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The Effects of Florida Motor Carrier Deregulation on  
Agricultural Transport: The Truck Brokers' Perspective

Abstract L. S. Tegelin, Forrest

Agricultural commodity truck brokers were surveyed to ascertain their perceptions of deregulation after Florida totally deregulated its intra-state motor carrier industry. Truck brokers were expected to favorably receive deregulation as it should enhance their value as market coordinators. However, nearly half of the brokers viewed themselves as being harmed by deregulation.

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The Effects of Florida Motor Carrier Deregulation on  
Agricultural Transport: The Truck Brokers' Perspective

By: Forrest Stegelin, Richard Beilock and James Freeman

On July 1, 1980 Florida became the first state to totally cease economic regulation of its intrastate motor carrier industry.<sup>1</sup> While there had been no rate restrictions and only modest licensing requirements and fees for brokers and carriers<sup>2</sup> transporting unprocessed agricultural products prior to deregulation, and despite the fact that most agricultural transport in Florida involves interstate movements, spillover effects of state deregulation into the food transport subsector would not be unexpected. Understanding these effects is of obvious value to participants in agricultural transport as well as to those who must judge the costs and benefits of deregulation as a whole. Since deregulation, in one form or another, is being considered in several states and at the federal level, insights into the Florida deregulation experiment is of national as well as regional concern.

In this paper the results are presented and analyzed of a telephone survey of Florida agricultural goods truck brokers regarding their perceptions of the effects of deregulation in Florida. Brokers were chosen as it was felt that, as middlemen, they were in the best position to evaluate the effects of any major change, such as deregulation, on the entire agricultural transport subsector. Brokers play an important role in agricultural transport. Gaibler (1977) estimates that in excess of 50 percent of all fruit and vegetable shipments are arranged by brokers. Moreover, as purveyors of information brokers are likely to be affected by deregulation since it (deregulation) alters the set of readily available information. With the elimination of published and regulated rates and

carrier lists, brokers would be expected, ceteris paribus, to become more important in the entire transport system. Finally, Florida brokers were directly affected by deregulation since in addition to a release from licensing and a \$350 annual fee, they are no longer required to post a minimum \$10,000 surety bond. Therefore brokers can now operate without presenting any guarantee of financial backing.

#### The Sample

The truck brokers reported in the Florida section of The Packer's 1981 Red Book (Vance Publishing Company) were surveyed. Out of 208 truck broker listings, 110 usable surveys were obtained. The remainder was composed of those individuals or firms refusing to participate, those not answering their phones or with nonworking phones, and those with multiple listings for the same firm in more than one city. Although no brokers listed in the Florida section of the Red Book were excluded, the sample would likely be biased toward more established brokers with both pre and post deregulation experiences. It was felt that such respondents would be most aware of problems and benefits related to deregulation.

As expected, the average reported number of years in business was large, with only 17 (15 percent) reporting being in business for five years or less and 79 (72 percent) reporting in excess of 10 years experience.

The single most important destination market reported was the Northeast with 74 respondents (67 percent) while 54 (49 percent) reported that the Midwest was their most important secondary market. Only one respondent indicated Florida as the primary destination market. Given that approximately 80 percent of Florida's agricultural produce is

normally consumed out of state (Vegetable Summary, 1979 & 1980) and that the majority is shipped to points east of the Mississippi, this pattern lent credence to the representativeness of the sample. When asked what commodities they handled, 71 (65 percent) responded "all exempt," 31 (28 percent) listed specific exempt items, such as potatoes or lettuce, and 8 (7 percent) stated that they handled both exempt and not exempt goods. Of the 110 respondents, 31 (28 percent) reported that they had out-of-state headquarters.

### Results and Implications

#### Competition and Rates

The survey indicates a concensus among truck brokers that competition had increased in the eighteen months since Florida's intrastate deregulation. Seventy-one percent (78 respondents) reported increased competition for exempt commodities whereas only two individuals (less than two percent of the sample) reported decreased competition for exempt goods. Increased competition for not exempt loads and goods previously not exempt were noted by 58 brokers (53 percent) as compared to decreased competition reported by 9 firms (eight percent), see Table 1.

Fifty-four brokers (49 percent) indicated reduced rate levels for exempt goods as a result of Florida deregulation, and one-third or 36 of the individuals saw reductions for rates of not exempt and previously not exempt commodities. In contrast, only six percent of those surveyed felt that Florida deregulation had increased rate levels for either exempt or not exempt goods. Several brokers, however, noted difficulty in determining how much, if any, of the increased competition and rate changes observed in early 1982 was a result of deregulation or of lower

demands for transportation due to the January, 1982 Florida freeze and generally depressed economic conditions.

