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The MOTOR TRANSPORT INDUSTRY and the PUBLIC INTEREST

Address by

Addis E. McKinstry
Vice-President International Harvester Com,

Before The Traffic Club of Chicago,
July 22, 1926.

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*Motor vehicles operate over 3,000,000 miles of highway
as compared with 250,000 miles of rail.*

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*Should railroads be permitted to make profit on long haul
sufficient to compensate for losses in short haul?*

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*Regulation can be applied only to common carrier motor
vehicles.*

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*Only about 155,000 motor vehicles—30,000 buses and
125,000 trucks—engaged in common carrier business.*

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*Number of common carrier trucks engaged in interstate
commerce even smaller, hauling less than 1.7 per cent of total
tonnage carried by trucks.*

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*Regulation cannot give railroads relief from private auto-
mobile competition.*

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*Shippers appreciate advantages of special service offered
by motor trucks.*

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NATIONAL AUTOMOBILE CHAMBER
OF COMMERCE

NATIONAL MOTOR TRUCK COMMITTEE

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NEW YORK CITY

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THE reason for this discussion, as I understand it, is to be found in the well advertised fact that on July 27, the Interstate Commerce Commission will begin here in Chicago a nation-wide inquiry into motor vehicle transportation as related to railroad transportation. It has been announced that the Commission has undertaken this inquiry solely on its own initiative, and that its purpose is to find out the facts on which the Commission may base recommendations to Congress regarding legislation to regulate such transportation by motor truck and motor bus as may affect or be related to interstate rail carriers.

Speaking for the motor transport industry as a whole, I shall attempt to set forth the attitude of our industry toward the approaching inquiry and its ultimate purpose. In so doing it will be necessary and desirable to present in brief outline the motor transport industry's view of this entire situation.

At the outset let me emphasize the point that the motor transport industry does not face this inquiry in any spirit of opposition. On the contrary, we shall make every effort at these hearings to present all the facts relating to our industry and to the special character of the service it renders in order that the Commission and the country may clearly realize the importance of preserving and fostering motor transportation in the public interest.

If I were called upon to state the position of the motor transport industry in a few words, I could not do better than to quote a recent utterance by Congressman James S. Parker, Chairman of the

House Committee on Interstate and Foreign Commerce. Mr. Parker said:

“Motor transportation over the highways in interstate traffic is a new and growing form of transportation which will cumulatively increase in volume and ramifications and proportions. Whatever regulation there is should be along the lines of not only safeguarding the public rights, but also in the direction of encouraging the development of the business in the interest of the public.”

Profiting by the mistakes of older industries, the leaders of the motor transport industry have realized from the beginning that it could exist and prosper only on the basis of public need for its service and of public sentiment in its favor.

Accordingly, this young but gigantic industry of ours has taken the lead in advocating regulation of itself in the public interest, whether that regulation applied to safety of operation or to the raising of highway funds through motor taxation; and we have kept an open mind regarding fair and just control of the business of common carrier motor vehicles.

Therefore, when the Interstate Commerce Commission announced its coming investigation, our industry, acting through a committee of executives appointed by the National Automobile Chamber of Commerce, waited upon Commissioner Esch, to whom the actual conduct of the inquiry had been assigned, and volunteered its aid in awaking public interest in the inquiry among civic organizations, shippers and truck and bus operators in the places where the thirteen public hearings are to be held.

I may add that this offer was gladly accepted, all the more so because the Commission has no authority to compel the giving of evidence by any interest except the railroads, and because it is anxious to get a complete picture of every phase of this situation.

Only 155,000 Vehicles to Regulate

BEFORE touching upon the nature and extent of present and prospective motor transport regulation, let us see what there actually is in this field to regulate.

For the purposes of this discussion the term “regulation” may be taken as meaning regulation by law of the business of motor transportation, as distinguished from regulation of the physical characteristics and physical operation of motor vehicles. In this

sense it appears to have been thus far the universal theory throughout the United States that regulation should not or could not be applied to others than common carriers.

As a matter of course, no such regulation can be applied to the 17 million privately owned automobiles now in operation in the United States. The total number of motor busses in operation is estimated at about 70 thousand, and about 30 thousand of these are common carriers.

