant is a factor in determining the fitness of a carrier but isn't an absolute bar to granting new operating authority. The Commission will declare an applicant unfit if an illegal operation was conducted by the applicant deliberately over a long period of time with full knowledge that the operation was unauthorized. In the case of carriers of dangerous commodities the Commission has denied applications by carriers with safety violations by finding such carriers unfit.[30]

---

[28]Associated Transports, Inc., Extension-Kansas, 54 MCC 529 (1952).

[29]Interstate Commerce Commission, Small Shipments Problem, p. 9.

[30]Taff, Commercial Motor Transportation, pp. 408-409.

The problem of determining "fitness" is acute in granting new operating authority to motor common carriers whose primary business is transporting small shipments. The successful applicant will provide the good service that he promised for awhile and then will let the service deteriorate. The Interstate Commerce Commission is combating this problem by expanding the service fitness program and increasing efforts to obtain appropriate legislation in dealing with service failures. The service fitness program requires a successful applicant to prepare a "performance report" every year for a period of three years to be filed with the Interstate Commerce Commission's Bureau of Economics. The applicant promised a complete service to the shippers and the "performance report" will identify and describe the shipments by type and weight that moved between points authorized in the certificate. Presumably, the Bureau of Economics can determine from the report if the carrier has changed his operations from full service to selected service. This report will allow the Commission to observe the long-term fitness and ability of the carrier to provide all the service promised.[31]

New legislation is supported by the Commission for combating common carrier service problems. One such bill is S. 2245 which would put a duty upon common carriers of property to enter into through routes with just and reasonable rates and would, within certain limitations, authorize the Commission to order the establishment of through routes and joint rates on an intramodal and intermodal basis.[32]

---

[31]Bilyeu Refrigerated Transport Corp.-Extensions Missouri Origins to Arkansas, Oklahoma and Kansas, 106 MCC 696 (1968).

[32]Interstate Commerce Commission, 84th Annual Report for the Year Ended June 30, 1970 (Washington, D.C.: Government Printing Office, 1970) p. 101.

Legislation is also supported by the Commission to make it easier to revoke a certificate. Current procedure is overly cumbersome and makes ultimate revocation difficult. To revoke a certificate requires a two step procedure. First, in the initial hearing the Commission or complainant must prove that the carrier is violating the terms of its certificate. Second, (if violations occur) the Commission issues a cease and desist order commanding obedience to the terms of the certificate. If the carrier doesn't comply with the order, the Commission has the power to change, suspend, or revoke the certificate. However, in the case of a service failure, the carrier may only establish token service and may prove that this service is commensurate with its financial ability and equipment capabilities. It would be quite difficult for the Commission to prove that the carrier is violating the cease and desist order.[33]

The Commission can allow up to thirty days for a carrier to comply with the order. If the Commission issues an order without a hearing, the Commission cannot suspend a certificate, permit, or license unless a reasonable period of time of not less than fifteen days has passed from notification of the carrier in writing of the order. Change or revocation of the certificate, permit, or license will be done by hearing.[34] The carriers may appeal the Commissions decisions to a Federal District Court.

The Commission is supporting bill S. 2442 which would require the United States Courts of Appeals to review I.C.C. decisions. The

---

[33]Interstate Commerce Commission, Small Shipments Problems, p. 12.

[34]Interstate Commerce Act, Part II, sec. 212(a) (1968). U.S. Code, Vol. IL, sec. 312(a) (1971).

primary reason is that the United States Courts of Appeals have promulgated uniform rules governing appeal proceedings while the Federal District Courts haven't. The bill would require a carrier to file an appeal within 60 days to contest a Commissions ruling. Another bill (S. 2444) would give the Commission additional power to change, suspend, or revoke operating authority on short notice for failure of a carrier to meet the provisions of the Explosive Act and failure of carriers to meet insurance requirements set by the Commission.[35]

Regulation of Motor Common Carrier Rates

Common carriers by motor vehicles must file with the Commission, keep open for public inspection all fares, rates and charges for transportation and all services in connection therewith. It is the duty of a common motor carrier to establish, observe and enforce just and reasonable through and joint rates with common carriers of motor, rail, express and water. Every rate must be published involving interstate commerce between points on an individual route and between points on the routes of other common carriers when a through route and joint rate has been established between carriers.[36] It is unlawful for any motor common carrier to establish any rate or practice which will make, give, or cause any undue or unreasonable preference, disadvantage, or advantage to any person, port, gateway, locality, region, district,

---

[35]Interstate Commerce Commission, 84th Annual Report to Congress, 1970, pp. 98-100.

[36]Interstate Commerce Commission, Part II, sec. 217(a) (1968). U.S. Code, Vol. IL, sec. 217(a) (1971).

territory or description of traffic.[37] The tariffs must be published, filed, and posted in the form as the Commission prescribes by regulation. Common motor carriers must adhere to the tariff that is in effect. During the fiscal year of 1971, the Commission received 196,570 tariffs and criticized 11,763 tariffs and rejected 3,545.[38]

With the requirements that tariffs must be published, filed, and posted with the Commission, many motor carriers have joined and formed rate bureaus. Motor carriers within a territory or region usually have a rate bureau to handle their problems relating to tariffs and rates. This type of rate bureau is called an intraterritorial rate bureau and handles and publishes rates applicable to points in the defined territory or area. Interterritorial rate bureaus have been set up to handle and publish rates between points in different areas. A carrier isn't obligated to join any rate bureau and could formulate and publish his individual tariffs. It is usually advantageous for a carrier to join a rate bureau because it is a practical and inexpensive method to formulate and publish rates.[39] An example of a rate bureau is the Middlewest Freight Bureau which publishes a tariff for Kansas class and commodity intrastate rates. This rate bureau also publishes 78 other tariffs covering other intrastate and interstate rates for their member carriers.[40]

---

[37] Ibid. Part II, sec. 216(d) (1968). U.S. Code, Vol. IL, sec. 217(a) (1971).

[38] Interstate Commerce Commission, 85th Annual Report to Congress for the Year Ended June 30, 1971, p. 177.

[39] Taff, Commercial Motor Transportation, pp. 350-352.

[40] Middlewest Motor Freight Bureau, Tariff Index No. 63, August 1, 1971, p. 2.

Motor carrier rate increases are largely initiated by freight rate bureaus on behalf of their member carriers. Each rate bureau has a Standing Rate Committee generally made up of full-time employees and an Appeal Committee composed of representatives of the carriers. The regular procedure for ratemaking is for an individual carrier to submit a rate proposal to the Standing Rate Committee which will call a public hearing. From this hearing, the rate proposal may be adopted as proposed and this will lead to publication of a new tariff. If the rate proposal is adopted as amended, the proposal will either be published or appealed to the Appeal Committee. Failure of adoption would kill the proposal or it could be appealed to the Appeal Committee. The Appeal Committee has the option to adopt, amend, or reject the proposal. If the individual carrier isn't satisfied with the amended proposal or the rejection, the carrier could take individual action and have the tariff published and submit it to the Interstate Commerce Commission. The other members would be given the chance to join or refuse to participate. The rate bureau has an emergency procedure to speed up the ratemaking by waiving the public hearing and allowing the Standing Rate Committee to act within five days. The rate proposal, if published by the rate bureau, usually includes every participating carrier to the tariff. The new tariff will be submitted to the Interstate Commerce Commission and the rate bureau will represent the participating carrier if the Commission calls a hearing.[41]

The Commission when it receives a new tariff has the power upon complaint of any interested party or upon its own initiative to enter into a hearing concerning the lawfulness of the new tariff rates and

---

[41]Taff, Commercial Motor Transportation, p. 355.

rules. The Commission has the power to suspend and defer the new rates up to seven months after they are due to go into effect. If the rate proceedings haven't been concluded and an order hasn't been made within seven months, the new rates will go into effect until the Commission issues an order.[42]

Any person, State Board, organization or body politic may make a complaint in writing about any rate, fare, charge, classification, rule, regulation, or practice that is in effect or is proposed. The Commission after receiving a complaint or on its own initiative may call a hearing. Whenever, after the hearing, the Commission is of the opinion that any rule, rate, or practice in effect or proposed is unjust and unreasonable, the Commission may determine and prescribe the lawful rate, fare, or charge or the maximum and/or minimum rate, fare or charge to be observed, or the lawful classification, rule, regulation or practice that shall go into effect. The Commission isn't given the power to prescribe the rates, fares or charges for intrastate motor carrier transportation.[43]

The Commission must take into consideration certain factors in deciding or prescribing just and reasonable rates and classifications, regulations and practices relating thereto. These factors are the inherent advantages of transportation by such carriers, the effect of rates upon the movement of traffic by carriers for which rates apply, to the need of public interest for adequate and efficient transportation at the lowest cost consistent with providing transportation, and the need of revenues of the carriers.[44]

---

[42] Interstate Commerce Act, Part II, sec. 216(g) (1968). U.S. Code, Vol. IL, sec. 316(g) (1971).

[43] Ibid., Part II, sec. 216(e) (1968). U.S. Code, Vol. IL, sec. 316 (e) (1971).

[44] Ibid., Part II, sec. 216(i) (1968). U.S. Code., Vol. IL, sec. 316 (i) (1971).

The objective of motor carrier regulation is to provide stability of rates, prevention of discrimination, financial responsibility of carriers, dependable service, reasonable rates, financial stability of carriers, and transport coordination.[45] The Commission is responsible to insure that every rate and classification, regulation, and practice relating thereto, is consistent to the public interest of efficient, adequate and dependable transportation at the lowest cost consistent to providing transportation, and to insure that the regulated carriers' revenues will cover the expense of providing adequate, dependable service and provide a rate of return to attract capital into the motor carrier industry. The Commission must enforce the regulation that it prescribes to insure these objectives are attained.

The job of regulating and enforcement of regulations by the Commission is a formidable task because of the large number of motor carriers. There were 16,038 motor carrier organizations authorized under the Interstate Commerce Act to engage in for-hire transportation on June 30, 1971.[46] Taff estimates that 29,679 motor carriers transport "exempted" commodities and 76,955 manufacturing and mercantile businesses used private motor carriers of January 1, 1969.[47] Motor carriers transported 404.0 billion ton miles of freight with 41.3 percent of this freight federally regulated in 1969.[48] Violations of regulations will occur and increasing attention has been given to service failures in the area of small shipments.

---

[45]Locklin, Economics of Transportation, pp. 666.

[46]Interstate Commerce Commission, 85th Annual Report to Congress, 1971, p. 128.

[47]Taff, Commercial Motor Transportation, p. 382.

[48]Interstate Commerce Commission, 84th Annual Report to Congress, 1971, p. 120.

Motor Contract Carriers

A contract carrier by motor vehicle is any person which engages in interstate commerce for compensation under continuing contracts with one person or a limited number of persons.[49] Under this definition, there are two types of contract carriers. The first is the contract carrier which assigns a fleet of vehicles to a single shipper for its exclusive use. The second type uses the same equipment to serve more than one shipper to meet the distinct need of each shipper.[50]

Contract carriers usually don't have terminal facilities for platform handling of freight. These carriers contract for volume freight and go to a shipper's platform for a load and delivers the freight to the consignee's dock with the shipping rate depending upon the contractual terms between shipper and carrier. The contract carrier must only exercise reasonable care to protect the goods transported and aren't required to provide bonds or insurance as a common carrier to cover loss or damage. However, the contract may be written so the contract carrier is fully liable for damaged goods. In no case may a contract carrier contract for total exemption of liability due to carrier negligence. Characteristics of a contract are:

1. Contract is bilateral in nature.
2. Shipper should agree to furnish the commodities to be transported by specifying the amount of tonnage to the point, points, or areas named.
3. Contract provides for a series of shipments within a given time period.

