EFFECTS OF GOVERNMENTAL POLICY AND PROGRAMS ON THE INDUSTRY

Charles A. Taff

A person undertaking to discuss some of the effects of governmental policy and programs on the urban freight industry has such an array of possible topics that it becomes necessary to make an arbitrary selection that will indicate the problems involved and possible solutions. When we consider the unsystematic way in which we have gone about the formulation of transportation policy through the years, it is not surprising that we have uneven approaches to various aspects of policy and programs. We hope this will change in the future, but we still have a long way to go.

COMMERCIAL ZONES AND TERMINAL AREAS

In urban freight transportation, an important factor in existing regulatory policy deals with motor carriers in commercial zones and terminal areas. The Motor Carrier Act provides a number of exemptions such as the agricultural commodity exemption that reflects political efforts at the time the Act was framed to protect the mobility and pricing freedom of the then-existing agricultural transporters. A careful reading of the legislative hearings on the exemption of commercial zones and terminal areas indicates that the competition of unregulated carriers with railroads was not of the intensity in local transportation that it was in intercity transportation. Further, an exemption for local transportation would relieve a regulatory body of a very burdensome type of regulation that did not seem to the framers of the Act to be justified.

Thus, the exemption for commercial zones and terminal areas was created. Section 203(b)(8) provides a partial exemption of local transportation, even though the operation may be interstate in nature within the zone, when such transportation is performed wholly within a municipality or between contiguous municipalities, or within a zone adjacent to or commercially a part of any municipality or municipalities. (Local motor transportation is a partial exemption in that local carriers are subject to safety regulation but not to economic regulation.) This exemption does not apply if the transportation is under a common control, management, or arrangement for a continuous carriage or shipment to or from a point outside a municipality. A local cartage carrier operating in the District of Columbia, for example, may have operations that extend into Maryland or cross the Potomac River into Virginia. In either case, the operations are interstate in nature but if performed wholly within the commercial zone are exempt from economic regulation.

Because transportation in the commercial zones established by the Interstate Commerce Commission is exempt, it is understandable why the boundaries of the area embraced become rather important. Our first commercial zones were established for many of the larger cities by the Commission, and later it developed a general formula based on population and mileage for those commercial zones it had not previously specified. This formula was designed to apply to different sized municipalities. The prescribed commercial zone limits surrounding a point, according to the Commission, should have reasonable stability for a least a decade following the taking of the census on which the population-mileage formula was based.

To examine a problem that arises from this exemption, let us consider the following: An over-the-road carrier domiciled in North Carolina who has operating authority to serve Washington, D.C., including the commercial zone, may not be able to serve a community such as Rockville, Maryland, because it is not a part of the commercial zone under the population-mileage formula. This means that the North Carolina carrier cannot render a through service to Rockville, even though most of us would look on it as being part of the Washington homogeneous community. So he has to make arrangements with a local carrier regarding delivery of the shipment. The local carrier, because of his transporting under common control, management, or arrangement for continuous carriage, is also subjected to economic regulation. It is typical that the local operator like this one completes his haul on a basis that many over-the-road operators feel is too high for the short-haul service rendered. The failure of commercial zones to be truly embracive results in less service efficiency and higher costs.

It took about a decade of litigation to get Rockville included in the Washington, D.C., commercial zone. Laurel, Maryland, is not now within the commercial zone. With growing industrialization, Laurel is trying to be included in this Washington commercial zone. Will it take a decade for this to occur?

The ICC commercial zones and terminal areas policy, I believe, should be reexamined. More Commission flexibility through initiation of actions to embrace new and important traffic points should be instituted so that motor carriers and shippers would not have to bring actions that often become protracted proceedings.

The commercial zone offers an additional opportunity for regulatory innovation. Many private and governmental studies have argued the case for relaxing regulation in view of the substantially changed competitive conditions and for relying more on the marketplace for decisions involving matters such as pricing. This has met with a good deal of opposition, in some measure, generated by fear of the unknown and, in some cases, generated by reluctance to forego the protection that regulation affords. As important as the rise of competitive for-hire carriers among the different modes has been, the most incisive competition is that of private carriage. This is a competitive element that economic regulation does not control.