The total number of motor trucks in service in the United States is about 2½ million. Of these it is estimated that about 75 per cent are engaged in purely private business—that is, in hauling goods belonging to the owners of the trucks—20 per cent in contract hauling for hire and only 5 per cent, or 125 thousand trucks, operating strictly as common carriers.

Thus we have in the country today only 30 thousand motor busses and 125 thousand motor trucks, or a grand total of only about 155 thousand motor vehicles, engaged in such business as to subject them to regulation as common carriers.

That total seems ridiculously small when you contrast it with our total of nearly 20 million motor vehicles of all kinds, but the total number of motor vehicles engaged as common carriers in interstate commerce is still smaller. According to government figures based on a survey of the state highway system of Connecticut, interstate common carrier motor truck transportation tonnage amounted to only 1.7 per cent of the total motor truck transportation. Since the area of this survey consisted of a small state with a highly developed and productive territory in adjacent states, it is probable that the percentage would be still lower than 1.7 per cent for the motor truck traffic of the country as a whole.

Cannot Fix Rates for Special Service

RECENTLY several attempts have been made by state legislatures to include contract haulers within the class of common carriers, merely by legislative pronouncement that such contract haulers shall be considered as being within the class of common carriers. Such attempts, when they have affected carriers engaging in interstate commerce, have been held by the Supreme Court of the United States to be unconstitutional. What regulations can or may be made within the states applicable to private commercial contract haulers

is a question that appears to be involved in considerable confusion and speculation. Obviously any attempt to fix rates for such a class of carriers would be extremely difficult, owing to the special nature of the service performed in each haulage, and if rates were arbitrarily fixed, the result would be that practically all of these contract haulers would find it impossible to continue in business.

In this connection I assume that most of you are familiar with the recent vigorous but abortive efforts in some Mississippi Valley states to secure legislation declaring certain private owners of motor trucks hauling only their own goods to be common carriers and subjecting them to state regulation as such.

Turning now to the character and extent of present and prospective regulation of the motor transport industry, it is readily seen that there is a wide and fundamental difference between such regulation and railroad regulation. Interstate regulation of our railroads was not attempted until that industry was more than fifty years old—until the foundation and much of the superstructure of the rail transportation system of today had been soundly built. It was only after a five-year period of study of the problem by Congress that the first interstate regulatory law relating to railroads was adopted in 1887.

Railroad regulation arose from public complaint and demand, based on the public necessity of preserving transportation facilities and preventing unequal use and distribution of those facilities as far as the public was concerned. No such demand, complaint or necessity has been made or exists in the relation of the public and the motor transport industry. There is in this situation no question or suggestion from the public side of monopoly, of restraint of competition or of discriminatory rates or practices.

Private Automobile Causes Loss to Railroads

IT IS, of course, true that the remarkable growth of the automotive industry has had an important effect upon the railroads. On the one hand, the automotive industry as a whole, including the motor truck and motor bus, has become one of the chief sources of railroad freight traffic. If, on the other hand, the motor vehicle has brought about the severest competition that the railroads, steam and electric, have yet experienced, it has also provided or can provide them with an economical and efficient auxiliary or substitute for unprofitable but necessary freight and passenger service. Possibly, also, the coming inquiry will develop the fact that the competition

of the motor vehicle has brought the railroads very considerable compensation in the tapping of new sources of freight and passenger traffic.

The statement has recently been made by a railroad authority that there has been a decrease of \$300,000,000 a year in railroad passenger revenues since 1920. Also it has been stated by railroad authority that one of the larger roads having a transcontinental service had experienced a decrease of 50 per cent in number of passenger fares from 1914 to 1924. The most casual examination of the facts will disclose that by far the greater part of any such shrinkage is due to privately owned passenger automobiles and not to motor busses.

As I have already stated, there are today in service in the United States about 17 million privately owned passenger automobiles and only 70 thousand motor busses. Of these busses about 30 thousand are school busses and of the remainder about 30 thousand are used in common carrier service. About 31 per cent of the 30 thousand common carrier busses are non-competitive with railroads, leaving only about 21 thousand motor busses actually competing with the railroads for passenger traffic.

It has been alleged that many miles of railroad have been abandoned on account of motor competition. The record of mileage abandonment from 1916 to 1925 shows that motor competition was the cause of only 4 per cent of such abandonment and, as has been shown, such competition has arisen primarily from the privately owned passenger automobile.

