THE AGRICULTURAL TRUCK BROKERS' PERSPECTIVE OF FLORIDA'S MOTOR CARRIER DEREGULATION

By

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The paper ascertains the effects of intrastate deregulation of the trucking industry on the agricultural transportation system.

INTRODUCTION

Florida has had two years in which to evaluate the effects of complete intrastate motor carrier deregulation. Coincident with reform efforts at the federal level, on July 1, 1980 Florida became the first state to totally cease economic regulation of its intrastate motor carrier industry (3). Effective January 1, 1982 Maine became the second state to totally deregulate nonpassenger carriage. Despite the facts that there had been no rate restrictions and only modest licensing requirements and fees for brokers (a minimum $10,000 surety bond and a $350 annual license) and carriers (a $100 fee) transporting unprocessed agricultural transport in Florida involves interstate shipments, spillover effects of the state deregulation into the food transport subsector would not be unexpected.

Truck brokers play an important role in agricultural transport. Gaibler (2) estimated that brokers arrange in excess of 50 percent of all fresh fruit and vegetable shipments, the mainstay of Florida agriculture. As middlemen, brokers are in the position to evaluate the effects of any major change, such as deregulation, on the agricultural transportation subsector. As purveyors of information, they are also likely to be affected by deregulation as the set of readily available information is also altered. With the elimination of published and regulated rates and carrier lists, brokers would likely become more important in the food transport system.

OBJECTIVES

This paper investigates the perceptions of agricultural commodity truck brokers in Florida regarding intrastate deregulation and its effect on agricultural transport. Specific objectives include ascertaining brokers' pre- to post-deregulation views on change in competition (their survival) and rates (implications for market incidence), who favors deregulation, and broker bonding and licensing requirements.

METHODOLOGY

A telephone survey of those agricultural goods truck brokers cited in the Florida section of The Packer's 1981 Red Book (4) was conducted in February 1982. Of the 208 truck broker listings in the Florida section, 110 usable surveys were obtained. The brokers in the Red Book would be expected to be biased toward the more established agricultural brokers having both pre- and post-deregulation experiences. These brokers consequently would be aware of benefits and problems relating to the Florida motor carrier industry's transition to deregulation. Seventy-two percent of those brokers surveyed reported being in the business in excess of ten years. Only 15 percent of the respondents reported being in brokerage for five years or less.