In the more urbanized areas of the United States, there has been a slow growth in the size of commercial zones in some instances; but, as one looks ahead and views the predictions of large metropolitan areas developing into strip cities, one may question whether this will result in commercial zones gradually being made co-extensive, say, from Washington, D.C., to New York with all motor transportation within that area being exempt under the commercial zone exemption. It is possible. Rather than wait for such a development and to test the efficiency of noneconomic regulation, the Interstate Commerce Commission could, with boldness, extend the commercial zones of 2 metropolitan areas, such as Washington, D.C., and Baltimore, Maryland, so that they were made contiguous. This could allow those motor carriers transporting between the 2 points to be free from economic regulation. The Commission and all interested parties could then observe the results of such operations to see if there are benefits to the public in such a situation. Such innovative action would be provocative, but the proposal would give us a test of economic efficiency within a limited area and experience that would be valuable later in this century when population growth results in strip cities wherein intrastrip or corridor operation is deregulated due to contiguous commercial zones.

INCIDENTAL-TO-AIR TRANSPORT EXEMPTION

Let us consider the effects of transport technology on governmental policy and program. Improvements in transport technology can effect changed competitive relationships that necessitate reexamination of certain facets of regulatory policy. One such area is that of jet transports with their greater productivity and cargo capacity that in some markets have become more competitive with long-haul trucking than small piston planes were with their limited cargo facilities. The so-called indirect air carriers—air freight forwarders—who utilize the airport-to-airport services of air carriers have, as a result of the improved technology of transport planes, also become a competitive factor in this market.

When the incidental-to-air exemption was made a part of the Interstate Commerce Act in 1938, the amount of transport affected by the exemption was negligible. Section 203(b)(7a) provides an absolute exemption for the transportation of persons or property by motor vehicle when incidental to transportation by aircraft. There were early determinations by the Commission on a case-by-case basis in which varying distances between cities and outlying airports were used in determining the exemption. Intercity motor common carriers had urged the Commission to prescribe the commercial zone of a city as being the limits of the exemption.

The Commission felt, however, that a reasonable terminal area for an air carrier at particular points might be different from that of a surface carrier; and, in the Kenny case in 1953, it ruled that motor transportation of property to fall within the incidental-to-air-transportation exemption must be confined to transportation in bona fide collection, delivery, or transfer service of shipments that have been received from or will be delivered to an air carrier as a part of a continuous movement under a through-air bill of lading covering, in addition to the line-haul movement by air, the collection, delivery, or transfer service performed by the air carrier. To fall within the exemption, the transportation by motor carrier must be confined to the terminal area of the air carrier as defined by the Civil Aeronautics Board. At the time of this report, the Civil Aeronautics Board generally used as a "rule of thumb" a radius of 25 miles from the cities or airports served by the air carrier as the terminal area, although air carriers could file tariffs to serve points beyond the 25-mile limits and, in some instances, have done so.

By 1964, it became necessary because of the increasing problems arising under this exemption for the Commission to adopt regulations applying to this exemption rather than to continue to deal with the problems on a case-by-case basis. The Commission's regulations provided that the territorial scope of operations conducted under that section is generally co-extensive with the limits of an air carrier's terminal area as described in its tariff filed with the CAB. The regulations also contained a proviso that either on the Commission's own motion or on petition of an interested party a proceeding could be instituted to define specifically the geographical extent of the exemption at a particular point. In a proceeding in 1968, the petitioners requested that the regulations be modified to be more restrictive than it appeared was then the case. In this case, decided in July 1970, the Commission denied the petition to reopen the rule-making proceeding (1). It found in responding to a petition involving Indianapolis and Atlanta that certain points beyond the 25-mile limits were being served, and this was not to be a allowed. On November 4, 1970, the effective date of this order was indefinitely postponed.

I do not find any economic grounds for a mileage limitation of any kind, whether it is 10, 20, or 50 miles. It almost appears that the Commission does not want to see any dilution of its authority; and yet we are on the threshold of significant air cargo development that in the urbanized areas can be impeded by unrealistic restrictions. When the exemption was enacted by Congress in 1938, there was no legislative history regarding its intent, so Congress could be asked to rectify the situation by providing a broad guideline, perhaps that the surface portion of a shipment moving primarily by air would be exempt from economic regulation in order to facilitate its movement. This would provide more flexibility for the ground portion of the haul and increase the area of customer service. Thus, we could inject additional competition on a store-door to store-door basis.