---

[49] Interstate Commerce Act, Part II, sec. 203(a) (15) (1968). U.S. Code, Vol. IL, sec. 303(a) (15)(1971).

[50] Taff, Commercial Motor Transportation, p. 114.

4. Contract includes the rates and charges and the method to determine the actual amount payable.
5. Contract specifies the exact amount of compensation shipper agrees to pay.
6. Contract specifies the rules, conditions, and provisions concerning the movement of freight.[51]

Operating Authority of Motor Contract Carriers

A contract carrier must secure a permit from the Interstate Commerce Commission before the carrier can legally engage in interstate or foreign commerce. The applicant must be fit, willing and able to perform the service and the proposed operation must be consistent with the public interest and the national transportation policy. To determine if the proposed operation or service is consistent with the public interest and national transportation policy, the Commission shall consider the following factors:

1. The number of shippers to be served.
2. The nature of the service.
3. The effect of the proposed service on the protesting carriers.
4. The effect of denying the permit would have upon the applicant and/or shipper
5. The changing character of the shipper's traffic.[52]

The requirement for a contract carrier obtaining a permit is less exacting than a common carrier obtaining a certificate of public convenience and necessity. A contract carrier doesn't have to prove that

---

[51] Ibid., pp. 114-116.

[52] Interstate Commerce Act, Part II, sec. 209(b) (1968). U.S. Code., Vol. IL, sec. 209(b) (1971).

public convenience and necessity will be served by showing that the proposed service will serve a useful public purpose, responsive to a public demand or need. The standard to be considered in granting new operating authority for a contract carrier is whether a shipper has a "distinct need" for the different or more select, or more specialized services offered by the contract carrier.[53]

The Commission will specify in the permit the nature of the contract carrier's business and the scope of the carrier's operations and may attach reasonable terms, conditions, and limitations with respect to the number and type of shippers the contract carrier may serve. The Commission may from time to time review and change these terms, conditions, and limitations as may be necessary to assert that the business of the carrier is that of a contract carrier and to carry out the rules and regulations established by the Commission. The contract carrier has the right to substitute and/or add to its equipment and may add contracts that are within the scope of its business unless upon investigation by the Commission, it is found that the scope of the additional operations aren't confined to those of a contract carrier as defined by the Interstate Commerce Act.[54]

Contract carriers may not render a through service by "tacking" or combining operating grants of authority contained in separate Commission permits. For example, a contract carrier has a permit to operate from A to B and is later issued a permit to operate from B to C. It may not provide a through service from A through B to C.

---

[53]Interstate Commerce Commission vs. J-T Transport Co., 368 U.S. 81, (1961).

[54]Interstate Commerce Act, Part II, sec. 209(a) (1968) U.S. Code, Vol. IL, sec. 309(a) (1971).

There is no provision in the Interstate Commerce Act for the establishment of joint routes and through rates between contract carriers or with a common carrier. The Commission will allow a contract carrier to arrange for the interchange of freight with a common carrier only if the contract carrier acts as an agent for the shipper and the destination of the freight is beyond the point which the contract carrier is authorized to serve.[55]

The procedure to amend, revoke or suspend a contract carrier's permit or a common carrier's certificate of public convenience and necessity are the same. Safety regulations and administrative accounting procedures are also the same.

Regulation of Motor Contract Carrier Rates

The Interstate Commerce Commission has the power to prescribe the minimum rates of contract carriers but cannot prescribe the maximum rates. The Interstate Commerce Act requires contract carriers to publish, file and post their actual rates and any rule, regulation, or practice affecting such rates with the Commission and for public inspection. The contract carrier must adhere to these actual rates filed with the Commission but isn't required to maintain the same rates, rules, or regulations for the same services for all shippers. The contract carrier cannot establish new rates except after thirty days' notice to the Commission, unless the Commission grants permission for less time before the new rates become effective.[56]

---

[55]Taff, Commercial Motor Transportation, p. 414.

[56]Interstate Commerce Act, Part II, sec. 218(b) (1968), U.S. Code, Vol. IL, sec. 318(b) (1971).

The Commission may suspend a new rate schedule up to seven months after the schedule's effective date. If the hearing hasn't been concluded and an order issued within this time period, the schedule will go into effect until the Commission issues an order to rescind the schedule. The order can prescribe what the just and reasonable minimum rate, rule, regulation, or practice is. Such minimum rate, rule, regulation or practice so prescribed by the Commission cannot give undue preference to any contract carrier in competition with any common carrier, which the Commission may find to be undue or inconsistent with the public interest and the national transportation policy.[57] The theory behind this regulation is to protect common carriers from undue competition and interference from contract carriers. In the next sentence of this section of the Interstate Commerce Act, it states that the Commission shall give consideration to the cost of service rendered by contract carriers and the effect of such minimum rate upon the movement of traffic by contract carriers. Contract carriers can frequently transport goods cheaper than common carriers. Due to this cost advantage of contract carriers, their minimum rates are usually lower than common carriers' rates. A shipper that can obtain cheaper rates from a contract carrier than he was obtaining from a common carrier may constitute a "distinct need" for contract service and should be considered in granting or denying new contract carrier authority.[58]

---

[57] Interstate Commerce Act, Part II, sec. 218(c) (1968), U.S. Code, Vol. IL, sec. 318(b) (1971).

[58] Interstate Commerce Commission vs. J-T Transport Co., 368 U.S. 81 (1961).

Motor Contract or Common Carrier

The distinction between a contract or common carrier is sometimes hard to determine. The ultimate question is whether the carrier is or isn't holding out to serve the general public. The two features of contract carriage are the limited number of shippers served and the specialized nature of the service. Specialized service may be, the use of special equipment required to handle the commodity or adapted for the convenience of the shipper, transportation of only certain commodities, or strict observance of shippers loading and unloading time or other practice.[59]

A common carrier may also provide specialized service but offers it to the general public. The feature of limited number of shippers served is significant in determining if the carrier is a contract or common carrier. Congress didn't specify the number of contracts permissable for a contract carrier and left the matter to the Commission. The Commission's policy has been when the service offered is highly specialized, a contract carrier may serve a large number of shippers that have a need for this service. However, if the service being offered isn't highly specialized, any attempt by a contract carrier to expand his service beyond six or eight shippers will be highly scrutinized by the Commission.[60]

Motor contract carriers haven't shown the economic growth as motor common carriers. Class I and II contract carriers share of

---

[59]Umthun Trucking Co., Extension-Phosphatic Feed Supplements, 91 MCC 697, (1962).

[60]Connell Transport Co., Extension - New York, N.Y., 91 MCC 113, (1962).

intercity ton-miles (Table 4) and intercity freight revenues (Table 5) have decreased since 1960.[61] Class I common carriers of general freight had the largest share of intercity ton-miles and revenue. However, their share of intercity ton-miles has decreased from 1960; but intercity revenue has increased. Class II common carriers of general freight and other than general freight have shown a percentage decrease in intercity ton-miles and revenue.

Tables 4 and 5 clearly point out the dominant position that motor common carriers have in transporting freight regulated by the Interstate Commerce Commission. Motor contract carriers had less than 5 percent of intercity ton-miles and revenue in 1969. Economic regulation by the Interstate Commerce Commission can influence this percentage share of intercity ton-miles and revenues.

---

[61] A Class I motor carrier has a gross operating revenue of over $1,000,000. A Class II motor carrier has a gross operating revenue of not more than $1,000,000 and greater than $300,000 since 1968. Before 1968, a Class II motor carrier had a gross operating revenue of less than $1,000,000 and greater than $200,000.

TABLE 4

PERCENTAGE DISTRIBUTION OF INTERCITY TON-MILES TRANSPORTED BY MOTOR CARRIERS REGULATED BY THE INTERSTATE COMMERCE COMMISSION

Year	Common Carriers of General Freight		Common Carriers of Other Than General Freight		Contract Carriers		Total All Common Carriers	Total All Contract Carriers
	Class I	Class II	Class I	Class II	Class I	Class II		
1960	56.23	4.15	24.30	8.29	4.19	2.84	92.97	7.03
1961	55.23	3.86	27.25	8.68	2.57	2.41	95.02	4.98
1962	55.46	3.31	27.88	8.18	2.80	2.37	94.83	5.17
1963	54.49	2.98	28.70	8.78	2.76	2.29	94.95	5.05
1964	56.11	2.89	27.75	8.69	2.21	2.35	95.44	4.56
1965	54.75	2.67	29.71	8.02	2.47	2.38	95.15	4.85
1966	54.21	2.55	31.79	6.78	2.47	2.20	95.33	4.67
1967	54.59	2.27	31.93	6.63	2.60	1.98	95.42	4.58
1968	54.41	1.90	32.62	6.41	2.75	1.91	95.34	4.66
1969	53.82	1.65	33.95	5.95	2.70	1.93	95.37	4.63

Source: Calculated from: Interstate Commerce Commission, Bureau of Accounts, Transportation Statistics in the United States, Vols. 74-84, Part Seven - Motor Carriers, (Washington, D.C., Government Printing Office, 1960-1969).

TABLE 5

PERCENTAGE DISTRIBUTION OF INTERCITY FREIGHT REVENUES OF MOTOR CARRIERS REGULATED BY THE INTERSTATE COMMERCE COMMISSION

Year	Common Carriers of General Freight		Common Carriers of Other Than General Freight		Contract Carriers		Total All Common Carriers	Total All Contract Carriers
	Class I	Class II	Class I	Class II	Class I	Class II		
1960	60.49	6.29	21.36	5.36	4.19	2.31	93.50	6.50
1961	61.44	6.11	21.55	5.90	2.97	2.04	94.99	5.01
1962	61.61	5.46	22.19	5.65	3.21	1.88	94.91	5.09
1963	61.61	4.94	22.64	5.86	3.13	1.82	95.05	4.95
1964	62.47	4.57	22.98	5.57	2.66	1.75	95.59	4.41
1965	62.49	4.20	23.35	5.24	2.98	1.74	95.28	4.72
1966	62.69	4.12	24.06	4.70	2.87	1.56	95.57	4.43
1967	62.26	3.85	24.78	4.75	2.89	1.47	95.64	4.36
1968	61.82	3.21	26.68	4.12	2.92	1.25	95.83	4.17
1969	63.36	2.81	25.91	3.83	2.85	1.24	95.91	4.09

Source: Calculated from: Interstate Commerce Commission, Bureau of Accounts, Transportation Statistics in the United States, Vols. 74-84, Part Seven - Motor Carriers, (Washington, D.C., Government Printing Office, 1960-1969).