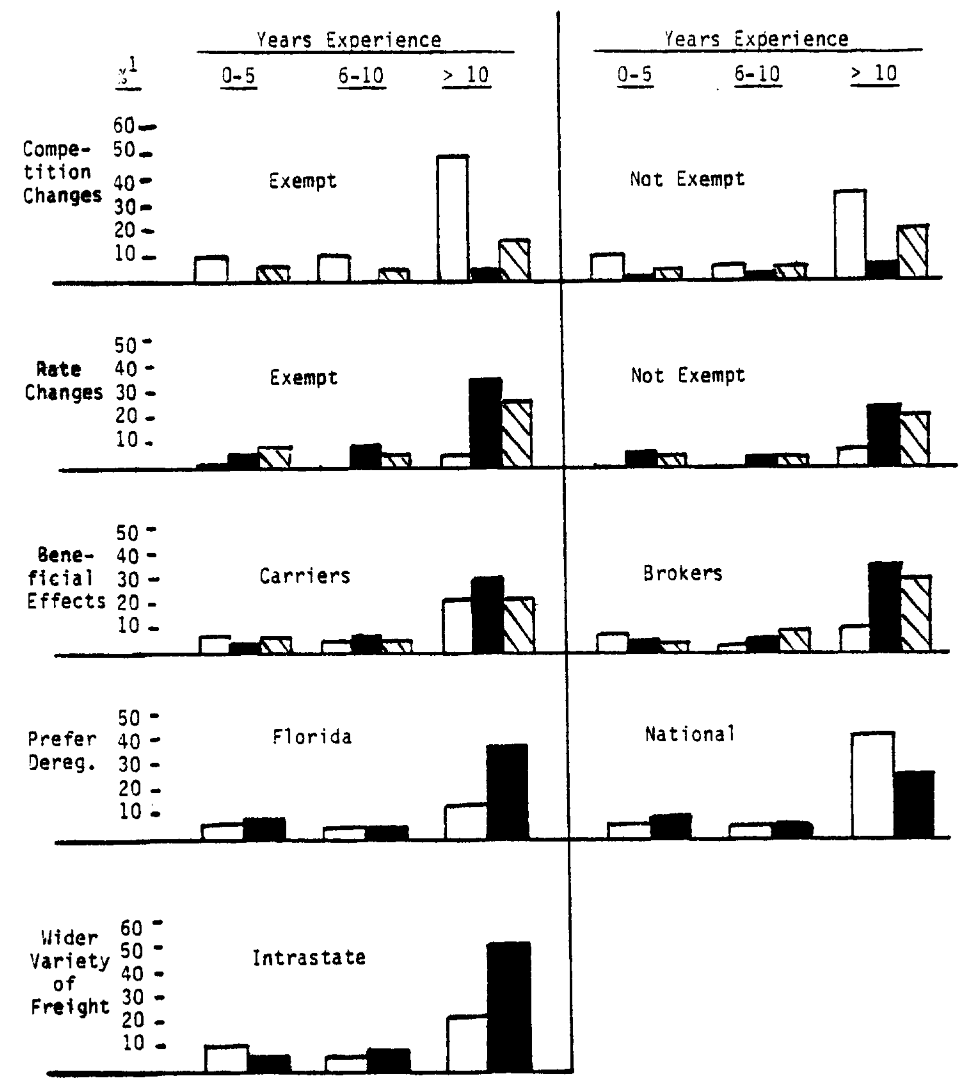
The Northeast was cited as the single most important destination market by 67 percent of the brokers surveyed while 49 percent indicated the Midwest was their second most important market. One individual did report Florida as the primary destination market. This market distribution was expected as approximately 80 percent of Florida's fruit and vegetable unloads are east of the Mississippi River (3), which leads credence to the representation of the phone survey sample. Of the 110 respondents, 28 percent reported they had out-of-state headquarters. Ninety-three percent of the brokerage firms indicated they handled either all exempt commodities or listed specific exempt items, and seven percent stated both exempt and non-exempt goods shipments are arranged.

RESULTS

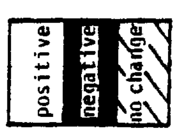
The survey indicates a consensus among agricultural truck brokers that competition among brokers has increased since Florida intrastate deregulation. Increased competition for exempt commodities was reported by 71 percent (78 brokers) while two firms reported decreased competition for exempt goods. Fifty-eight percent (53 brokers) reported increased competition for not exempt or previously not exempt goods and nine firms (eight percent) cited a decrease in similar competition, as shown in Figure 1.

Forty-nine percent (54 brokers) reported lower rates for exempt goods due to Florida deregulation whereas 36 firms (33 percent) indicated rate reductions for not exempt or previously not exempt shipments. Only six percent (seven brokers) attributed increased rate levels for either exempt or not exempt commodities to Florida deregulation. Several brokers did note difficulty in determining how much of the perceived increases in competition and lower rates was attributable to deregulation versus lower demands for transportation during the winter vegetable season due to January '81 and '82 freezes plus the prevailing economic conditions.

Thirty-four brokers (31 percent) viewed deregulation as having benefitted exempt commodity carriers, but a similar number (40 brokers or 36 percent) indicated exempt goods carriers were thought to be harmed by deregulation. In comparison, only 19 firms (17 percent) indicated a positive impact of deregula-



[1]If the sums in each experience level by category do not equal 100 percent, balance is no opinion.



positive = yes or increase

negative = no or decrease

no change, if applicable

Figure 1.--Florida Agricultural Truck Brokers' Perspective of Motor Carrier Deregulation.

tion on agricultural brokers, whereas 47 of those surveyed (43 percent) felt that deregulation had been detrimental to themselves--two and one-half times as many as had viewed deregulation as beneficial to brokers.

Closely linked to the sentiment that brokers and carriers had been harmed by deregulation, nearly half of the sample (54 brokers or 49 percent) expressed a preference for pre-1980 Florida regulation, with the remaining brokers split evenly between "no opinion" and "favoring continued deregulation." The large number of brokers opposing deregulation was not expected because of the hypothesized potential increase in their worth to the food transport industry as purveyors of information now publicly not as readily available. Additional comments by those surveyed indicate this large negative vote is attributed to three reasons: Florida deregulation by itself (for 18 months it was the only state totally deregulated) was of little practical use to the motor carrier industry; the agricultural goods transport subsector was effectively by-passed from participation in Florida deregulation to expand the scope of their operations into previously not exempt goods; and the easing of entry and bonding requirements for brokers had detrimentally affected agricultural brokerage.