One might ask the question, If we had a single regulatory body, would this exemption be looked on somewhat differently?

INTERMODAL

We have tended to compartmentalize our modes of transport and have found it very difficult to develop effective intermodal domestic operations. Although there has been some development of these operations, our statutory or regulatory interpretations have limited true intermodal transportation. The Federal Aviation Act's provision, for example, that a carrier other than an air carrier cannot own an air carrier has denied

common ownership. In surface transportation, the restrictions that are imposed on railroad ownership of motor carriers has worked in a similar manner. A strong economic case can be made for permitting a carrier to engage in other types of transportation without the typical restrictions that usually result in a service inferior to that which might otherwise be possible. Freed of these restrictions, management should be able to devise a transportation system that would be geared to shipper needs as well as being competitive with private and other for-hire carriers.

These restrictions were enacted as protective devices, and the regulatory agencies have been extremely reluctant to make any change. Recently the grant by the Civil Aeronautics Board of air-freight-forwarder operating rights to 4 large trucking companies and 2 railroads indicates some change; but, in these cases, the grants have been made not for direct air carrier authority but for intermediary or indirect air carrier—the air freight forwarder.

The growth of air cargo capacity and increasing managerial efforts of business firms to reduce inventory and, at the same time, avoid stock outs of their products at key points are combining to produce optimistic forecasts as to future growth of air cargo. Whether these forecasts materialize will depend to some degree on the removal of some of the current impediments by statutory or regulatory action or both. One such impediment is the prohibition contained in the Federal Aviation Act against the establishment of joint rates and through routes between an indirect air carrier (air freight forwarders) and surface carriers that are subject to regulation by the Interstate Commerce Commission. On the other hand, direct air carriers can establish joint rates and through routes with surface carriers. Why does this situation exist? The air freight forwarders are placed in an inferior competitive position with the direct air carriers, and yet in moving the freight they so actively solicit they utilize the direct air carriers.

The establishment of a combination of air and truck service could result in fewer stops by air cargo carriers, and shipments could be consolidated at certain air terminals. This could have a twofold benefit of lessening air and surface congestion within the cities and utilizing greater capacity of the airplane.

Intermodal shipments in water-truck service have been referred to as being "... now so good that there is little room for improvement. Whenever water service requires the supplement of truck service, the connection is readily available. The truck lines and the water carriers work in friendly harmony in developing new traffic and improving the service" (2).

The coordination of rail and motor transportation through the establishment of joint rates and through routes is quite limited. If one excludes the more recent development of trailer-on-flatcar or containerization, coordination between railroads and motor carriers and railroads and water carriers is slight. The efforts to establish joint rates and through routes in these combination services have been so unsuccessful that there have been repeated attempts to make changes legislatively in this facet of transport policy that would require carriers to provide a joint rate service to shippers. Even if we were to have compulsory joint rates, I think we could expect some rate bureaus or individual carrier members to move rather slowly and with reluctance in the institution of such rates.

The provision of such services would mean more shipper options in their analysis of distribution patterns to be utilized and should result in greater efficiency in transportation service. One of the reasons for some enthusiasm for the containerization move has been that it has facilitated through services.

Because the intermodal transfer points are often in urban areas, there are several implications for this phase of urban goods movements if some of the current impediments were removed.

URBAN FREIGHT AND THE DEPARTMENT OF TRANSPORTATION

Critics of regulatory bodies often charge that there has been a fragmented approach in handling many aspects of regulation. I wonder what appellation one should attach to the modal approach assigned to the operating divisions of the department. And where does urban freight fit into this organizational mosaic?

One of the operating divisions of the Department of Transportation, the Urban Mass Transportation Administration, has viewed its role as being one involving passenger aspects, and so far it is hard to detect that it considers that interfaces between urban passenger and urban freight exist. There are many areas of common concern, however, and it would seem to me the outlook of UMTA might be a broader one. After all, the transportation problems of cities are not solely passenger problems. It may be that it is assumed that the Federal Highway Administration will handle all urban freight matters, though this is doubtful.