Obviously it is the privately owned automobile and not the motor bus that has decreased railroad passenger travel; and obviously there is no hope for railroad relief from this competition by any form of regulation. It will take something more drastic than legislation to keep the people of this country from "riding on rubber" whenever and wherever they can.

It has been asserted on behalf of the railroads that not only are they excessively taxed but that they are compelled to pay a large share of the cost of the highways over which their unregulated motor transport competitors operate.

Truck and Bus Taxed Heavily

ON BEHALF of the motor transport industry these statements are met by the assertion that the proportion of railroad taxes expended on public highways is less than four per cent and that it is not quite fair to say that the motor transport industry is unregu-

lated when, as a matter of fact, 38 states have adopted and are enforcing laws regulating motor busses and that 25 states are, in the same way, attempting to regulate motor trucks.

It is a further fact that the average tax in the 25 states for a 3-ton truck is \$382 for the common carrier type of truck, and the average tax per motor bus in the eight states where figures have been obtainable is \$571. Taking the average taxes and fees in 25 states, it is found that the common carrier truck pays more than double the taxes paid by the private carrier, and that the license fees for common carrier trucks are four times as large as those for private carriers.

It will not be disputed that the peculiar and particular field of the motor truck and motor bus is the short haul. Government surveys have shown that less than 10 per cent of commercial motor vehicle traffic extends over 100 miles, and that 88 per cent of the total covers hauls of 40 miles or less.

Railroad executives will undoubtedly admit that frequently there is no profit for the rail lines in the short haul, but this condition existed long before the days of the motor vehicle. The effect of motor truck and motor bus operation where it is competitive with the railroads has been to lessen the profit of their short haul traffic or to increase the loss—except where rail carriers have themselves resorted to the motor vehicle for relief.

An important part of the theory of railroad regulation and rate fixing is based upon the principle that the long haul must yield enough profit to make up the losses of the short haul; that the railroad in establishing its service held out a promise to individuals, corporations and communities of facilities whose abandonment would amount to confiscation of the property of those individuals, corporations and communities dependent upon them. On that theory, regulatory commissions throughout the country have again and again refused permission to railroads to abandon unprofitable short haul traffic but have sought to relieve such situations by permitting the roads to make long haul rates to compensate for their short haul losses.

Probably this theory was sound enough in its inception, but does it still hold good today? Has the evolution of the motor truck and motor bus, with a potential field of more than 3,000,000 miles of highway as compared with a rail mileage of 250,000, made this theory obsolete? These are both questions which the Interstate Commerce Commission's inquiry may help us to answer.

Motor Vehicles Save Money for Many Railroads

IT SEEMS to me that we should not overlook the rapidity with which the railroads themselves have adopted the motor vehicle, and the extent to which they have already gone in this direction. Figures compiled nearly a year ago showed that 51 railroads were then using motor trucks and 31 were using motor busses, largely to replace some form of rail service. There are 37 railroads now using motor trucks for terminal movement, 10 railroads are using them to replace local freight trains, and 10 use them for store door delivery.

This process of adaptation is going on continually and rapidly with respect to both local passenger and freight services that have been seriously unprofitable. In all such substitutions of the motor truck or motor bus for unprofitable short haul rail service, the question is not so much one of earning a profit as of reducing losses of 50, 75 or even 100 cents a mile to nothing or as little as 2, 4 or 6 cents a mile.

Is it not clear that any regulation imposing undue rates or other burdens will necessarily operate to the disadvantage of those railroads which have utilized or will utilize these new instrumentalities of transportation?

One of the pertinent questions in the approaching inquiry should and probably will relate to the special character of motor truck and motor bus service. Why has there been such a demand for these vehicles that after not much more than a dozen years since their introduction 2,500,000 of them are now in service—half a million of them added last year? It is the belief of the motor transport industry that this question can be answered best by the shippers—by the public whose interest is paramount in this inquiry and in this whole problem of regulation. We hope that these shippers, representing the public, will tell the Commission, as they have told us, some highly important facts.

Livestock shippers have told us that shrinkages in motor truck transportation are so much less than in rail transportation as to save the entire cost of hauling. Shippers of dairy and garden produce tell us that spoilage in transit is almost entirely eliminated in motor truck transportation.

Shippers of household goods and other special commodities have told us that the motor truck saves them time, packing and money. Rural and suburban merchants tell us that with daily motor truck

service they can carry less stock and thus reduce their investment and increase their turnover. Business and industrial shippers within 100 to 150 miles of sources of supply say that the motor truck gives them overnight delivery.