#### Benefits and Costs to the Agricultural Transport Subsector

The number of brokers expressing the view that they had benefitted from deregulation was smaller than those who saw benefits for exempt carriers. Thirty-four brokers (31 percent) expressed the opinion that deregulation had benefitted exempt commodity carriers, but only 19 (17 percent) voiced a similar positive view for brokers. Forty of those surveyed (36 percent) indicated that exempt goods carriers were thought to be harmed by deregulation. Two and one-half times as many brokers felt deregulation had been detrimental to them (47 firms or 43 percent) as compared to those viewing deregulation as beneficial to the brokers.

The belief that exempt goods carriage rates had been negatively impacted by deregulation was closely linked to the sentiment that brokers and carriers had been harmed by deregulation. Seventy percent of those brokers seeing reduced rates also perceived exempt carriers being hurt by deregulation and two-thirds of the same brokers saw themselves harmed by deregulation. This result was not unexpected considering the inelastic nature of most agricultural supplies, at least over the short run, and, hence, of the demand for its transport.

#### Who Favors Florida Deregulation

Nearly half of those surveyed (49 percent or 54 brokers) expressed a preference for returning to regulation (pre-1980), with the remaining respondents being evenly split between those having no opinion and those favoring continued deregulation, see Table 1. As would be expected, there was a strong positive relationship between those seeing benefits to brokers and those favoring Florida deregulation. Seventy-nine percent

of those reporting benefits to brokers also favored Florida deregulation as opposed to only eleven percent of those who felt that deregulation had harmed brokers. Due to their potential increase in importance as purveyors of information under deregulation, the large number of brokers opposing deregulation was not expected. Upon analysis of the data, this large negative vote seemed to be due primarily to three reasons. First, there was the feeling among a large number of brokers that Florida deregulation by itself was of little practical use. This sentiment appeared to be strongly and positively related to the number of years which the firm was in business. Second, many brokers felt that the agricultural goods transport subsector was effectively shut out from participation in Florida deregulation to expand the scope of their operations into previously not exempt commodities. Finally, many brokers remarked that the easing of entry and, in particular, bonding requirements for brokers had been detrimental.

#### Experience Levels

Broker preferences regarding Florida deregulation differed sharply depending upon the number of years experience in the truck brokerage business (see Table 2). Forty-one percent of the 17 brokers in business for five years or less and 36 percent of the 14 brokers having six to ten years experience favored Florida deregulation. In contrast, only twenty percent or 16 of the 79 brokers in business over ten years supported Florida deregulation. However, when asked if they favored deregulation nationally, over 55 percent (44 brokers) of those with over ten years experience responded affirmatively--nearly three times the number of those in this experience group who supported Florida deregulation. By contrast, only those brokers with less than ten years

experience who had 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. As previously indicated, the large majority of produce movements cross state lines. Therefore, in the normal or traditional course of a broker's business, backhauls into, rather than within Florida are needed. 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 limiting the possibilities of acquiring backhauls for exempt good 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.

#### Expanded Variety of Goods

One-third of the truck brokers surveyed reported that exempt carriers were using deregulation to expand the range of goods carried intrastate (see Table 3). Thirty percent of those responding affirmatively to this expansion also reported emphasizing intrastate carriage more extensively since deregulation, as opposed to less than one percent of those who did not see such an expansion. Several of the remaining two-thirds who



responded either negatively or had no opinion regarding this question expressed the concern that shippers were hesitant about consigning goods to exempt haulers with whom they had little or no familiarity. This perceived reticence by shippers serves as a continuing barrier to many brokers and exempt goods haulers for expanding their scope of traffic.

Brokers with less than ten years of experience were nearly twice as likely to report an expanded variety of goods being hauled by exempt commodity carriers 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.

The thirty-seven brokers who indicated that Florida deregulation had allowed exempt carriers to expand the variety of goods handled expressed greater approval for Florida deregulation across a wide range of indicators. In particular these brokers were:

- twenty times as likely to have emphasized intrastate haulers,
- twice as likely to have noted increased competition for carriage of previously not exempt goods,
- almost four times more likely to have reported that deregulation had made the brokerage business easier,
- almost twice as likely to view Florida deregulation as benefitting exempt haulers,
- almost four times more likely to see improved service to rural areas,
- three times as likely to feel that deregulation had increased profit levels, and
- five times as likely to see benefits for brokers overall (see Table 3).