A basic question is whether the total urban system is being dealt with in a systematic way as to federal policies and programs by the Department of Transportation. Perhaps what is needed is an additional modal administrator for urban freight transportation. Because the primary function of each modal administrator is to promote vigorously his area of administration, we could then expect a focus on the many problems involving urban freight transportation. As it is now, urban freight at the operating level appears to be falling between the chairs. Perhaps we should institute an urban freight demonstration grant program in order to get things moving.

One of the policies of the Department of Transportation is economic efficiency in transportation. I think the question should be asked: Could there be a better organizational framework for handling urban freight within the department?

PLANNING

Under the 1962 Highway Act, urban transportation planning of a comprehensive and coordinated nature involving joint state-local planning for land use, transportation, and highways is required. All the urbanized areas have established planning processes, but there appears to be a wide variety of approaches to such planning. In one case with which I am familiar, the transportation planning has been largely highway oriented and, also not surprising but unfortunate, the emphasis is on passengers. Little conscious effort has been made to factor-in the freight aspects in the planning process.

One cannot help wondering if there has been a systems approach in the planning process. It would almost seem mandatory that such an approach be used because the very nature of urban areas encompasses freight terminal origin and destination points and significant intramodal and intermodal freight transfer points to say nothing of the impingements between passengers and freight. The planning process for urban freight should not be a "tag-along" or afterthought consideration but rather should be viewed as a primary factor in the satisfaction of many urban needs. Several questions might be asked: Is there clear evidence of significant changes since 1962 in the planning process as compared with the earlier period when it was handled basically by highway departments? How effective is the planning process in achieving a more balanced transportation system in urban areas? How are the interfaces of urban freight and urban passengers handled?

Thrust into the planning process now is the element of environmental factors that are rather difficult to quantify; yet, if the planning process is to serve us for the future, there has to be an input of environmental factors and not just tokenism. The specialists in the planning process need to educate elected officials or other citizens who serve on the committees regarding the importance of incorporating environmental elements into planning even though there is not the degree of precision about their impact that we would like to have.

SIZE AND WEIGHT AND ENVIRONMENT

Significant changes have been and are occurring in our urbanized areas, and they influence urban freight transport. In the period from 1950 to 1969 in our metropolitan areas with central cities of 50,000 or more in population, we experienced a growth from 89 to 129 million. Practically all of the increase of 40 million persons occurred in the suburbs beyond the limits of central cities. During that period, a number of the larger cities actually lost population; and where gains were recorded, they were very nominal in comparison to surrounding suburban growths. As an example, Philadelphia's gain was 20,000 from 1957 to 1964 while the suburbs' was 450,000. The preliminary results

from the 1970 census show a continuation of this trend; several central cities lost population during the 1960's, but considerable gains were experienced in the suburban areas.

Accompanying this population trend has been the decrease in density of population per square mile. Between 1950 and 1960, the average density of urbanized areas within the metropolitan regions declined from 5,438 to 3,752 persons per square mile; and in the central cities, the decline was from 7,788 to 5,349 persons per square mile.

The change in the marketing pattern of retailing from the city to suburban area has been particularly accentuated by the development of shopping centers, and this has virtually arrested the growth of retail sales in the central cities. Companies engaged in manufacturing continue to move from central cities into the suburbs, and an examination of the larger metropolitan areas shows a decline in manufacturing employment. Projections indicate that within 15 to 20 years half of the jobs will be in the suburbs.

Traffic and congestion problems will accompany the spread in population. Intrasuburban freight movements to service the retail or shopping centers as well as moves between manufacturing plants or industrial parks in the processing of materials will continue to increase and, when combined with our automobile-oriented suburban living, cannot help resulting in traffic flow problems.

The early central city thoroughfares were built to high standards, and size and weight aspects were of little concern for many years. As the volume of total traffic has grown, though, increasing concern is expressed about the size of trucks. Length has its impact in the traffic flow as well as in the turning radius problems so that some localities have instituted some degree of enforcement regarding length but little in regard to weight. Within the central city, there seems to be very little enforcement activity, in my opinion, and where it does occur it is concentrated on vehicles used in connection with building construction. As we become more suburbanized, however, we may have to begin to administer size and weight limitations more effectively because there are many highways that are not designed for the volume of freight traffic that may be imposed on them by future intrasuburban freight movements.