Motor Service Entirely Different From Rail

THE motorbus, too, performs a highly specialized service which is not and never can be within the province or the powers of the railroads. Because it can go wherever there is any kind of a highway, it delivers its patrons at their homes and not at a remote railway station. Let us not forget when it comes to the regulation of the motorbus that it alone has made possible the building of many thousands of homes upon land that probably will never have any other kind of public transportation.

And let us also not forget that we are talking here about the biggest potential transportation agency that has ever been conceived—an agency with approximately 3,000,000 miles of public highway available for improvement and for the extension of service to the very door of the individual where transportation actually originates and ends. Who can say now what regulation of this new agency is necessary for its development so that it shall best serve the public interest?

It is not a question of legislation and regulation merely to preserve and protect existing transportation agencies, but rather a question of adopting such policies as will permit and encourage the highest development of this new means of transportation.

Our American railroad industry, whose importance as a factor in the nation's expansion none can deny, is powerful and old—nearly a hundred years old. Our American motor transport industry, whose vast importance in our future national development none can clearly foresee, is powerful but young—not much more than a dozen years old. Let us hope that in any further regulation of the motor transport industry we shall not permit the mistakes to be made that have justified protests from the railroad industry to the effect that what was called "regulation" was too frequently in fact, strangulation.

Prosperity of State Dependent Upon Motor Trucks and Buses

Minnesota Newspaper Asserts Motor Transport Offers
Essential Service and Affords Relief
From High Rail Rates

*Editorial from THE LONG PRAIRIE (Minn.) LEADER
Sept. 16, 1926.*

THE Journal-Press, St. Cloud, usually right in its views on public policy, seems to overlook some important factors in forming its opinion as to bus and truck use of the highways. The Journal-Press seems to think the bus and the truck are intruders, interlopers, something that has butted in to make use of a good road. It is assumed, of course, that the bus and the truck should pay a fair share for the building and maintenance of the roads, but why should they pay such share and in addition a penalty for using them?

The factor the Journal-Press overlooks is the factor of actual necessity the people have for busses and trucks. To many parts of the state they are a God-send and provide the opportunity for transportation not available in any other way. Of course St. Cloud has adequate railroad service and does not know the pinch of poor service. However, there are hundreds of towns and communities in Minnesota that get but little from the railroads and to whom the future holds forth no hope for adequate railroad service. Railroad service on branch lines as a rule is inadequate and at least 50 per cent of the State's population until the advent of the bus and truck had to depend on branch line service.

Then, in the matter of rates, all small communities are discriminated against by the railroads. This discrimination is a matter of settled railroad policy. It has driven business away from the villages and into the big terminals. Until the advent of the bus and the truck, the rural Minnesota community had absolutely no hope for fair and equitable transportation rates. Continuing our

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factor the Journal-Press overlooks: When a man not enjoying the favoritism of railroad rates and service, pays his auto license tax, he does it in part for the purpose of having roads built so that bus and truck service can be established for his relief. The Journal-Press completely overlooks this. We have talked with a large number of people, particularly business men, who referred to paying their auto license cheerfully because it meant the building of roads such that busses and trucks come regularly into the community and give service that railroads have not given and in all probability never can give.

One of the big benefits of good roads is to bring transportation rate and service relief to the people. That being the case, the error of the Journal-Press's position, namely that the busses and trucks should be made to pay a special tax for the use of the highways in addition to the regular license and gas taxes, is apparent. It is not a sufficient answer to say that the railroads have to build their own rights-of-way and that therefore to give the busses and trucks the use of the roads is unfair competition for the railroads. To hinder the proper development of bus and truck transportation is to handicap the progress and the prosperity of a good half of the state.

The present bus and truck law was written without any regard for this important matter. The law was expressly designed to make it as hard and as expensive for busses and trucks to operate as possible, instead of recognizing the imperative need of bus and truck transportation and making it as easy as practicable for them to operate. The people of the state generally and the small city and village business man in particular, should get back of the bus and the truck owners in their fight for a square deal in the next legislature. In doing so they will merely be helping themselves. In bus and truck service lies the only possible relief that a very large part of Minnesota can ever hope to get from present-day discriminatory railroad rates and inadequate service.