### Broker Bonding and Licensing

The dropping of licensing and, in particular, bonding requirements was often cited as having been detrimental. "Fly-by-night" brokerage operations were said to be becoming common. These firms sometimes assign loads to inexperienced operators with inadequate equipment and/or cheat carriers out of their compensations. 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 these concerns expressed may be attributed to fears about increased competition. Nevertheless, the contention that uncertainty erodes a broker's value as a source of information and coordinator of financial transactions is reasonable. Indeed, minimum bonding requirements for a broker may be viewed as being parallel to minimum safety requirements for a carrier or FDIC insurance for a banker.

Over the longer run, established brokers and those willing to demonstrate their legitimacy by listing with services such as the Red Book or by advertising that they are bonded may ultimately benefit from deregulation. If "fly-by-night" operations are, indeed, becoming a problem to operators and shippers, then they (operators and shippers) should be willing to pay a premium to brokers who are perceived as being reliable. A similar effect has been noted in a survey of Florida carriers where many established household goods carriers reported that they had been able to raise rates since deregulation (Beilock and Freeman 1982). The feeling was expressed that their customers were willing to pay additional amounts for services which they felt they could count on. Those brokers who can maintain their reputations may eventually realize similar benefits.

### Summary and Conclusions

The truck brokers in Florida were surveyed to ascertain their perceptions of deregulation one and one-half years after Florida totally deregulated its intrastate motor carrier industry. Truck brokers were expected to favorably receive deregulation as it would enhance their value as market coordinators. Surprisingly, however, nearly half of the 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. These brokers do, however, see advantages to national deregulation, due to increased backhauling possibilities.

Less experienced brokers viewed intrastate deregulation as a method of meeting the competition, especially 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. Again, the truck brokers with the most experience were the least likely to have indicated a wider variety of goods shipments being arranged.

That Florida motor carrier deregulation has affected the previously exempt agricultural transport subsector appears to be clear. Sixty percent of the brokers surveyed felt that Florida deregulation had benefitted or harmed brokers and .67 percent perceived that exempt agricultural goods carriers had been affected. Twenty-five percent reported that their trucker clients had used Florida deregulation to expand the range of goods hauled in-state, and 23 percent so reported for their own brokerage operations. While there was a general concensus that competition had increased and rates decreased, several did remark that it was difficult to determine what portion of these changes was due to the depressed economy and reduced produce supplies resulting from January freezes two years in a row. These complications may account for a portion of the unexpectedly large number of brokers expressing a negative sentiment towards Florida deregulation. Moreover, there are likely to be effects, such as operators and shippers seeking evidence of broker reliability, which will only manifest over a longer run. Further monitoring of the experiences of the agricultural transport sector will, hopefully, determine if this is the case.

#### Footnotes

1. For background into the events leading up to Florida's deregulation see Ruben (1980).
2. All carriers operating in Florida were required to register and to pay a \$100 fee. Brokers had to obtain a license for \$350 per year and maintain a minimum of \$10,000 surety bond.

## References

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Table 1.--Comparison of Broker Perceptions by Opinions Regarding the Effect of Florida Deregulation on Brokers.

	Broker Perceptions			Total Number(%)
	Benefitted by Dereg. Number(%)	No Change Number(%)	Harmed by Dereg. Number(%)	
<b>Exempt Competition</b>				
Increased	12(10.9)	28(25.5)	38(34.5)	78(70.9)
No Change	7 (6.4)	14(12.7)	6 (5.5)	27(24.6)
Decreased	—	1 (.9)	2 (1.8)	3 (2.7)
No Opinion	—	1 (.9)	1 (.9)	2 (1.8)
<b>Previously Nonexempt Competition</b>				
Increased	17(15.4)	13(11.8)	28(25.5)	58(52.7)
No Change	1 (.9)	19(17.3)	10 (9.1)	30(27.3)
Decreased	—	7 (6.4)	2 (1.8)	9 (8.2)
No Opinion	1 (.9)	5 (4.5)	7 (6.4)	13(11.8)
<b>Exempt Rates</b>				
Increased	1 (.9)	3 (2.7)	3 (2.7)	7 (6.3)
No Change	10 (9.1)	20(18.2)	13(11.8)	43(39.1)
Decreased	6 (5.4)	17(15.5)	31(28.2)	54(49.1)
No Opinion	2 (1.8)	4 (3.6)	—	6 (5.4)
<b>Nonexempt Rates</b>				
Increased	—	4 (3.6)	3 (2.7)	7 (6.3)
No Change	6 (5.5)	13(11.8)	12(10.9)	31(28.2)
Decreased	8 (7.3)	8 (7.3)	20(18.2)	36(32.8)
No Opinion	5 (4.5)	19(17.3)	12(10.9)	36(32.7)
<b>Exempt Commodity Carriers</b>				
Benefitted	13(11.8)	13(11.8)	8 (7.3)	34(30.9)
No Change	3 (2.7)	21(19.1)	9 (8.2)	33(30.0)
Harmed	3 (2.7)	9 (8.2)	28(25.5)	40(36.4)
No Opinion	—	1 (.9)	2 (1.8)	3 (2.7)
<b>Florida Deregulation</b>				
Prefer	15(13.6)	8 (7.3)	5 (4.6)	28(25.5)
Disdain	3 (2.7)	16(14.6)	35(31.5)	54(49.1)
No Opinion	1 (.9)	20(18.2)	7 (6.4)	28(25.5)
<b>National Deregulation</b>				
Desire	14(12.7)	23(20.9)	19(17.3)	56(50.9)
Disdain	5 (4.6)	10 (9.1)	26(23.6)	41(37.3)
No Opinion	—	11(10.0)	2 (1.8)	13(11.3)