CHAPTER III

STATE REGULATION

State Regulation of Interstate Commerce

The Interstate Commerce Commission is given the power to regulate interstate and foreign commerce while the individual states regulate intrastate commerce within their borders. The states may require motor carriers of interstate commerce that operate within their borders to file their interstate authority with the state commission, provided that the filing procedure is established by the national organization of the state commissions and certified to the Interstate Commerce Commission. A state commission such as the State Corporation Commission of the State of Kansas may require an interstate carrier to (a) file and maintain current records of interstate certificates and permits issued by the Interstate Commerce Commission, (b) register and identify vehicles operating under such certificates and permits, (c) file and maintain evidence of effective insurance or qualifications as a self-insurer, (d) file designations of local agents for service of process. These procedures may be changed by the national organization of the state commissions by consulting the Interstate Commerce Commission. If the Interstate Commerce Commission certifies such changes or admendments, the new procedures will become effective five years from the date of such certification. Any state commission which

imposes obligations of registration on interstate carriers in excess of these standards shall constitute an undue burden on interstate commerce.[1]

The State Corporation Commission of the State of Kansas (KCC) requires all interstate carriers operating solely in interstate commerce over Kansas highways to file the uniform application for registration of operational authority. This includes interstate carriers that are specifically exempt from the jurisdiction of the Interstate Commerce Commission.[2]

The Interstate Commerce Commission is authorized to confer with or hold joint meetings with any authority of any state concerning any matter arising in any proceedings under Part II of the Interstate Commerce Act. The Interstate Commerce Commission can make cooperative agreements with the various states to enforce the economic and safety laws of the various states and the United States relating to highway transportation.[3]

The State Corporation Commission of Kansas is given the power by Kansas Statutes to intervene in any case before the Interstate Commerce Commission in which interstate rates or regulations affecting the interests of Kansas shippers are involved.[4] The State Corporation Commission

---

[1]Interstate Commerce Act, Part II, sec. 201(b) (2) (1968). U.S. Code, Volume IL, sec. 201(b) (2) (1971).

[2]State Corporation Commission, Rules and Regulations Pertaining to Motor Carriers, (Topeka, Kansas: Robert K. Sanders, State Printer, 1970), p. 53.

[3]Interstate Commerce Act, Part II, sec. 205(f) (1965), U.S. Code, Vol. IL, sec. 305(f) (1971).

[4]Kansas Statutes Annotated, sec. 66-143.

may also apply by petition or any other proper method for relief from interstate rates or regulations to benefit Kansas shippers.[5]

All motor carriers that operate on Kansas highways are subjected to Kansas safety regulations and all rules and safety regulations promulgated by the U.S. Department of Transportation, Federal Highway Administration and Bureau of Motor Carrier Safety not in conflict with the, laws of Kansas.[6] Kansas has established ports of entry for the enforcement of motor carrier regulations and collection of vehicle taxes and fees. Each state has different motor carrier regulations and vehicle tax fees that interstate motor carriers must comply with when using the highways of that state. Such differences in law will affect the flow of interstate commerce.

State Regulation of Common Motor Carriers Operating in Intrastate Commerce

Intrastate motor common carriers must obtain a certificate of public convenience and necessity from the State Corporation Commission of Kansas. There are no broad agricultural exemptions for intrastate motor carriers for-hire. For-hire motor carriers of property operating wholly within a three-mile radius of the corporate limits of a city or village in this state and/or another state, or between contiguous cities or villages in this state and another state are exempted. Motor carriers hauling water for domestic purposes or livestock consumption

---

[5]Ibid., sec. 66-144.

[6]State Corporation Commission, Rules and Regulations Pertaining to Motor Carriers, p. 9.

and dump trucks and ready-mix concrete trucks under direct contract with the state highway department or any political subdivision of the state are exempted from economic regulation.[7]

Upon the filing of an application for a certificate of public convenience and necessity, the State Corporation Commission will call a hearing of not less than twenty days and not more than thirty days after such application has been received. The State Corporation Commission will set the place and time of the hearing. All owners of common motor carriers serving or applied to serve in the territory proposed by the applicant and the city clerks of all towns into or through which the applicant proposes to operate will be notified at least ten days prior to the hearing. Any interested party may give testimony at such hearing. From the evidence presented at the hearing, the State Corporation Commission shall decide if all the proposed service or any part thereof will promote the public convenience and necessity. The KCC shall take into consideration the existing transportation facilities in the territory of the proposed service. If the existing facilities are "reasonable adequate", the State Corporation Commission shall not grant the certificate. The KCC has the power to grant temporary authority for not longer than sixty days without hearing. An urgent and immediate need for such service must be shown and that existing carriers in the proposed territory cannot fulfill that need.[8]

---

[7] Kansas Statutes Annotated, sec.66-1,109.

[8] Ibid., sec. 66-1,114.

A new certificate will be revoked if the new authorized carrier doesn't commence operations within 30 days.[9] Change or abandonment of a portion of authorized service by existing carriers without KCC approval is grounds for forfeiture of all operating authority.[10] No authority or part thereof can be assigned by leases or contracts by one motor carrier to another.[11] The transfer of authority can only be done after notice and hearing by the KCC. The KCC will approve a transfer of operating authority if the new applicant is found fit, willing and able on the transfer of authority is consistent with the public interest and will not restrict competition.[12]

Motor common carriers operating in intrastate commerce must file their annual reports, tariffs and all other data required by the KCC. The tariffs must contain all rates, rules, regulations, additional charges and privileges applicable to the carrier's route. Common motor carriers must adhere to these rates, rules and regulations. The tariff must be kept open for public inspection at the carrier's principle office and at each station where the carrier employs an exclusive agent.[13]

A new tariff publication except for general rate increases may be made without prior approval by the KCC. However, the new tariff

---

[9]Ibid., sec. 66-1,112.

[10]Ibid., sec. 66-1,118.

[11]Ibid., sec. 66-1,119a

[12]Ibid., sec. 66-1,119

[13]State Corporation Commission, Rules and Regulations Pertaining to Motor Carriers, p. 73.

publication and a written statement reciting the reason and justification of such change must be posted with the KCC. The new tariff publication must be subject to 30 days notice to the public before it becomes effective. A tariff publication of a general rate increase will only be allowed after receiving written permission and approval by the KCC. After permission is granted, the tariff will be published and the public given 30 days notice before the tariff becomes effective. A general rate decrease wouldn't need written approval. Only in actual emergency and when merit is shown will the KCC allow a tariff to become effective on less than 30 days notice. The desire of a motor carrier to meet the tariff publications of other competing carriers that have been on file for 30 days won't be considered an emergency.

Tariff publications are subject to protest and suspension by the KCC. Protest of tariff publications will be considered if such protest is written and received twelve days before the effective date of the publication. The State Corporation Commission may order the tariff to be postponed up to ninety days from the effective date of such tariff, pursuant to protest or upon the Commission's motion without protest until the matter is investigated fully. An order instituting an investigation will be served upon respondents and a hearing date will be set. If a respondent fails to comply with any requirement specified by such order, the respondent shall be deemed in default and waived any further hearing. Thereafter, the investigation may be decided without further proceeding.[14]

---

[14]State Corporation Commission, Rules and Regulations Pertaining to Motor Carriers, pp. 74-75.

Kansas intrastate motor common carriers of general commodities can publish their own individual tariff or participate in a tariff published by a freight bureau. The majority of these carriers belong to the Middlewest Motor Freight Bureau that publishes an intrastate tariff for the participating carriers. The rates only apply to the participating carriers of the tariff engaged in intrastate commerce and may not be the actual rates charged to Kansas shippers. The reason is that if interstate traffic rates between points in Kansas are lower than the charges accruing under the intrastate tariff on like intrastate traffic from and to points via the same routes, the lower charge will be applicable. The intrastate tariff lists five interstate tariffs that apply.[15] An example of this ruling is the 6 percent increase in class and commodity rates that will become effective July 1, 1972. The Middlewest Motor Freight Bureau estimates this will increase the actual intrastate rates only 4.3 percent.[16]

When the Middlewest Motor Freight Bureau negotiates for an increase in intrastate freight rates, all of the participating carriers in the tariff are involved. The rate increase is usually an arbitrary percentage increase of all class and commodity rates for all mileage blocks and weight brackets. The Freight Bureau will usually justify these rate increases by presenting the operating ratios of all the participating carriers. An operating ratio is a percentage figure of the ratio of total expenses to total revenues. An operating ratio of 94 percent is considered an acceptable one.[17] However, each carrier has a different

---

[15]Middlewest Motor Freight Bureau, Tariff 19-D: Kansas Class and Commodity Rates, November 9, 1968, p. 36.

[16]Vernon Wengler, private interview held at the Rate Section, State Corporation Commission, May, 1972.

[17]Ibid., May 1972.

operating ratio due to different management, routes or other factors.[18] A general rate increase will increase freight revenues to all member carriers if the demand is inelastic. The implication is that some carrier firms may not need a rate increase but may enjoy receiving one due to the high operating ratios of other participating carriers. Also, an arbitrary percentage rate increase implies that the cost of providing transportation for every commodity, class of commodity, mile block, weight bracket or route increased by the same percentage. For example, has the cost increased the same for all transportation services? The case may be that revenue derived from certain types of transportation services may be subsidizing other types of transportation services and causing economic inefficiency.

State Regulation of Contract Motor Carriers Operating in Intrastate Commerce

The State Corporation Commission has the power to issue permits to all contract carriers that operate in intrastate commerce. The Commission has the power to regulate and supervise the accounts and method of operations of contract carriers and to prescribe such rules and regulations necessary to protect the public interest and other motor carriers.[19] Contract carriers cannot give or cause any undue or unreasonable advantage or preference to those whom he serves, as

---

[18]State Corporation Commission, Statistics of Motor Common Carrier of Property and Passengers for the Year Ended December 31, 1970. Statement Number 1-70 (Unpublished material by Transportation Division, Rate Section, August 15, 1971) p. 23-24. For 48 general commodity carriers, the operating ratios ranged from 30.2 percent to 115.4 percent with an average for the group of 94.2 percent. The extremely low operating ratios belong to smaller carriers. The larger carriers operating ratios are near the average of 94.2 percent.

[19]Kansas Statutes Annotated, sec.66-1,112a.

compared with the patrons of public motor carriers. The Commission enforces these regulations by requiring every contract that the contract carrier maintains with the shipping public must be filed and approved by the Commission.[20]

Upon application of a permit by a contract carrier, the State Corporation Commission shall call a hearing of not less than ten days after filing. The Commission will set the time and place of the hearing and shall cause notification of all owners of common carriers serving the territory proposed by the applicant and all other interested parties determined by the Commission not less than five days before said hearing. Any interested party may give testimony at the hearing. The Commission will grant or deny the permit or any part of the privileges sought by the applicant and may attach to the permit such terms and conditions necessary to carry out the purposes of this act.[21] The State Corporation Commission regulates contract carriers because their business affects the public interest, the safety and welfare of the public, the preservation and maintenance of the public highways and the integrity of the regulation of common carriers.[22]

A contract carrier's permit may be transferred upon notice and hearing of the KCC. The rules for transfer of a contract carrier permit are more specific than transfer of a common carrier certificate. The permit is only transferrable to a partner or in the case of death of

---

[20] Ibid., sec. 66-1,112e.

[21] Ibid., sec. 66-1,112b.

[22] Ibid., sec. 66-1,112d.

the holder to the surviving spouse or child.[23]

A contract carrier may abandon his route and cease his operations and rights under the permit if he gives notice to the State Corporation Commission thirty days before abandonment. The Commission may completely revoke or suspend a permit upon five days notice to the owner of the contract carrier for failure to comply with his permit or rules and regulations concerning motor carriers. The owner of the carrier is granted the right and opportunity to be heard by the Commission.[24]

All contract carriers shall enter into written contracts with shippers before such carriers can render service. This contract and each additional contract with a new shipper must be filed and approved by the State Corporation Commission before such transportation can be rendered.[25] Tariff publications by a contract carrier must be filed with the Commission and kept open for public inspection. The State Corporation Commission has the power to prescribe the minimum rates, fares and charges to be collected by such contract motor carriers.[26]

---

[23] Ibid., sec. 66-1,112(c). The section states that the KCC will only approve the transfer of a permit when an individual or partnership transfers to a corporation and the individual or partners are majority stockholders; when a partnership dissolves and the permit rights are transferred by agreement, law or will to his legates, heirs, partners or to a new partnership of which one or more of the partners were members of the former partnership or heirs or legates of a deceased partner; when an individual transfers his rights to a partner or when the holder of a permit dies, such permit may be transferred to the surviving spouse, or decendent's children provide application is filled within one year after the death of the holder.

