Transportation Deregulation and the NUTC

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Introduction

• 60 Years is a long time!
  • Resulting in VOLUMES of Transportation Research at NUTC

• Transportation Economics is just one aspect of Transportation Research conducted at NUTC
  • And, Economic Deregulation, is just one aspect of Transportation Economics

• But, the NUTC’s contributions toward achieving and maintaining the gains of Economic Deregulation stands out as among its most significant policy contributions.
  • Focus is on Deregulation of *Structurally Competitive* Transportation Markets: Air Transport and Motor Freight
  • Railroad Deregulation also very important, but less of a direct NUTC impact.
Summary of Presentation

• “The Way We Were:” 1954 – 1974
  • Pervasive Regulation of Structurally Competitive Motor Freight and Air Transport Industries

• “Come the Revolution:” 1975 – 1980
  • NUTC goes beyond academic research and engages Policy Makers

• Ex Post, Evidence - Based Evaluation of Deregulatory Results: 1986 - 1989
  • NUTC holds conference examining legitimate concerns regarding the impact of Deregulation on Transportation Safety

• Concluding Remarks
NUTC in its first twenty years: 1954 – 1974

• The Status Quo: Pervasive Economic Regulation of *Structurally Competitive* Transportation Markets
  • Motor Freight regulation by ICC established by the Motor Carrier Act of (1935)
  • Airtransport regulation by CAB established by the Civil Aeronautics Act of (1938)

• Economic research, of necessity, focused on regulatory policy.
  • Economists criticized regulatory actions and questioned the need for *any* regulation of these industries.

• But, there seemed to be a “political inevitability” to regulation
Come the Revolution: 1975 - 1980

• Long standing criticism of regulation by economists began to impact policy.

• NUTC led the way by both doing research *and* engaging policy makers:
  • Carried out government funded research studies on the effects of economic regulation
  • Organized important policy conferences bringing together
    • Latest academic research from leading researchers
    • Policy makers and practitioners
      • Executive branch officials and staff
      • Regulatory Commissioners and staff
Airline Deregulation and NUTC

• Airline Deregulation Act: Finally enacted by Congress in 1978.

• Influential NUTC Conference two years earlier:

• Continuing NUTC research involvement
Motor Carrier Deregulation and NUTC

• Motor Carrier Act deregulating trucking finally passed by Congress in 1980.
• NUTC research began much earlier: e.g.,
  • NSF Grant (1975) “Regulation and the Demand for Freight Transport.”
• Again, an NUTC organized policy conference played an influential role:

• Legitimate theoretical issue: Harder to control safety under freedom of entry
  • Even when safety is regulated separately

• Empirical Question whether safety went up or down following deregulation

• But, much public concern:
  • “Can we keep the skies safe?” Newsweek January 30, 1984
  • “The Scandal of Killer Trucks” Fortune March 30, 1987
Deregulation and Safety Conference

• On June 23-25, 1987 NUTC organized a large conference involving a huge number of academics, industry leaders and government and Congressional figures

• Proceedings the size of a telephone book

• 54 papers

• Funded by US DOT and many Industry sources
What was the empirical focus?

1. Safety of the many new entrants
2. Safety of existing firms, especially those in financial distress and close to exit
3. Expansion of demand leading to congestion and safety concerns regarding the infrastructure
4. “Modal shifts” (truck-rail, mainline-commuter airlines)
5. Adjustment of safety regulations and enforcement efforts to the new market conditions
Conclusions of the Conference: Aviation

• “The decline in the nonsafety aspects of service has been extensively documented.”

• “The forecasts of some deregulation critics that price competition would cause an absolute decline in safety have proven incorrect.”

• “Adherents of the safety stock-congestion theory hold that the record of accidents is insufficient to the task of predicting where the system is likely to go in terms of safety.”

• “the federal government has not mounted a major campaign to significantly relieve congestion at major hub airports and in the airspace in their vicinity.”
Conclusions of the Conference: Trucking

• “fail to find evidence of the kind of consumer unrest that characterizes airline travel.”
• “The adjusted index of [property damage] accidents per truck-mile fell from 100 in 1978 to 69 in 1985 – a 30% reduction.”
• “The index of auto fatalities in truck-related accidents per mile of automobile usage fell by 21% from 1978 to 1985.”
• “Economic deregulation has not led to an increase in the fatality rate. Neither has it increased the rate of industrial injuries and illnesses of trucking industry employees.”
• “the trucking industry feels strongly that safety difficulties that are identified should be addressed by safety measures, not economic regulation.”
Conclusions

• NUTC heavily involved in “finest hour” of Regulatory Economics
  • Advocacy of Economic Deregulation based on Academic Research
  • Reaching out to Policy Makers to help effect change
  • Evaluating the Empirical Effects of Economic Deregulation

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