The suburban areas are deceptive in terms of availability of space as compared with downtown congestion, and there is a tendency in suburban areas at the present time to allow the development of poor habits, for example, in the use of vehicles and roadways. These include loading and unloading on the street when there is a loading zone where it should take place, operation of poorly maintained vehicles that add disproportionately to pollution, or operation of vehicles that violate size and weight limitations.

Liberalization of size and weight limits over the years has enabled technological advances to be made in trucks and equipment that have played a part in making motor carriers more competitive with other modes of transportation. It is time that these benefits be measured in terms of costs incurred. The increased concern regarding environmental factors is giving rise to greater recognition of the impact that noise, pollution, and congestion are having on the quality of our life. There has to be a balancing of the benefits that may accrue from further technological advancements with the costs that may accompany them. Larger trucks are noisier; unless this can be rectified, there may be prohibitions against their use in parts of metropolitan areas. Highway design can be utilized to a certain extent in noise abatement through reduced starts and stops and also through the level of roadway. For example, a depressed roadway has been found to reduce noise from heavy trucks more than an elevated road. However, for non-truck-traffic noise, the elevated road was found to be more effective than the depressed road in dissipating noise (3).

With a cabinet-level Environmental Quality Council established last year whose concern is for noise abatement, open space, and general environmental improvement, new impetus may be forthcoming within metropolitan areas that will result in antinoise ordinances and pollution controls at all levels of government. The effectiveness of new ordinances, however, will rest on enforcement that has not been very effective in the past.

PICKUP AND DELIVERY

Geographical dispersion and greater congestion have increased motor carrier pickup and delivery costs from both time and distance standpoints. The productive time of a driver is that directly involved in freight handling and not that spent traveling between stops. The latter has been going up and up, and we are all paying these costs in higher prices.

In some of our larger cities, congestion has resulted in the establishment of rules and regulations applicable to the use of the streets by certain types of vehicles. One effort in this direction has been to limit in certain areas of the city during certain hours of the day freight vehicles that exceed a specified limit. This is applicable to larger units that are considered to be less flexible and that when parked often constitute an impediment to the flow of truck traffic, albeit limited at that time, which has to be curtailed in the curb lane because this is the normal access lane to business and industry located on the affected streets. The parking prohibition during rush hours impedes service to buildings in the inner city area where no off-street access is available.

The inadequacy of loading and unloading facilities at new buildings stems in part from the reluctance of builders to dedicate an adequate amount of space to facilitate the movement of the freight necessary to service the building. Such cubic footage is not revenue producing, and builders curtail it as much as they can. If streets are to be restricted for traffic flow, then freight loading and unloading areas will have to be provided that are adequate to serve the buildings.

There have been some public as well as private efforts to reduce the number of freight vehicles on city streets by the establishment of a union or joint terminal, although none has made participation in the terminals compulsory. Efforts at common terminals, though, have been very limited. Probably, the most publicized is the New York Port Authority's truck terminal that opened in New York City in 1949 and the Newark Union Motor Truck Terminal built in the early 1950's. The New York terminal was expected to reduce by 25 percent the movement in the city of over-the-road carriers that handled less-than-truckload lots. The basic concept was that the over-the-road units would bring their loads to the Union Terminal where local pickup and delivery carriers would handle shipments to and from the terminal, thus substantially reducing street congestion by restricting the use of the already heavily congested city streets by over-the-road units.

Although the idea seems to be sound, those carriers who participated on a voluntary basis soon became dissatisfied, mainly because of a division of operating responsibility. The design and utility of the installation were considered to be satisfactory, but the lack of common management in the responsibility for line-haul, terminal, and pickup and delivery operations made it difficult to integrate these operations. The pickup and delivery by operators who were serving several over-the-road carriers was a consolidated service, which had the desirable effect of reducing the number of vehicles calling at the points of pickup and delivery; but the over-the-road operator lacked control over such operators, and very quickly felt the sting of complaints from shippers and receivers about the inadequacy of the service. They were especially sensitive to a shipper's desire to have his shipments picked up promptly. A promise would be made to do this in order to meet a scheduled departure time, but there were too many instances in which the pickup was missed by the local contractor or was substantially delayed.