[24] Ibid., sec. 66-1,112.

[25] Ibid., sec. 66-1,112.

[26] Ibid., sec. 66-1,112(f).

A contract carrier may change the tariff upon one day notice to the Commission and the public provided that such change increase the rates directly or indirectly by change of a rule or regulation affecting the value of service thereunder. To decrease the rates, the procedure would be the same as described in common motor carriers tariff publications.[27]

A motor carrier cannot have a contract permit and a certificate of public convenience and necessity which authorizes the transportation of any of the same kind of property wholly or partially over the same route or within the same territory. A carrier who has dual authority may not transport contract and common carrier cargo at the same time.[28]

State Regulation of Private Motor Carriers Operating in Intrastate Commerce

Private motor carriers are regulated by the State Corporation Commission. An application must be made to the Commission stating the ownership, financial condition, equipment to be used and the physical property of the applicant to be transported. Upon compliance of the applicant to the regulations and payment of the fees, the KCC will issue a license.[29]

The Kansas Statutes are more concise in their definition of a private motor carrier of property than the Interstate Commerce Act. Kansas defines a private carrier of property as any person who engages

---

[27]State Corporation Commission, Rules and Regulations Pertaining to Motor Carriers, p. 73.

[28]Kansas Statutes Annotated, sec. 66-1,118.

[29]Ibid., sec. 66-1,115.

in the transportation by motor vehicle, of property sold or to be sold by him in the futherance of any commercial enterprise other than transportation. The term private carrier will also include a person who transports the property of others by motor vehicle when such transportation is not for hire and is incident to or in futherance of a commercial enterprise of such person other than transportation. Evidence of ownership of property being transported shall not be accepted as sufficient proof of private motor carrier operation.[30]

The State Corporation Commission exempts certain private carriers of property from this act. These private carriers of property are:

1. Private carriers who operate within a radius of twenty-five miles of the corporate limits of a city or village.
2. The producer of livestock or farm products transporting these products to town or his neighbor's livestock and farm products to town on the basis of barter or exchange of service or transporting supplies back to his farm or neighbor's farm on the same basis.
3. Motor vehicles containing tools, property or materials belonging to the owner and not for the purpose of resale.
4. Motor vehicles used to transport grain from producer to an elevator, place of storage or sale for a distance not more than fifty miles if such vehicle is registered in Kansas and such vehicle has an ad valorem tax situs.
5. Vehicles used to transport property when no common carrier is accessible and only to the nearest common carrier receiving point.

This section also exempts certain classes of other vehicles. These classes pertain to private motor carriers of passengers and for-hire motor carriers.[31]

---

[30] Ibid., sec. 66-1,108.

[31] Ibid., sec. 66-1,109.

State Regulation of Motor Carriers Operating in the Kansas City Commercial Zone

Motor carriers that operate exclusively within the commercial zone are required to register with the State Corporation Commission. These carriers are local cartage carriers who transport property or freight for hire within the zone. KCC has the power to regulate these carriers as common motor carriers but only requires them to register.[32] A KCC official stated that these carriers would like to come under economic regulations as common motor carriers. The State Corporation Commission would only have authority on the Kansas side of the commercial zone.

The Interstate Commerce Commissission has issued interstate certificates of public convenience and necessity to authorize common motor carriers to serve the Kansas City commercial zone in interstate commerce. These interstate common motor carriers could transport traffic from a Kansas town outside of the commercial zone to the Kansas portion of the commercial zone. This is intrastate commerce and wasn't subject to regulation by the State Corporation Commission. To remedy this situation, the State Corporation Commission issued intrastate certificates to these carriers with the restriction that they could only transport intrastate commerce originated or destined to and from the Kansas City commercial zone. The problem of the division of Federal and State authority in the Kansas City commercial zone is not settled.[33]

---

[32] Kansas Statutes Annotated, sec. 66-1,149.

[33] Vernon Wengler, private interview held at the Rate Section, State Corporation Commission, May, 1972.

CHAPTER 4

SERVICE FAILURES OF MOTOR COMMON CARRIERS

One of the most troublesome problems for the transportation industry and the shipping public is associated with the handling of small shipments in intercity distribution. The ultimate consumer buys in small quantities at locations near his home, and it is the function of transportation to move these commodities from the manufacturer to wholesaler, wholesaler to retailer, and finally to the consumer. This usually means breaking larger shipments down into smaller shipments. The distribution system is changing spacially and structurally due to change in the level, composition, and concentration of population; growing level of affluence by consumers and change in the industries that use transportation services. These changes should increase the future demand for transportation.[1]

Basically, the small shipment problem is that shippers want fast and frequent service for their small shipments and the unwillingness of carriers to provide the transportation at the existing rate levels. The shippers complain about the service failures of carriers that transport small shipments and the increasing rates to transport them. The carriers of small shipments complain about the rising cost to provide all the services demanded at existing freight rates. A small shipment normally requires more paper work, more physical handling, is more prone to

---

[1]Dr. Karl M. Ruppenthall, "Changing Transportation Markets Described by Ruppenthall in Talk at Oregon University," Traffic World, March 25, 1967, p. 118.

theft or damage, and costs as much to trace as the volume shipments which generate far more revenue per shipment. Another problem area is the increase in space-consuming low-density freight due to changes in packing and product material (i.e., wood to plastic or other light weight synthetics) and the trend toward bulkier packaging of many consumer goods.[2]

The cost of transporting a small shipment involves the following basic functions. The shipment must be picked up from the shipper, handled across the dock at the origin city, hauled from the origin to city of destination, handled across the dock at the destination, and delivered to the consignee. ICC estimates of the cost of performing various functions for the middlewest carriers are in Table 6.

From Table 6, the pickup or delivery cost decrease per hundredweight as the total weight of the shipment increases. A fully-loaded delivery truck with a larger shipment will have less total running and stopping expense than a fully-loaded delivery truck with small shipments that must be delivered to many consignees. In comparison with line haul cost, the pickup or delivery cost has risen faster. The significant obstacles to combating these pickup or delivery cost are increasing traffic congestion in city streets, delivery to multi-storied buildings and increasing pilfering of delivery trucks.[3]

Pickup and delivery service isn't available in all areas, and the shipper may have to perform this function. Most carrier operators

---

[2]Interstate Commerce Commission, The Role of Regulated Motor Carriers in the Handling of Small Shipments, p. 23.

[3]Interstate Commerce Commission, The Role of Regulated Motor Carriers in the Handling of Small Shipments, p. 71.

TABLE 6

COMPARISON OF VARIABLE UNIT COST OF TRANSPORTING FREIGHT BY CLASS I AND CLASS II MOTOR COMMON CARRIERS OF GENERAL COMMODITIES FOR THE MIDDLEWEST REGION, 1969 AND 1965

	Cost Per Service Unit		Percentage Increase (decrease)
	1969 (cents)	1965 (cents)	
Line Haul Cost			
Per vehicle-mile	39.5	37.3	5.90
Per hundredweight-mile	.155	.182	(14.84)
Terminal Cost			
Billing and collection per shipment	99.1	69.6	42.39
Platform handling per 100 lbs.	28.1	23.7	18.57
Pickup or Delivery per 100 lbs.			
Average for all traffic	21.6	16.8	28.57
For shipments of:			
50 pounds	274.2	201.0	36.42
100 pounds	161.4	114.2	41.33
200 pounds	96.4	66.9	44.10
300 pounds	72.6	50.7	43.20
300-499 pounds	61.5	41.8	47.13
500-999 pounds	45.3	30.0	50.50
1000-1999 pounds	31.2	22.6	38.05
2000-4999 pounds	23.2	17.7	31.07
5000-9999 pounds	17.4	13.3	30.08
over 10,000 pounds	14.2	11.4	24.56

Source: Interstate Commerce Commission, Bureau of Accounts, Cost of Transporting Freight by Class I and Class II Motor Common Carriers of General Commodities: Middlewest Region-1969, Statement No. 2C10-69 (Washington, D.C.: Government Printing Office, 1971) Tables I & IV, pp. 22 and 26.

Interstate Commerce Commission, Bureau of Accounts, Cost of Transporting Freight by Class I and Class II Motor Common Carriers of General Commodities: Middlewest Region-1965, Statement No. 4-67 (Washington, D.C.: Government Printing Office, 1967) Tables I & IV, pp. 21 and 25.

Note: The variable cost consists of 90 percent of the total operating expenses, rents, taxes other than income taxes and allowance of 5 percent depreciation on capital in 1965 and a 6.61 percent depreciation on capital in 1969.

use agents to perform this function at a terminal; and in some cases, an agent services two or more carriers. In relatively few cases do agents pool their pickup and delivery service despite the apparent economies. Deliveries are usually made in the morning and pickups during the afternoon. A major reason for afternoon pickups is to accomodate shippers' production schedule.[4] Midwest freight receivers have been reported to be closing down their receiving docks at noon, and this will increase the terminal cost by causing a disruption in the flow of freight.[5]

From Table 6, the platform cost an average 28.1 cents per hundredweight for all traffic actually handled over the dock in 1969. In Table 7, the platform cost by weight brackets is reduced as the weight of the shipment increases. The reason is the reduction of the percentage of traffic actually handled over the carrier's dock.

TABLE 7

VARIABLE UNIT COST FOR PLATFORM HANDLING AND PERCENTAGE OF THE WEIGHT HANDLED OVER THE PLATFORM BY WEIGHT BRACKET FOR MIDDLEWEST REGION, 1969 and 1965

Weight bracket pounds per shipments	Platform handling cost - cents per hundredweight		Percentage of weight handled over the platform	
	1969	1965	1969	1965
0-299	26.6	22.1	94.80	93.20
300-499	26.6	22.1	94.80	93.20
500-999	26.2	21.8	93.45	91.75
1000-1999	24.8	20.8	88.36	87.72
2000-4999	22.1	18.4	78.66	77.36
5000-9999	15.4	11.1	54.71	46.86
10,000-19,999	6.8	3.1	24.05	12.89

Source: Interstate Commission, Bureau of Accounts, Statement No. 2C10-69, Table IV, p. 26 and Statement No. 4-67, p. 25.

[4]S. L. Miller, The Small Shipments Problem, unpublished Ph.d dissertation, University of Pennsylvania, 1959, pp. 84-86.

[5]Interstate Commerce Commission, The Role of Regulated Motor Carriers in the Handling of Small Shipments, p. 74.

For large volume shipments, the amount of dock handling becomes negligible with the shipments being handled over the shippers or consignee's dock and completely by-passing the carriers' dock. The other terminal expense of billing and collecting is a constant per shipment and decreases per hundredweight as total shipment weight increases.

In Table 6, the cost of billing and collecting has increased significantly over the four-year time period.

To combat these rising terminal costs, more mechanized handling of small shipments is needed in the terminal areas where assembly and break-bulk operations occur. This requires a considerable investment in terminal facilities. Another way to reduce terminal cost would be for several carriers sharing a terminal so economies of scale could be obtained in areas of less traffic volume. Pooling of terminal facilities would eliminate much duplication of service and could drive down cost.