Table 2.--Regulatory Preferences of Brokers by Years of Experience.

	Years in Truck Brokerage			
	0 to 5	6 to 10	> 10	Total
	Number(%)	Number(%)	Number(%)	Number(%)
<b>Florida Deregulation</b>				
Prefer	7(6.4)	5(4.6)	16(14.5)	28(25.5)
Disdain	8(7.3)	5(4.6)	41(37.3)	54(49.1)
No Opinion	2(1.8)	4(3.6)	22(20.0)	28(25.4)
<b>National Deregulation</b>				
Desire	7(6.4)	5(4.5)	44(40.0)	56(50.9)
Disdain	9(8.2)	6(5.5)	26(23.6)	41(37.3)
No Opinion	1 (.9)	3(2.7)	9( 8.2)	13(11.8)

Table 3.--Broker Perceptions of Using Deregulation to Expand the Variety of Goods Hauled in Florida.

	Increased Variety of Freight Hauled Intrastate			
	Yes Number(%)	No Number(%)	No Change Number(%)	Total Number(%)
<b>Intrastate Emphasis</b>				
Increased	11(10.0)	1(.9)	--	12(10.9)
No Increase	26(23.6)	68(61.8)	4(3.6)	98(89.1)
<b>Previously Exempt Competition</b>				
Increased	26(23.6)	49(44.6)	3(2.7)	78(70.9)
No Change	10 (9.1)	17(15.5)	--	27(24.6)
Decreased	1 (.9)	2 (1.8)	--	3 (2.7)
No Opinion	--	1 (.9)	1 (.9)	2 (1.8)
<b>Difficulty</b>				
More	7 (6.4)	18(16.4)	--	25(22.7)
No Change	23(20.9)	39(35.5)	4(3.6)	66(60.0)
Easier	6 (5.5)	3 (2.7)	--	9 (8.2)
No Opinion	1 (.9)	9 (8.2)	--	10 (9.1)
<b>Exempt Commodity Carriers</b>				
Benefitted	15(13.6)	18(16.4)	1 (.9)	34(30.9)
No Change	7 (6.4)	25(22.7)	1 (.9)	33(30.0)
Harmed	12(10.9)	26(23.6)	2(1.8)	40(36.3)
No Opinion	3 (2.7)	--	--	3 (2.7)
<b>Rural Service</b>				
Adverse Effect	5 (4.5)	8 (7.3)	1 (.9)	14(12.7)
No Change	12(10.9)	16(14.6)	2(1.8)	30(27.3)
Improved	10 (9.1)	5 (4.5)	--	15(13.6)
No Opinion	10 (9.1)	40(36.4)	1 (.9)	51(46.4)
<b>Profits</b>				
Increased	8 (7.3)	4 (3.6)	--	12(10.9)
No Change	20(18.2)	32(29.1)	3(2.7)	55(50.0)
Decreased	7 (6.4)	17(15.4)	1 (.9)	25(22.7)
No Opinion	2 (1.8)	16(14.6)	--	18(16.4)
<b>Brokers</b>				
Benefitted	14(12.7)	5 (4.6)	--	19(17.3)
No Change	8 (7.3)	34(30.9)	2(1.8)	44(40.0)
Harmed	15(13.6)	30(27.3)	2(1.8)	47(42.7)