Not all of the over-the-road carriers serving New York went into the Union Termial, and those using the terminal were at a competitive disadvantage. They either left the terminal to return to their earlier method of operating from an individual terminal or continued to operate from the terminal but under a different arrangement that allowed more individual control of freight. The Newark Union Motor Truck Terminal never opened as a joint terminal under common control.

A few privately financed common terminals have been opened in which truck tenants provided their own pickup and delivery services and then pay a lease or rental fee for the facilities they use at the terminal and, in addition, share terminal operating expenses.

With the growth of urban areas and the increasing congestion, particularly at certain hours, some type of restriction may be imposed that involves joint pickup and delivery service, thus considerably reducing the number of vehicles on the streets engaged in

such service, even though carrier reaction is not favorable. Carriers are particularly adamant about controlling pickup of freight, for it is in this part of their service where their salesman can be the most responsive to shipper needs. Their primary objections are as follows: (a) They do not feel that a joint pickup service can be instituted in which the service can be comparable to their own service because there are so many shipments at a variety of locations; (b) they do not feel that joint pickup operators are as careful in handling so the shipper has an immediate concern about excessive loss and damage to the shipment; and (c) they feel they are in a better position to obtain the long-haul portion of the transportation on jointly routed shipments with other line-haul carriers by picking up the shipment. The joint delivery aspects do not seem to be as bothersome.

There seem to me to be sufficient advantages to the joint pickup and delivery aspects in the relief of congestion in urban areas that there should be concerted effort to solve the problems, such as those experienced in the New York Union Truck Terminal. Innovations of all kinds should be explored, and, to be successful, a joint project would almost have to require participation by all carriers serving a metropolitan area.

CONCLUSION

The topics that I have covered are simply representative and symptomatic of the effects of governmental programs and policies on the industry. As I pointed out, in some areas there should be a lessening of regulatory constraints that are actually accomplishing very little and for which there is no real need. In the area of traffic congestion, however, it seems almost inescapable that some additional constraints will have to be imposed that will have an impact on relieving traffic congestion. We need to work toward a closer coordination of urban passenger and urban freight matters in order to effectuate a more efficient movement of people and goods in urban areas. If we do not implement desirable changes, urban transportation costs will continue to rise disproportionately and service will deteriorate.

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INFORMAL DISCUSSION

James C. Nelson

This paper makes a real contribution and pinpoints the nature of these problems. In the discussion of the sizes and weights problem, you appropriately brought in the environmental factors. I do not think, however, that you mentioned the extra costs of building this strength into the suburban roads that would be necessary for heavy axles and larger trucks. I would like to have a comment on that. And, second, in the discussion of the congestion problem, you mentioned the matter of regulation of street space by the use of lanes and by parking. What about congestion? What about putting on prices and trying to shift some of the traffic on the most crowded or overcrowded arteries to the off-peak periods?

Taff

I mentioned that we have had the technological advances, thanks to modifications of size and weight limitations. I thought that I indicated what the costs of this should be.

I think they should be the total costs we would incur, and they should be measured with the benefits that are involved.

With regard to congestion, I think there is a great tendency on our part to look for exotic solutions and to ignore more commonplace ones such as peak pricing or congestion pricing. These are grubbier solutions, and they are more difficult to do. Yet, I am inclined to go that way before we go the exotic way.

I think we have had some evidence that we can get greater utilization of the streets. The Federal Highway Administration has a program, TOPICS, in which it has tried to improve the use of streets. I think this is a good idea, and I also think that we should have some experimental programs in peak pricing.

How can you shift some of the traffic out of the peak periods during which passengers are moving? Some cities have initiated key-stop systems for handling fuel, gas, fuel oil, and so on. In these systems, the driver can make the deliveries at nighttime or during off-peak periods. In some metropolitan areas, they have worked very successfully, and I would like to see a broader coverage than just bulk commodities.

We are in a situation where we actually have more tools than we think to do things with if we wanted to do them. The exotic things are great, but we need some solutions now.