Reform is needed in billing and collecting. Truck rates are based on type of commodity, weight and a complicated array of other data. The computation of a freight charge is complicated if the shipment must be interlined between carriers. Mr. William Baker, President of Cooper-Jarrett Inc. favors a system of freight rates based on pieces and zones which would eliminate considerable bookwork expense. Also, he favors prepayment of the transportation bill. This would eliminate the amount of time that a delivery may take in searching out the party at the delivery point to receive payment.[6]

---

[6]John D. Williams, "Trucking Official Sees Reforms in Tariffs, Billing as Brake on Continuing Rate Boost," Wall Street Journal, August 10, 1970, p. 4.

Motor carriers have been more successful in holding down line haul cost. The reason for this has been improved technology in motor tractors and trailers, liberalized state trailer and tractor sizes and weight restrictions, and the interstate highway system. Larger loads per vehicle at increased speeds have decreased the cost per hundredweight mile. A truckload of small individual shipments will have the same line-haul cost per hundredweight mile as a volume shipment if weight and density are the same. Density is a factor in line-haul cost when the density of the commodities transported is less than the maximum density at which the vehicle will be filled to space and weight capacity.[7]

From the discussion, it is apparent that small shipments cost more per unit of weight to handle than volume shipments. The Middlewest Region was picked for the example because Kansas is included in this region. The cost study for 1965 included 82 interstate motor carriers, and the 1969 study included 82 interstate motor carriers. The costs compiled are averages for the sample group and these costs are not the same for all motor carriers. Traffic volume and the character of traffic will vary between firms and will influence cost. Some large class I motor carriers operate only between major cities with high volume traffic routes, while other carriers will have low volume on routes in rural areas that involve many stops.

The 1969 Kansas class and commodity rates (Tariff 19-D) and the 1969 Middlewest cost study (Table 6) were used to determine the profit margin between Kansas intrastate freight and the variable costs of

---

[7]Interstate Commerce Commission, Bureau of Accounts, Explanation of the Development of Motor Carrier Cost with Statement as to their Meaning and Significance, Statement No. 4-59 (Washington, D.C.: Government Printing Office, 1959) p. 50.

transporting selected shipment weights. Twelve participating carriers in Tariff 19-D were included in the 1969 Middlewest cost study. The route that was chosen is Manhattan, Kansas to Kansas City, Kansas with a rate basis mileage of 115. Class 100 rates were used for shipment weights of one hundred pounds, three-hundred pounds, one thousand pounds and ten thousand pounds. The freight rates include one pick-up and loading and one delivery and unloading during business hours provided that the site is practicable. Pickup at and delivery to a private home per hundredweight with a minimum of 525 cents per shipment. The freight rates (Table 8) are based upon a practicable site with adequate approaches and dock facilities.[8]

The assumption for computing the profit margin per hundred pounds of freight is that the variable costs of freight transported from Manhattan, Kansas to Kansas City, Kansas are equal to the variable costs in the Middlewest Region. Variable costs will be different for each carrier, route and type of commodity. The profit margins computed in Table 8 should be considered an average and not the absolute profit margin.

The profit margins (Table 8) substantiate that larger shipments yield more revenue per hundredweight than smaller shipments. If our assumption is correct, the three hundred pound shipment is unprofitable and would have to be subsidized by other freight revenue. The one hundred pound shipment is subjected to the minimum freight rate and is profitable to transport.

The freight rates effective November 6, 1971, for Table 8 are $6.50 for an one-hundred pound shipment, $9.33 for a three-hundred

---

[8]Middlewest Motor Freight Bureau, Tariff 19-D: Kansas Class and Commodity Rates, pp. 46-47.

TABLE 8

PROFIT MARGINS OF TRANSPORTING ONE HUNDRED, THREE HUNDRED, ONE THOUSAND AND TEN THOUSAND POUND SHIPMENTS FROM MANHATTAN, KANSAS TO KANSAS CITY, KANSAS, 1969

	Dollars	
100 pound shipment		
Freight charge		5.000
Variable costs		
Line-haul costs	.178	
Platform costs	.562	
Pickup and delivery costs	3.224	
Billing and collections costs	.991	
Total variable costs		4.955
Profit margin per shipment		.045
Profit margin per 100 lbs.		.045
300 pound shipment		
Freight charge		6.090
Variable costs		
Line-haul costs	.714	
Platform costs	1.686	
Pickup and delivery costs	4.356	
Billing and collection costs	.991	
Total variable costs		7.747
Profit margin per shipment		(.657)
Profit margin per 100 lbs.		(.219)
1,000 pound shipment		
Freight charge		20.300
Line-haul costs	1.783	
Platform costs	5.620	
Pickup and delivery costs	6.240	
Billing and collection costs	.991	
Total variable costs		14.634
Profit margin per shipment		5.666
Profit margin per 100 lbs.		.567
10,000 pound shipment		
Freight charge		194.000
Line-haul costs	17.825	
Platform costs	56.200	
Pickup and delivery costs	28.400	
Billing and collection costs	.991	
Total variable costs		103.416
Profit margin per shipment		90.584
Profit margin per 100 lbs.		.906

Source: Middlewest Freight Bureau, Tariff 19-D: Kansas Class and Commodity Rates, p. 264.

Note: Variable costs were computed from Table 6. Line-haul costs equal (.155¢) (115 miles) (No. of lbs. transported). Platform costs equal (28.1) (2) (No. of 100 lbs. handled). Pickup and delivery costs equal (cost for weight of shipment) (2) (No. of 100 lbs. transported). Billing and collection is a constant per shipment.

pound shipment, $31.10 for a one-thousand pound shipment, and $297.00 for a ten-thousand pound shipment.[9] The percentage increase from 1969 to 1971 is 30 percent for the one-hundred pound shipment, 53.20 percent for the three-hundred pound and one-thousand pound shipment and 53.09 percent for the ten-thousand pound shipment. Increases in cost for this period are not known.

The major service failures of carriers from the shipper's point of view is the practice of carriers selecting the freight that they will transport because of its physical characteristics or volume tendered, the failure or inability of carriers to interline so shippers can obtain a through movement of a shipment, and the inability to obtain service to or from small towns or areas generating little traffic volume.[10]

The practice of selecting and choosing traffic is usually in direct violation of a carrier's duty and obligation to transport all traffic covered by the carrier's certificate and tariff without discrimination. This practice of selecting and choosing traffic is difficult to police because of the covert methods employed by carriers. Such methods are letting the shipment set on the dock for a few days to discourage the shipper, telling the shipper no service is available because of over-loaded facilities, and seeking rate increases that will act as an embargo on certain types of traffic. The problem of selectivity may be more acute in the case of interline movements. A typical situation is a refusal of a carrier to interline shipments weighing less than

---

[9]Middlewest Motor Freight Bureau, Supplement 87 to Tariff 19-D, September 29, 1971, p. 26. Minimum charge cited in Supplement 84 to Tariff 19-D, June 16, 1971, p. 4.

[10]Interstate Commerce Commission, Small Shipment Problem, p. 2.

two-hundred pounds but accepting those that weigh more than two-hundred pounds. A shipper who is a victim of traffic discrimination can petition the ICC or KCC to take action. As was stated, traffic discrimination is hard to police and sometimes the consequences of a conviction may be more detrimental to the shipper than the current practice. In the case of traffic or traffic discrimination in interline movements, the enforcement action may cause the carrier to cancel the joint arrangement and thus reduce service.[11]

To insure that carriers provide fair and equal service on an adequate and continuous basis, the Interstate Commerce Commission has initiated a rule-making proceeding to require all common motor carriers of property to maintain a written record of all requests for service. This proceeding is in response to complaints from shippers of light, small or bulky articles concerning service failures.[12]

Another problem facing shippers and carriers is the problem of interlining. This is a two-sided problem with shippers not being able to obtain the service and advantages of joint rate through rate and carriers' problem of establishing and maintaining these routes. The problem of interlining is closely related to service failures in selectivity of freight and the failure to obtain service to and from small rural towns.

A complete interlining service involves two or more carriers with a joint rate and division of revenues among carriers. A reduction in interlining service is usually the cancellation of the joint rate and

---

[11] Ibid., pp. 3-4.

[12] "New Rule Making Proceeding Initiated by ICC", Traffic World, (March 16, 1970), p. 54.

keeping the through route. The freight charge will then be assessed by using a combination of local rates by each carrier and will result in a higher freight charge. Several complaints by shippers regarding the reasonableness of these higher charges have been filed and decided in favor of these shippers. However, the carriers retaliated by closing down the through routes. Other restrictions that reduce service are individual weight, commodity, or point restrictions upon interlining services. These are sometimes written in the tariff and are subject to ICC investigations.[13]

The problems that carriers face in maintaining a complete interlining service is disputes among carriers over division of revenues, damage claims, delinquency in payments, and the lack of reciprocity in tendering traffic. Disputes over revenue sharing usually occur on traffic involved in a combination of a long-haul and a short-haul. The short-haul carriers cite cost per mile that are higher than for long-haul carriers. If a dispute isn't settled, the agreement will be discontinued. Intrastate short-haul carriers depend upon interlining agreements to provide interstate service to rural areas.[14]

Damage claims is a single and multi-line problem. Common carriers are responsible for goods in transit. Fixing responsibility for damage is difficult when goods are damaged with no visible damage to the shipping crate. An example is a television set that is shipped by interlining between two carriers and is received by the consignee in damaged condition. Damage complaint of this type make up the majority that the

---

[13]Interstate Commerce Commission, Small Shipment Problem, pp. 4-5.

[14]Ibid., pp. 6-8.

Rate Division of the KCC receives. Their formula for settling damaged goods with no visible damage to the shipping crate is to distribute the damage costs equally among the consignee, the originating carrier and the terminating carrier.[15]

The third complaint voiced by shippers is the inability to obtain service to and from small towns and rural areas. Service for small shipments in rural areas is hard to obtain because of traffic imbalance and low freight volume. Routes in these areas produce little revenue to compensate for the expense of maintaining routes. A possible solution for these areas is to concentrate the traffic and revenue among the fewest types and smallest number of firms possible. In these areas, it may be necessary to combine freight and passenger vehicles to preserve a reasonable amount of service in rural areas. If it becomes public policy to promote motor common carriers, rural traffic moving on other modes must be reduced. If the trend continues in private, gray area, and contract traffic, available motor common carrier service in rural areas will be reduced.[16]

---

[15]Vernon Wengler, private interview at the Rate Division, State Corporate Commission, October, 1971.

[16]Interstate Commerce Commission, The Role of Regulated Carriers in the Handling of Small Shipments, p. 86, ("citing") Doyle, "Doyle Report" p. 347.

CHAPTER 5

STRUCTURE OF THE GENERAL COMMODITY MOTOR COMMON CARRIER INDUSTRY IN KANSAS AND EVALUATION OF CARRIER SERVICE IN KANSAS' RURAL TOWNS

Structure of Intrastate Motor Common Carriers Serving Kansas

For the year ended December 31, 1970, 60 motor common carriers of general commodities were required to report to the KCC their Kansas intrastate revenue and expenses.[1] Forty-eight common carriers provided only general commodity service while twelve carriers provided general commodity service and other types of service.[2]

The general conclusions from Table 9 is that there are three large motor carriers that account for 55.1 percent of total intrastate revenues. The majority of intrastate motor common carriers have a gross revenue of less than $100,000 and have the lowest operating ratio of any division of carriers. These carriers probably don't maintain extensive terminal facilities. Nine carriers didn't exercise their intrastate authority. Six of these carriers were Class I motor common carriers with over

---

[1]State Corporation Commission of Kansas Statistics of Motor Common Carriers for the Year Ended December 31, 1970, Statement No. 9-70, August 15, 1971.

