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**32nd TRF Annual Forum
Long Beach, California
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- *Agreeing to Share: The West Coast Longshore Industry 30 Years Later*
by Robert C. Waters,
George Washington University

The 1960 contract between the International Longshoremen's and Warehousemen's Union (ILWU) and the Pacific Maritime Association (PMA) was the formal agreement that represented a historically different approach to changing technology and work conditions. This contract was entitled the Mechanization and Modernization (M&M) Agreement. It removed formal union opposition to work rules changes and significantly contributed to the containerization of ocean freight. The rules have been won over 60

years of labor strife. The bargain was criticized by some on both the left and the right.

In retrospect, the agreement appears to have been a win-win situation. The parties have been very satisfied with the results; there has been only one major strike since 1948. Moreover, longshoremen have obtained annual income over two times that of average U.S. manufacturing workers at the same time keeping the flexibility historically associated with longshoring. Labor productivity in tons/manhour has increased 1300%, while longshoremen's annual wages increased from about \$6000 to \$50,000 and include a pay guarantee. Job requirements changed from manual to machine operations. Longshoremen have become comfortable members of the middle class.

Pipelines

*Session Moderator: James G. Beierlein,
Pennsylvania State University*

Summary by Session Moderator

Each of the papers presented dealt with different segments of the pipeline industry. Leonard Coburn's paper provided an elegant background for the development of this session. In his paper he discussed the origins of pipelines and their exploitation by firms such as Standard Oil, the heavy handed regulation by the federal government during the first half of this century, and finally the slow deregulation of the industry since the early 1970s. Won Koo's paper looked at the economic feasibility of using a capsule pipeline for Montana grain that could successfully compete with other modes of transportation and move grain to barge ports. He showed that within a certain window of costs and distances there was a place for a pipeline that could effectively compete for grain traffic.

The presentation so these papers set a good foundation for the discussion of the pipeline industry and the role of government regulation. The discussion that followed first dealt with various elements surrounding the operation of pipelines in the United States. National pipelines for both natural gas and petroleum move a significant proportion of both products at competitive prices and with little potential for environmental damage. These give pipelines a strong competitive advantage in the market. The discussion then moved to the role of transportation regulation in general and what constituted

"light handed" regulation. This led to a conversation of how to determine effective competition and where pipelines fit in the overall transportation picture. The topic of whether re-regulation is likely to occur anytime in the future was the next subject addressed.

In all cases the discussions were lively and informative to all involved. The session ended with a round of applause from the audience for the speakers in appreciation of their fine presentations.

- *Historical Turning Points In U.S. Oil Pipeline Regulation*
by Leonard L. Coburn,
U.S. Department of Energy

Oil pipeline regulation developed through three major periods. In the first from 1865 to 1906, the period of monopolization, pipelines grew from their inception in the 1860s to exploitation by the Standard Oil Trust as part of the monopolization of the oil industry. The agitation over further regulation of the railroads and the abuses of the Standard Oil Trust, swept oil pipelines under the regulatory umbrella of the Interstate Commerce Commission (ICC).

In the second period, the period of regulatory development from 1906 to 1948, pipelines were regulated by the federal government and rate regulation developed. The

ICC tested its jurisdiction over oil pipelines and succeeded. In the 1930s, the ICC held a series of hearings to determine the most appropriate way to regulate the rates of oil pipelines. The ICC developed a generic approach to rate regulation that the oil pipeline industry found quite acceptable. The Department of Justice, Antitrust Division also challenged the rate practices of the oil pipelines, but was forced to settle the proceeding in a consent decree due to the need to rely on the oil industry for the war effort. This consent decree was utilized by the industry as another way to establish rates and lasted for more than 40 years. By the end of this period, the industry slipped into a congenial accommodation with the ICC.

In the third period, from 1971 to the present, the period of mature regulation, the easy accommodation to regulation developed in the second period was upset as oil pipelines underwent rigorous new rate regulation. In the *Williams* proceeding that lasted 14 years and through two regulatory agencies - the ICC and the Federal Energy Regulatory Commission (FERC) - the industry was subjected to a more rigorous form of rate regulation. Chafing under this renewed scrutiny, the industry tried to achieve legislative deregulation of rates. This opened a new chapter for the industry - one in which it enlisted the aid of the federal government. A consensus approach to deregulation eventually evolved by the end of the 1980s; however, Congress did not take any action on this legislation. Instead, the

FERC began experimenting with a light-handed approach to regulation that may become the best hope for the industry to achieve regulatory reform.

• *Can A Capsule Pipeline System Compete With Truck, Rail, and Barge in Shipping Agricultural Products?*

by Won W. Koo,
North Dakota State University

Economic feasibility of transporting grain by a capsule pipeline is evaluated by comparing railroad's freight rate equation and the pipeline system's average total cost equation. These equations are estimated by using a multiple regression technique with 1986 cross section data obtained from industry sources.

The study found that the cost structure of railroads is different from that of a pipeline system; rail rates increase at a decreasing rate as distance increases while the average total cost of a pipeline system increases at an increasing rate. This implies that a pipeline system has a comparative advantage over railroads in short distance routes and railroads have a comparative advantage in long distance routes. This study more precisely suggests that a pipeline system can compete with railroads under the following conditions; (1) the length of the system is less than 300 miles and (2) the system handles more than 80 million bushels of grain annually.