James R. Blaze

The Chicago Area Transportation Study has been looking the past 2 years into what really is germane for a regional transportation agency to apply in freight analysis. Mr. Wood of Tri-State has been helpful in getting us going on commodity flow analysis. In the meantime, we have had a short-range program in which we have looked at what the freight system is like. One of the serendipity things we discovered was that at present approximately 95 percent of all the for-hire truck bulk terminals are located well within the ICC-defined Chicago commercial zone and that, from 1970 to 1975, 88 percent of all the projected bulk terminals to be constructed will also be built within this ICC zone. The 12 percent exceptions involved cases where an over-the-road carrier has a certificate to serve the area outside the zone. We also looked at where all the prime industrial acreage within the region is located and found that 85 percent of the most likely to be developed industrial acreage is outside the commercial zone.

We, therefore, have a mismatch. The focus of truck service is inside the commercial zone, and the focus of future development, which will provide future business for these truck companies, is outside the zone. Can you speculate as to what is going to happen? Are manufacturers going to be reluctant to settle outside the zone where the area is available because they realize they will not get the same degree of service they might get if they were inside the zone? Are they aware that they will not get the same degree of service? For example, Elk Grove Village is outside the zone, and the manufacturing activity has grown up there in the past 5 years at an amazing rate. There is now a huge concentration of industry, industrial buildings, and complexes, and they have been screaming to the ICC for the last 3 years to expand the ICC commercial zone privileges to include Elk Grove Village.

We are not sure what effect this commercial zone has. We have asked the ICC in Chicago for an explanation of how it derives the location of this zone. Is there any economic basis for locating the zone at 10 miles to the periphery of the central city, in this case Chicago? The ICC's answer was "No."

Taff

You have heard my proposal: The ICC should reexamine its policy dealing with the commercial zone.

As to the question whether the manufacturers will locate outside the zone, I believe that, if there are compelling, nontransportation reasons that override the transportation reasons, they will do so. I would maintain, however, that, if those manufacturers have a good distribution manager or a good traffic manager, they will put him to work to get the area included within the commercial zone.

This is probably what they will do. Even so, the zone location is an impediment that by today's standard is not necessary at all, and it can have an effect on service and on price. I would think the Commission has a golden opportunity to reexamine this particular policy, and I would like to see it take this initiative and do so.

Kenneth R. Ketcham

I find an inconsistency in the argument. The solution to extend these commercial zones would put a multiplicity of carriers in a region. Yet, you say that, because we have a multiplicity of carriers, we need to impose on them some measure for getting joint pickup and deliveries. I think that the large shipper, which would have profitable hauls, would attract the larger, responsible interstate carriers to take his inbound-outbound freight and that all of the smaller shippers and receivers then would be thrown into this so-called marketplace with a multiplicity of carriers competing for that traffic. This is the same problem that now exists in the smaller commercial zone.

Taff

I do not think there is an inconsistency. In the first place, giving the shipper flexibility by removing the current impediment means that he does not have to go to somebody else to perform services but that he can, if he wants to, perform the services himself. It does not then take the local cartage carrier and subject him to regulation. That could be done either by extending the area or by eliminating it. I have tried to show that in one area we may need to lessen constraints; but, in an other area, we may have to impose constraints on some kind of a limited basis where congestion demands require it. The congestion demands are most likely to occur in the downtown area essentially, but they may spread to the suburban areas.

We may end up with fewer carriers doing the job if the commercial zones are eliminated. But even if that is not done and if the number of private carriers that come into the area continues to increase, nobody has seriously proposed that we economically control private carriage in some way. It is entirely possible that the private carriers will simply proliferate to the point where the opportunities for for-hire carriage are extremely negligible.

J. Douglas Carroll

Will you comment on another aspect of the question of commercial zones, and that is how the limits would vary by mode? For example, in the Chicago region, there is very little coincidence at any point between the boundaries of the Chicago commercial zone and the Chicago switching district. Air freight also has a different boundary. Do you think that it is possible to get a set of boundaries that would have some relationship to each other?

Taff

It is possible, yes, but not probable. The incidental-to-air exemption that exists now is an arbitrary restriction of roughly 25 miles. If the shipment is primarily by air, why not let the surface portion of it be completely unrestricted and completely open. Then, you will not have to worry about this at all.