[2]Officials of motor common carriers with mixed authority were contacted to determine the amount of intrastate revenue that resulted from general commodities. In all cases, a percentage figure was given of total intrastate revenue. One truck line with mixed authority went out of business in 1971 and didn't report their 1970 revenue to the KCC. No intrastate revenue information could be obtained.

TABLE 9

AVERAGE INTRASTATE REVENUES AND EXPENSES OF MOTOR COMMON CARRIERS OF GENERAL COMMODITIES OPERATING IN KANSAS INTRASTATE COMMERCE FOR YEAR ENDED DECEMBER 31, 1970

Number of Carriers	Gross Intrastate Revenue per Firm	Average Intrastate Revenue	Average Intrastate Expense	Operating Ratio	Percent of Total Kansas Intrastate Revenue
3	$1,000,000 to 3,000,000	$1,586,259	$1,402,491	88.4%	55.1%
-	500,000 to 999,999	-	-	-	-
7	200,000 to 499,999	688,256	657,255	95.5%	23.9%
7	100,000 to 199,999	371,251	335,641	90.4%	12.9%
33	less than 100,000	21,354	17,474	81.8%	8.1%
9	None	-	-	-	-
Total 59	-	$ 146,474	$ 131,573	89.8%	100.0%

$1,000,000 or interstate revenues. No motor common carrier of general commodities reported gross revenue from $500,000 to $999,999. The operating ratios were quite low for all divisions of carriers except those from $200,000 to $499,999 of revenue. There is substantial variation in operating ratios. The largest three motor carriers had operating ratios of 80.4%, 92.7% and 96.5%.

Procedure of Survey

A survey of Kansas' towns was taken to determine the average number of motor common carriers that provide general commodity service per town. The purpose of this survey is to evaluate general commodity service in rural towns and to determine if there is any difference in the number of motor carriers per rural town due to size and location of these towns. Essentially, the question is: "Do rural towns in Western Kansas have less general commodity service by motor common carriers than rural towns in Eastern Kansas?" The assumption is that the number of motor carriers per town would be a measure of service. It should be recognized that other factors such as frequency of service, terminal facilities and pickup and delivery service are important factors in evaluating motor carrier service. Obtaining these data was beyond the scope of this study.

The State was previously divided into nine crop reporting districts. Analysis was based on the Crop Reporting Districts with the Kansas City commercial zone deleted. This commercial zone involved parts of Wyandotte and Johnson counties which are respectively in district three and six. Carriers which have been granted interstate authority to serve the Kansas City commercial zone can provide service to all

towns within the zone. The KCC has issued intrastate authority to the Kansas side of the commercial zone and in other cases has issued intrastate authority to carriers to serve particular towns within the commercial zone. Also, there are local carriers that provide a dray service within the commercial zone for the intrastate and interstate motor common carriers of general commodities. Including these towns in the Kansas City commercial zone would bias our sample for district three and six. Table 10 lists the counties included in each district.

The towns were divided into three classes based on population and included only incorporated towns. The three classes of towns are with populations less than 2,500, 2,500 to 24,999 and those over 25,000 based on the 1970 census of population. A random sample of towns was taken by district with 20 percent of the towns in the 0 to 2,499 population class sampled, 30 percent of the towns in the 2,500 to 24,999 class sampled, and all of the towns over 25,000 sampled.

A list of general commodity motor common carriers with intrastate authority was obtained from the Kansas Corporation Commission, Transportation Division. The intrastate and interstate general commodity route numbers were obtained for each carrier. The Transportation Division also maintains a list of all towns in Kansas with the intrastate and interstate route numbers of all classes of carriers that serve each town. By matching route numbers from our general commodity carrier list with the route number in our sample of towns, the number of intrastate and interstate general commodity motor common carriers per town was obtained.

TABLE 10

KANSAS COUNTIES LISTED BY CROP REPORTING DISTRICT

District 1 Northwest	District 2 North Central	District 3 Northeast
Cheyenne	Clay	Atchison
Decatur	Cloud	Brown
Graham	Jewell	Doniphan
Norton	Mitchell	Jackson
Rawlins	Osborne	Jefferson
Sheridan	Ottawa	Leavenworth
Sherman	Phillips	Marshall
Thomas	Republic	Nemaha
	Rooks	Pottawatomie
	Smith	Riley
	Washington	Wyandotte
District 4 West Central	**District 5 Central**	**District 6 East Central**
Grove	Barton	Anderson
Greeley	Dickinson	Chase
Lane	Ellis	Coffey
Logan	Ellsworth	Douglas
Ness	Lincoln	Franklin
Scott	McPherson	Geary
Trego	Marion	Johnson
Wallace	Rice	Linn
Wichita	Rush	Lyon
	Russell	Miami
	Saline	Osage
		Shawnee
		Wabaunsee
District 7 Southwest	**District 8 South Central**	**District 9 Southeast**
Clark	Barber	Allen
Finney	Commanche	Bourbon
Ford	Edwards	Butler
Grant	Harper	Chautaugua
Gray	Harvey	Cherokee
Hamilton	Kingman	Cowley
Haskell	Kiowa	Crawford
Hodgeman	Pawnee	Elk
Kearny	Pratt	Greenwood
Meade	Reno	Labette
Morton	Sedgwick	Montgomery
Seward	Stafford	Neosho
Stanton	Sumner	Wilson
Stevens		Woodson

The Transportation Division didn't have on file those carriers that provided only interstate general commodity service and no intrastate service. The American Motor Carrier Directory was used to identify these interstate carriers that served our sample towns.[3] The chances of an interstate motor common carrier of general commodities not being listed by either the State Corporation Commission or by the American Motor Carrier Directory is considered remote.

Findings of Survey

Table 10 shows the results of the survey for the state of Kansas and the nine districts within the state. The average number of intrastate motor common carriers of general commodities and the sample standard deviation is tabulated for the three classes of towns for each district and the state. Interstate carriers are tabulated in the same format. If a motor carrier had an intrastate and interstate general commodity route in the same town, the town was credited as having one intrastate carrier and one interstate motor carrier. From the list of intrastate general commodity motor common carriers obtained from the Kansas Corporation Commission, 54 percent of these carriers had intrastate and interstate general commodity routes in Kansas.[4]

This paper is primarily interested in the general commodity motor carrier service in the rural towns with populations of 0 to 2,499.[5]

---

[3]American Trucking Association, American Motor Carrier Directory, Spring Issue No. 54, (Atlanta, Georgia: Guide Service Inc., 1970), State Routing Section, Kansas.

[4]Seventy-six motor common carriers had intrastate general commodity routes in Kansas with 41 of these carriers having interstate general commodity routes in Kansas, October 1971.

[5]U.S. Department of Commerce, Bureau of the Census, 1970 Census of Population: Kansas, PC(VI) - 18, p. 2. Definition of a rural town.

TABLE 11

AVERAGE NUMBER OF INTRASTATE AND INTERSTATE MOTOR COMMON CARRIERS OF GENERAL COMMODITIES PER TOWN BY DISTRICT FOR THE STATE OF KANSAS

	Class of Town by Population		
	0 to 2,499	2,500 to 24,999	over 25,000
District 1			
Total Number of towns	25	3	-
Sample size	5	1	-
Avg. number of intrastate carriers	1.8	2	-
Standard deviation of intrastate	.84	-	-
Avg. number of interstate carriers	4.0	6.0	-
Standard deviation of interstate	1.58	-	-
District 2			
Total number of towns	70	6	-
Sample size	14	2	-
Avg. number of intrastate carriers	2.57	4.0	-
Standard deviation of intrastate	.76	0.0	-
Avg. number of interstate carriers	2.71	7.0	-
Standard deviation of interstate	1.64	0.0	-
District 3			
Total number of towns	71	9	2
Sample size	15	3	2
Avg. number of intrastate carriers	2.53	4.67	8.50
Standard deviation of intrastate	1.41	.58	2.12
Avg. number of interstate carriers	2.40	6.67	11.50
Standard deviation of interstate	1.96	3.21	2.12
District 4			
Total number of towns	21	1	-
Sample size	4	1	-
Avg. number of intrastate carriers	1.75	3	-
Standard deviation of intrastate	.50	-	-
Avg. number of interstate carriers	2.25	5	-
Standard deviation of interstate	1.50	-	-
District 5			
Total number of towns	71	10	1
Sample size	14	3	1
Avg. number of intrastate carriers	2.07	3.33	10
Standard deviation of intrastate	1.00	.58	-
Avg. number of interstate carriers	2.14	4.33	14
Standard deviation of interstate	1.51	2.52	-

TABLE 11--Continued

	Class of Town by Population		
	0 to 2,499	2,500 to 24,999	over 25,000
District 6			
Total number of towns	73	9	2
Sample size	15	3	2
Avg. number of intrastate carriers	2.27	5.33	19.50
Standard deviation of intrastate	1.44	1.53	9.19
Avg. number of interstate carriers	2.20	6.33	24.0
Standard deviation of interstate	1.61	.58	7.07
District 7			
Total number of towns	30	5	-
Sample size	6	2	-
Avg. number of intrastate carriers	1.50	5.50	-
Standard deviation of intrastate	.84	.71	-
Avg. number of interstate carriers	2.17	8.00	-
Standard deviation of interstate	1.72	4.24	-
District 8			
Total number of towns	83	11	2
Sample size	17	3	2
Avg. number of intrastate carriers	1.59	6.00	15.00
Standard deviation of intrastate	.79	5.20	5.66
Avg. number of interstate carriers	2.18	9.67	23.00
Standard deviation of interstate	1.43	5.69	11.31
District 9			
Total number of towns	89	17	-
Sample size	18	5	-
Avg. number of intrastate carriers	2.22	5.20	-
Standard deviation of intrastate carriers	1.71	.84	-
Avg. number of interstate carriers	2.00	8.00	-
Standard deviation of interstate	1.75	1.00	-
State (All Districts)			
Total number of towns	533	71	7
Sample size	108	23	7
Avg. number of intrastate carriers	2.13	4.70	13.43
Standard deviation of intrastate	1.27	2.10	6.80
Avg. number of interstate carriers	2.33	7.30	18.29
Standard deviation of interstate	1.71	3.14	7.48

For the state of Kansas, the average number of interstate motor common carriers is 2.33 and interstate carriers, 2.13. In all districts, the larger class of towns has a greater number of intrastate and interstate carriers serving them. It can be concluded that the urban towns have more carrier alternatives than rural towns and thus a better service. In our sample of these rural towns, only five of a total sample of 108 had no motor common carriers of general commodities serving them. These towns have small populations and aren't on principal through highways. The only exception is Englewood which is on a principal through highway.[6] These towns will have to rely on other types of motor carriers such as contract, express, or private carriers to obtain shipments.

The data from Table 11 are rearranged in Table 12 for convenience. Table 12 shows the average number of intrastate motor common carriers of general commodities for rural town by district as the districts would appear on a map of Kansas.

TABLE 12

AVERAGE NUMBER OF INTRASTATE MOTOR COMMON CARRIERS OF GENERAL COMMODITIES PER RURAL TOWN WITH POPULATION 0-2,499 BY DISTRICT

District 1	District 2	District 3
1.8	2.57	2.53
District 4	**District 5**	**District 6**
1.75	2.07	2.27
District 7	**District 8**	**District 9**
1.50	1.59	2.22

[6]These towns are Auburn, population 261, Shawnee County; Englewood, population 158, Clark County; Freeport, population 21, Harper County; Mapleton, population 112, Bourbon County; and Neosho Falls, population 184, Woodson County.