When asked if they favored deregulation nationally, over 55 percent (44 respondents) of those brokers with over ten years' experience responded affirmatively, in contrast to the 16 brokers (20 percent) in this experience group who expressed support for Florida deregulation. Only the 12 brokers (39 percent) of those 31 firms with less than ten years' experience who expressed support for Florida deregulation also favored national deregulation. Apparently, the more experienced brokers were able to separate the opportunities and effects of state versus national deregulation. In the normal or traditional course of a broker's business, backhauls into, rather than within Florida, are needed as the large majority of produce movements cross state lines. As is typical of most agricultural production areas, the majority of the goods flowing into Florida are nonagricultural. Interstate Commerce Commission regulations preclude many brokers from active participation in the backhaul portion and thereby tend to reduce revenues to brokers as well as limit the possibilities of acquiring backhauls for exempt goods carriers who frequently do not possess sufficient ICC Certificates of Authority. Therefore, the freedom of agricultural truck brokers to arrange hauls of now regulated commodities into Florida rather than within it is more desirable. Intrastate deregulation is of value only to those brokers willing to make significant adjustments to their normal or traditional routine. The more experienced and established the brokers are, the less likely they are to see the need or to have the desire to adjust their routines.

Brokers with less than ten years' experience were nearly twice as likely to report an expanded variety of goods being hauled by exempt commodity carriers after deregulation than were those brokers having over ten years' experience. This result is logical as less experienced brokers would be more apt to notice and seek additional opportunities arising from deregulation. As a greater proportion of brokers with less than ten years' experience saw advantages for exempt goods carriers, it was not surprising that a greater percent of these brokers favored Florida deregulation (20 percent of brokers with ten years or more experience favored Florida deregulation versus 40 percent of brokers with less than ten years experience).

Regardless of years in the business, the dropping of licensing and, in particular, bonding requirements was often cited as having been detrimental. "Fly-by-night" brokerage operations were viewed as becoming prevalent. These firms sometimes assign loads to inexperienced operators with inadequate equipment and/or cheat carriers out of their compensation. As the smooth and efficient operation of the food transport system in part depends upon trust between shippers and carriers on the one hand and brokers on the other, the unreliable brokerage firms are hurting the entire industry. No doubt some of the concerns expressed may be attributed to fears about increased competition, but the contention that uncertainty erodes a broker's value as a source of information and coordinator of shipments and financial transactions is reasonable.

SUMMARY AND IMPLICATIONS

The truck brokers in Florida were surveyed to ascertain their perceptions of Florida's total deregulation of its intrastate motor carrier industry. Truck brokers were expected to favorably receive deregulation as it would enhance their value as market coordinators. However, nearly half of the surveyed truck brokers viewed themselves as being harmed by deregulation and about one-third of the brokers perceived exempt agricultural commodity carriers as being harmed by deregulation.

When sorted by experience levels as a truck broker, only one broker in five having over ten years experience favored continuation of Florida's deregulation, but over half of the same brokers called for national deregulation. This contrasts with the forty percent of those brokerage firms with less than ten years experience who voted affirmatively for both Florida and national deregulation. The more established brokers have less need to take advantage of nonexempt intrastate traffic, although these brokers do see advantages to national deregulation due to increased backhauling possibilities.

Less experienced brokers viewed intrastate deregulation as a method of meeting the competition, especially for the seasonal broker whose entry into the Florida market was eased by deregulation. Twice as many brokers having less than ten years' experience reported a more extensive variety of goods being arranged because of the opportunities from deregulation. A larger proportion of these brokers were also emphasizing intrastate carriage more frequently since deregulation. The truck brokers with the most experience were the least likely to have indicated a wider variety of goods shipments being arranged.

Because of the agricultural broker's important role in the food transport and distribution system and the movement toward motor carriage deregulation by numerous other states (Maine--January 1, 1982; Arizona--summer 1982; Texas--under advisement; etc.), Florida's deregulation experiences, and the perceptions of brokers on the same, warrant scrutiny by both policy makers and those individuals reliant on the food transport subsector.

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