The State average of intrastate carriers is 2.13 and districts 3, 6 and 9 in Eastern Kansas are above this average with districts 1, 4 and 7 in Western Kansas below the state average. District 2 in Central Kansas is above the State average with district 5 and 8 below. To answer the question if there is a difference in the number of intrastate motor common carriers of general commodities in rural towns due to location, an analysis of variance, (F test) was used to determine if one region had a significantly higher average of intrastate carriers than another. The three regions that were tested are Western Kansas (districts 1, 4 and 7), Central Kansas (districts 2, 5 and 8) and Eastern Kansas (districts 3, 6 and 9). The average number of intrastate carriers per rural town in Western Kansas, Central Kansas and Eastern Kansas is respectively 1.67, 2.07 and 2.33. See *Appendix* I with Tables I-A to I-E for the calculation and discussion of the analysis of variance. The analysis of variance for the Western, Central and Eastern Regions of Kansas indicated that there was a significant difference in the average number of motor common carriers per rural town among the three regions (Table 1-B).

Three more analysis of variance tests were conducted. There is a significant difference in the average number of intrastate carriers per rural town between Western and Eastern Kansas (Table 1-E). No difference in the average number of carriers per rural town was detected between Western and Central Kansas or between Central and Eastern Kansas (Tables 1-C and 1-D). A 10 percent level of probability was used in each analysis of variance test.

The data from Table 11 for interstate motor common carriers of general commodities are arranged in the same format as intrastate carriers

in Table 12. The average number of interstate motor common carriers of general commodities per rural town in the nine districts is presented in Table 13.

TABLE 13

AVERAGE NUMBER OF INTERSTATE MOTOR COMMON CARRIERS OF GENERAL COMMODITIES PER RURAL TOWN WITH POPULATION OF 0-2,499 BY DISTRICT

District 1	District 2	District 3
4.0	2.71	2.40
District 4	District 5	District 6
2.25	2.14	2.20
District 7	District 8	District 9
2.17	2.18	2.00

The state average of interstate motor common carriers of general commodities per rural towns is 2.33. Districts one, two and three are above the state average while the remaining districts are below. This arrangement of interstate commodity carrier is different from intrastate carriers. For interstate carriers, the state will be divided into the Northern Region (districts 1, 2 and 3); the Middle Region (districts 4, 5 and 6) and the Southern Region (districts 7, 8 and 9). An F test was conducted to determine if there is a significant difference in the average number of interstate motor common carriers of general commodities among

the Northern, Middle and Southern Regions of Kansas. The results of the test (Appendix II, Table II-B) indicated there was no significant difference in the average number of interstate motor common carriers of general commodities per rural town among the Northern, Middle and Southern Regions of Kansas.

Conclusions of the Survey

From the survey, it was shown that the larger classes of towns had a greater average number of motor common carriers of general commodities serving them than rural towns. This was expected since larger towns usually have more economic activity than smaller towns and would need more carriers. Only five rural towns in the sample had no general commodity service by motor common carriers. With a sample size of 108 rural towns, less than 5 percent of these towns had no service. These towns were small in population with the largest having 261 persons.

Rural towns in the Eastern Region of Kansas had a significantly greater average number of intrastate motor common carriers than the rural towns in the Western Region of Kansas. The reason is that the Eastern Region had a greater number of the larger classes of towns and is geographically closer to the Kansas City Commercial zone. Forty percent of the intrastate carriers in Kansas had routes into the Kansas City commercial zone.

Statistically, we couldn't tell if there was any difference between the average number of interstate motor common carriers of general commodities per rural towns between the Northern, Middle and Southern Regions

of Kansas. If there is a difference of interstate carriers per rural town, the Northern Region would more likely have the greater number. The reason is that Northern Kansas has a better east to west highway system than Southern Kansas. Interstate highway 70 connects Denver to Kansas City and other larger Eastern cities outside of Kansas. Also, highways 36 and 24 run east to west. Southern Kansas had the Kansas Turnpike that links Kansas City to Oklahoma City. But for freight destinated to Oklahoma City that originated farther east than St. Louis, it would be advantageous to use interstate highway 44 southwest across Missouri. This would also be true for traffic to Dallas, Texas or Albuquerque, New Mexico.

From this survey, it can be concluded that Kansas has an adequate number of motor common carriers of general commodities serving rural towns. With a state average of approximately two intrastate and interstate general commodity carriers per rural towns and with less than 5 percent of the rural towns in the sample without general commodity service, it would be hard to argue that Kansas rural towns don't have an adequate number of motor common carriers of general commodities serving them. Rural towns don't usually produce as high a volume of traffic as the larger towns do. Motor carriers are probably more interested in maintaining and improving service on high density freight routes that produce more revenue. The case may be that the higher density routes between larger towns may be subsidizing carrier routes to rural towns. If this is the case, there may be too many carriers serving Kansas' rural towns. This hypothesis cannot be proved or disproved by this study. It isn't known if rural towns produce enough traffic volume to support two intrastate and two interstate motor common carriers routes of general commodities.

CHAPTER 6

SUMMARY AND CONCLUSIONS

Interstate and intrastate motor common carriers of general commodities operating in the state of Kansas are subjected to ICC and/or KCC regulations. The division of authority for economic regulation is that the ICC regulates carriers operating in interstate and foreign commerce while the KCC regulates carriers operating in intrastate commerce. There is some question of division of authority in the Kansas City Commercial Zone. All motor carriers operating over Kansas highways are subjected to Kansas safety laws.

The ICC and KCC economic regulation of motor common and contract carriers of general commodities is similar. However, there is a major difference in the ICC and KCC regulation of motor common and contract carriers of agricultural commodities. Interstate motor carriers of agricultural commodities are exempted from ICC economic regulations. The KCC does regulate motor common and contract carriers of agricultural commodities engaged in intrastate commerce.

The National Transportation Policy is to preserve the inherent advantages of all modes of transportation, foster sound conditions in the transportation industry, promote adequate transportation service at reasonable rates, and encourage cooperation between federal and state regulatory authorities. The specific objectives of motor carrier regulation are to provide stability of rates, prevention of discrimination, financial responsibility of carriers, dependable service, financial stability of carriers and transport coordination.

From reviewing transportation literature, it is apparent that the National Transportation Policy and objectives of motor carrier regulation haven't been fulfilled in the area of small shipments. The Interstate Commerce Commission stated that, "Development of adequate small shipment service is one of the most perplexing current issues facing both the Commission and the Transportation industry."[1] The ICC defines the small shipment problem as carriers selectivity of freight, restriction of joint hauls and obtaining small shipment service to and from rural areas. The ICC efforts to improve the small shipment problem have been increased efforts to obtain legislative authority to require carriers to interline, stress of service fitness, and institution of appropriate court action to obtain both penalties and injunctive relief because of service failures.

The Interstate Commerce Commission has been successful in reducing the number of shipper complaints concerning small shipments. The increased enforcement action by the ICC may have made regulated motor carriers more aware of their service obligations but hasn't dealt with the principle cause of the problem, the high cost of handling small shipments.

The 1969 Kansas class and commodity intrastate rates and the 1969 Middlewest cost study were used to determine a profit margin between freight rates and variable costs for selected weights of shipments. The profit margins were lower on the smaller shipments compared to the larger shipments. The 300 pound shipment transported between Manhattan and Kansas City may have been transported at a loss to the carrier. The

---

[1]Interstate Commerce Commission, 82nd Annual Report for Year Ended June 30, 1968. p. 15.

question that arises: should a common carrier be obligated to carry shipments which result in a loss? Increases in freight rates may bring increased revenues to carriers in the short run but in the long run, may be damaging to the carriers. This traffic may stop being transported due to economics or diverted to other carriers (e.g., private motor carriers). Increasing small shipment freight rates can act as an embargo on goods and structurally change the distribution system and manufacturing industries.

From the survey of Kansas rural towns (0-2,499 population), it was found that there was approximately two intrastate and two interstate motor common carriers of general commodities per rural town and less than five percent of the rural towns in the sample without general commodity service by motor common carrier. The conclusion is that Kansas rural towns have an adequate number of motor common carriers of general commodities authorized to serve them. It isn't known if rural towns produce enough traffic volume to support two intrastate and two interstate carriers. The Eastern region of Kansas has a significantly greater average of intrastate motor common carriers of general commodities per rural town in the Western region. Statistically, it wasn't shown that there is a significant difference in the number of interstate carriers among regions.

The solution to the small shipment problem is to reduce the high cost of providing small shipment service. Terminal, pickup and delivery costs are largely responsible for the high cost of handling small shipments, and these costs have risen faster than line-haul costs. There is a cost advantage of pooling these services and reducing the duplication of service. Terminal, pickup and delivery services aren't usually offered in rural areas. The problem in these rural areas is low traffic volume which will send line-haul costs soaring. In these cases, merger of motor carrier firms may be necessary to provide economical freight service to these rural areas.

ACKNOWLEDGMENTS

The writer wishes to express his appreciation to Dr. Orlo Sorenson, his major advisor, for the helpful suggestions, corrections, and criticism he has contributed toward the completion of this paper.

APPENDIX I

TABLE 1-A

SUMMARY OF DATA FOR INTRASTATE MOTOR CARRIERS BY REGIONS TO CONDUCT ANALYSIS OF VARIANCE TEST

Item	Western Kansas	Central Kansas	Eastern Kansas	Total all Regions	Total Western & Central Regions	Total Central & Eastern Regions	Total Western & Eastern Regions
Observations, N	15	45	48	108	60	93	63
Average number of Intrastate carriers, M	1.67	2.07	2.33	2.13	1.97	2.20	2.17
Sum of X^2	49.00	229.00	348.00	636.00	278.00	577.00	397.00
NM^2	41.83	192.82	260.58	498.99	232.85	450.12	296.66
Sum of x^2	7.17	36.18	87.42	137.01	45.15	126.88	100.34

Note: X is the number of carriers per observation.

x is the deviation of X from the average number of carriers.

TABLE 1-B

ANALYSIS OF VARIANCE FOR THE WESTERN, CENTRAL AND EASTERN REGIONS OF KANSAS

Source of Variation	Degrees of Freedom	Sum of Squares	Mean Square
Total	107	137.01	-
Difference between regions	2	6.24	3.12
Difference within regions	105	130.77	1.25
		$F = \frac{3.12}{1.25} = 2.50$	

Note: See Karl A. Fox, Intermediate Economic Statistics, (New York: John Wiley & Sons Inc., 1968), pp. 290-309.

With 2 and 105 degrees of freedom, a F ratio greater than 2.36 would occur by chance once in ten times if there was no significant difference between the average number of motor common carriers of general commodities per rural towns in the three regions.[1] With a F ratio of 2.50, the probability of there being no significant difference between the average number of intrastate motor carriers in each region is less than ten percent. Therefore, it is concluded that there is a significant difference in the average number of motor common carriers of general commodities per rural towns among the three regions.

To determine if there is a significant difference between the average number of intrastate motor common carriers of general commodities between

[1] G. W. Snedecor & W. G. Cochran, Statistical Methods (Sixth Edition; Ames, Iowa: The Iowa State University Press, Fourth Printing, 1971), Table A 14, The Distribution of F, pp. 560-567.

the Western and Eastern regions, Central and Eastern regions, or Western and Eastern regions, three more analysis of variance test were computed.

TABLE 1-C

ANALYSIS OF VARIANCE FOR THE WESTERN AND CENTRAL REGIONS OF KANSAS

Source of Variation	Degrees of Freedom	Sum of Squares	Mean Square
Total	59	45.15	-
Difference between regions	1	1.80	1.80
Variation within regions	58	43.35	.75
		$F = \frac{1.80}{.75} = 2.40$	

With 1 and 58 degrees of freedom, an F ratio of greater than 2.79 would occur by chance once in ten times if there were no difference between regions. With an F ratio of 2.40, the probability of there being no difference between regions is greater than ten percent. Thus, we concluded that there is no significant difference between the average number of intrastate motor common carriers of general commodities per rural towns between the Western and the Central regions of Kansas.

With 1 and 91 degrees of freedom, an F-ratio of greater than 2.77 would occur by chance once in ten times if there was a difference between regions. With a F ratio of 2.41, it is concluded that there is no significant difference between the average number of intrastate motor common carriers of general commodities per rural towns between the Central and Eastern regions of Kansas.

TABLE 1-D

ANALYSIS OF VARIANCE FOR THE CENTRAL AND EASTERN REGIONS OF KANSAS

Source of Variation	Degrees of Freedom	Sum of Squares	Mean Square
Total	92	126.88	-
Difference between Regions	1	3.28	3.28
Difference within Regions	91	123.60	1.36
		$F = \frac{3.28}{1.36} = 2.41$	

TABLE 1-E

ANALYSIS OF VARIANCE FOR THE WESTERN AND EASTERN REGIONS OF KANSAS

Source of Variation	Degrees of Freedom	Sum of Squares	Mean Square
Total	62	100.34	-
Difference between Regions	1	5.75	5.75
Difference within Regions	61	94.59	1.55
		$F = \frac{5.75}{1.55} = 3.71$	

With 1 and 61 degrees of freedom, a F ratio greater than 2.79 would occur once out of ten times if there was no difference between regions. With an F ratio of 3.71, it is concluded that there is a significant difference in the average number of intrastate motor common carriers of general commodities per rural towns between the Western and Eastern regions of Kansas.

APPENDIX II

TABLE II-A

SUMMARY OF DATA FOR INTERSTATE MOTOR CARRIERS BY REGIONS TO CONDUCT AN ANALYSIS OF VARIANCE TEST

Item	Northern Kansas	Middle Kansas	Southern Kansas	Total All Regions
Observations, N	34.00	33.00	41.00	108.00
Average number of inter-state carriers, M	362.76	2.18	2.10	2.33
Sum of X^2	368.00	275.00	280.00	923.00
NM^2	259.00	156.83	180.81	586.32
Sum of x^2	109.00	118.17	99.19	336.68

Note: X is the number of carriers per observation
x is the deviation of X from the average number of carriers.

TABLE II-B

ANALYSIS OF VARIANCE FOR THE NORTHERN, MIDDLE AND SOUTHERN REGIONS OF KANSAS

Source of Variation	Degrees of Freedom	Sum of Squares	Mean Square
Total	107	336.68	-
Difference between Regions	2	10.32	5.16
Difference within Regions	105	326.36	3.11
		$F = \frac{5.16}{3.11} = 1.66$	

With 2 and 105 degrees of freedom, a F ratio greater than 2.36 would occur once in ten times if there was no significant difference between the average number of interstate motor common carriers of general commodities between the three regions. With a F ratio of 1.66, it is concluded that there is no significant difference between the average number of interstate motor common carriers of general commodities per rural town among the Northern, Middle and Southern regions of Kansas.

BIBLIOGRAPHY

American Trucking Association. American Motor Carrier Directory. Spring Issue No. 54. Atlanta, Georgia: Guide Service Inc. 1970.

"Associated Transports Inc. Extension Kansas." Interstate Commerce Commission Reports. Motor Carrier Cases. Vol. 54. 1952.

"Balch and Martin Motor Express Common Carrier Application." Interstate Commerce Commission Reports. Motor Carrier Cases. Vol. 47. 1947.

"Bilyeu Refrigerated Transport Corp.-Extensions Missouri Origins to Arkansas, Oklahoma, and Kansas." Interstate Commerce Commission Reports. Motor Carrier Cases. Vol. 106. 1968.

"Clark Common Carrier Applications". Interstate Commerce Commission Reports. Motor Carrier Cases. Vol. 1. 1936.

"Connell Transport Co., Extension-New York, N.Y." Interstate Commerce Commission Reports. Motor Carrier Cases. Vol. 91. 1962.

"East Texas Motor Freight Lines, Inc. v. Frozen Food Express." United States Supreme Court. United States Reports. Vol. 351. 1965.

Fox, Karl A. Intermediate Economic Statistics. New York: John D. Wiley and Sons Inc., 1968.

"H. A. Day Common Carrier Application." Interstate Commerce Commission Reports. Motor Carrier Cases. Vol. 53. 1952.

Interstate Commerce Act. U. S. Code. Vol IL. 1971.

Interstate Commerce Commission. 62nd Annual Report for Year Ended October 31, 1948. Washington, D.C.: Government Printing Office, 1949.

Interstate Commerce Commission. 82nd Annual Report for Year Ended June 30, 1968. Washington, D.C.: Government Printing Office, 1968.

Interstate Commerce Commission. 84th Annual Report for Year Ended June 30, 1970. Washington, D.C.: Government Printing Office, 1968.

Interstate Commerce Commission. 85th Annual Report for Year Ended June 30, 1971. Washington, D.C.: Government Printing Office, 1971.

Interstate Commerce Commission. Small Shipment Problem. Washington, D.C.: Government Printing Office, 1967.

"Interstate Commerce Commission v. J-T Transport Co." United States Supreme Court. United States Reports. Vol. 368. 1961.

Interstate Commerce Commission. Bureau of Accounts. Cost of Transporting Freight by Class I and Class II Motor Common Carriers of General Commodities: Middlewest Region-1965. Statement No. 4-67. Washington, D.C.: Government Printing Office, 1967.

Interstate Commerce Commission. Bureau of Accounts. Cost of Transporting Freight by Class I and Class II Motor Common Carriers of General Commodities: Middlewest Region-1969. Statement No. 2C10-69. Washington, D.C.: Government Printing Office, 1971.

Interstate Commerce Commission. Bureau of Accounts. Explanation of the Development of Motor Carrier Cost with Statement as to Their Meaning and Significance. Statement No. 4-59. Washington, D.C.: Government Printing Office, 1959.

Interstate Commerce Commission. Bureau of Accounts. Transportation Statistics. Vols. 74-84. Motor Carriers. Pt. 7. Washington, D.C.: Government Printing Office. 1960-1969.

Interstate Commerce Commission. Bureau of Economics. The Role of Regulated Motor Carriers in the Handling of Small Shipments. Statement No. 67-2. Washington, D.C.: Government Printing Office. 1967.

KCC. "Written Definitions of General Commodities." Unpublished Written Definition.

Kansas Statutes Annotated. Chapter 66.

"L. C. Jones Trucking Co. Extension-Utah." Interstate Commerce Commission Reports. Motor Carrier Cases. Vol. 69. 1956.

Locklin, Philip D. Economics of Transportation. Sixth Edition. Homewood, Illinois: Richard D. Irwin, Inc. 1969.

"Michigan Public Utilities Commission v. Duke." United States Supreme Court. United States Reports. Vol. 266. 1925.

Middlewest Motor Freight Bureau. Tariff 19-D: Kansas Class and Commodity Rates. November 9, 1968.

Middlewest Motor Freight Bureau. Tariff Index No. 63. August 1, 1971.

Middlewest Motor Freight Bureau. Supplement 84 to Tariff 19-D. June 16, 1971.

Middlewest Motor Freight Bureau. Supplement 87 to Tariff 19-D. September 29, 1971.

Miller, S. L. "The Small Shipment Problem." Unpublished Ph.D. Dissertation. University of Pennsylvania, 1959.

"New Rule Making Proceeding Initiated by ICC." Traffic World. (March 16, 1970), p. 54.

"Pan American Bus Lines Operations." Interstate Commerce Commission Reports. Motor Carrier Cases. Vol. 1. 1936.

Ruppenthall, Dr. Karl M. "Changing Transportation Markets Described by Ruppenthall in Talk at Oregon University." Traffic World. (March 25, 1967) p. 118.

"San Antonio & A.P. Ry. Co. Construction." Interstate Commerce Commission Reports. Vol. 79. 1933. Cited in "Pan American Bus Lines Operations." Interstate Commerce Commission Reports. Motor Carrier Cases. Vol. 1. 1936.

Snedecor, G. W. and Cochran, W. G. Statistical Methods. Sixth Edition. Ames, Iowa: The Iowa State University Press, Fourth Printing, 1971.

State Corporation Commission. Rules and Regulations Pertaining to Motor Carriers. Topeka, Kansas: Robert K. Sanders, State Printer, 1970.

State Corporation Commission. Statistics of Motor Common Carriers of Property and Passengers for the Year Ended December 31, 1970. Statement Number 1-70. Unpublished material by Transportation Division, Rate Section, August 15, 1971.

Taff, Charles A. Commercial Motor Transportation. Fourth Edition. Homewood, Illinois: Richard D. Irwin Inc., 1969.

"Texas & P. Motor Transport Co. Common Carrier Application-Louisiana." Interstate Commerce Commission Reports. Motor Carrier Cases. Vol. 10. 1938.

"Umthun Trucking Co., Extension-New York, N.Y. "Interstate Commerce Commission Reports. Motor Carrier Cases. Vol. 91. (1962).

U.S. Department of Commerce. Bureau of the Census. 1970 Census of Population. Kansas. PC(VI)-18.

U.S. Department of Commerce. Bureau of the Census. Census of Transportation: 1967. Vol. III. Commodity Transportation Survey. Part 1. Shipper Groups. Washington, D.C.: Government Printing Office, 1970.

Wall Street Journal. "Trucking Official Sees Reform in Tariffs, Billing as Brake on Continuing Rate Boost." August 10, 1970.

Wengler, Vernon. Private Interview Held at the Rate Section, State Corporation Commission. May, 1972.

KANSAS GENERAL COMMODITY MOTOR CARRIERS: REGULATION AND SERVICE PROBLEMS

by

RANDALL ERIC SHELDON

B. S., Kansas State University, 1968

AN ABSTRACT OF A MASTER'S REPORT

submitted in partial fulfillment of the

requirements for the degree

MASTER OF SCIENCE

Department of Economics

KANSAS STATE UNIVERSITY
Manhattan, Kansas

1972

Interstate and intrastate motor common carriers of general commodities operating in the state of Kansas are subject to federal and/or state regulation. The division of authority for economic regulation is that the ICC regulates carriers operating in interstate and foreign commerce while the KCC regulates carriers operating in intrastate commerce.

The National Transportation Policy is to preserve the inherent advantages of all modes of transportation, foster sound conditions in the transportation industry, promote adequate transportation service at reasonable rates, encourage cooperation between federal and state regulatory authorities. From reviewing transportation literature, it is apparent that the National Transportation Policy hasn't been fulfilled in the area of small shipments.

The ICC stated, "Development of adequate small shipment service is one of the most perplexing issues facing the Commission and the transportation industry today." The ICC policy has been increased enforcement action to require motor common carriers to perform their service obligations. This policy hasn't dealt with the principle cause of the small shipment problem, the high cost of handling small shipments.

Kansas class and commodity freight rates and ICC cost studies were compared. Small shipments are less profitable to transport than volume shipments. Revenue from transporting a small shipment may not cover total variable cost.

A survey of Kansas towns was taken to determine the number of interstate and intrastate motor common carriers of general commodities

per town. Less than four percent of the towns in the sample had no general commodity service by motor common carriers. Rural towns with less than 2,500 population had approximately two motor common carriers offering intrastate service and two carriers offering interstate service. Rural towns in Eastern Kansas had more motor common carriers offering intrastate service than rural towns in Western Kansas.