

Chapter Twelve Deregulation and Transportation Policy Issues

Introduction

The vast complex of federal regulatory rules and regulations on the nation's for-hire transportation industry was seriously challenged during the 1970s. These controls over entry, exit, rates, routes and quality of service had become more extensive over the years, yet provided for exemptions and special privileges and treatment of particular modes. Too often the consequences of economic regulation appeared to be more costly than the abuses they were designed to correct. The rules were reasonable at the time of inception but were inappropriate as the economic and competitive environment changed.

From the beginning, economic regulation was controversial and became more so when applied to air and motor carriers as the new competition to the railroads developed. Periodically since then, the topic spawned proposals ranging from strengthening regulation or eliminating it together with the regulatory agencies, introducing reforms or reducing the increasingly frustrating bureaucratic processes to which carriers and shippers were subjected. These conflicting attitudes reached a climax in the late 1970s when the reform movement was addressed by the Congress.

Two fundamental public policy issues formed the basis of the debates that raged over regulation-deregulation, modified regulation, regulatory reform, reregulation, etc. One involved the philosophical question of the relative roles of government contrasted to the private sector of the economy in transportation matters. The other centered on the pragmatic question of continued effectiveness of government intervention vis-a-vis the free and open market mechanism in furthering the development and maintenance of transportation systems accessible to all and capable of providing the necessary services.

Supporters of regulation argued that "deregulation" would not yield the needed services at reasonable rates without a return to unjust and undue discriminations. Further, they argued that without some economic controls, private ownership and operation would place a premium on the profit motive to the exclusion of service and neglect of safety. Proponents based their arguments on competitiveness of the individual modes, resulting in

advantages to users; the carriers were fully capable of providing the required services without regulatory supervision. From their point of view, any changes in regulatory policy would allow operations to be vastly superior under free market conditions than could be expected through decisions by the regulatory agencies.

The political climate of the nation contributed to the movement for economic liberalization. Proposals for nationalization of transportation as an alternative to the confusion emanating from the debates were cast aside as national conservative trends formed slowly during the last years of the Carter administration and reached full flower in the national elections of 1980. The most popular political philosophy designed to "get the government off the backs of the people" was reduction or elimination of federal rules and regulations, and the transportation industry was a prime candidate. Thus, the contentions of the supporters and opponents of regulation were to be tested by reform legislation which in three years, 1977-1980, reversed the 90 years of traditional federal regulatory policy.

Attempts to define and implement transportation policies often caused more confusion than clarity as issues became increasingly mixed with broad concepts of goals, objectives, programs, conflicts and perspectives. Policies are guidelines for choices and ideally are established within a framework of goals and objectives or in response to recurring or new problems. When the choices are simple, few disagreements occur; when complicated or difficult, controversy rages as various interest groups perceive a danger to their jealously guarded positions.

Federal Transportation Reform Legislation

The Airline Industry

The first attempt at regulatory reform was led by Alfred Kahn, chairman of the Civil Aeronautics Board, and supported by Congress in 1977. Nearly all of the statutes controlling rates, routes and competitive practices in the air cargo segment were repealed. Despite initial opposition of the carriers, similar legislation followed in air passenger operations. Airlines were permitted to expand immediately as to "dormant" routes once certified by the CAB but abandoned by the original carriers. One new market could be served and one route protected each year, meaning that no other carrier could compete on that route. CAB route authority expired in 1981.

Until 1983, carriers could increase fares to compensate for inflation plus five percent or reduce fares up to 50 percent each year, not subject to CAB supervision unless the adjustments were discriminatory. Abandonments were allowed in non-compensatory markets, with small markets protected by subsidy provisions to guarantee "essential service" for 10 years into previously served points. The federal government also assumed responsibility up to six years for employees who lost employment when carriers reduced their work force by more than 7.5 percent in any year through deregulation.

The CAB was to self-destruct on January 1, 1985, and did with a Marine bugler playing "Evening Colors," the first federal regulatory agency ever to go out of business. As one of its final major decisions, the agency decided that airline tickets could be sold anywhere instead of restricting sales to travel agencies and airline representatives. Consumer protection functions—overbooking flights, searching for lost baggage, enforcing charter provisions and no-smoking rules were transferred to the U.S. DOT.

The Motor Carrier Industry

Although diverse opinions were expressed by truckers, unions and shippers, regulatory reform for motor carriers followed on July 1, 1980. Its purpose was "to provide for more effective regulation of motor carriers of property and for other purposes."¹ Whereas airline legislation was directed toward passenger benefits, the Motor Carrier Act appeared to be aimed at correcting operational inefficiencies. "Statutes governing Federal regulation are outdated and must be revised to reflect transportation needs and realities in the 1980s: that historically the existing regulatory structure has tended in certain circumstances to inhibit market entry, carrier growth, maximum utilization of equipment and energy resources. . . that protective regulation has resulted in some operating inefficiencies and some anti-competitive pricing." One of the new features was the provision for congressional oversight to ensure that the act was implemented according to congressional intent and purpose. Among other major provisions were the easing of entry requirements, rate freedoms, removal of operating restrictions (gateways and circuitous route limitations on common carriers of property), expanded agricultural exemptions, new rules on intercorporate hauling, through and joint motor/water rates and mergers. Its major objective was use of the market mechanism; users were given only a passing reference.

The immediate reaction to the passage of the act involved the question of elimination or retention of the common carrier obligation to serve all comers without favor or discrimination as a result of lowering the barriers to common carrier entry. The ICC proposed to allow carriers to decide on the services offered and would place the burden of proof on shippers as to injury or discrimination. If implemented, the effect would be to terminate the common carrier obligation. The agency almost unanimously approved proposed rate reductions; tariff examinations were superficial or ignored; and strict rules for rate bureaus were adopted.

The Railroad Industry

Less than three months later, on October 14, 1980, the Staggers Railroad Act was passed "to reform the economic regulation of the railroads and for other purposes."² The clearly stated goal was financial support. "The purpose of this act was to provide for the restoration, maintenance and improvement of the physical facilities and financial stability of the railroads of the United States." Deregulation of rates was the method selected to achieve the goals except where "market dominance" prevailed. No rates were allowed below variable costs, and a zone of rate flexibility of six percent per year was established for a four-year period ending October 1, 1984, subject to a cumulative total of 18 percent. Any portion of the six percent increase not used could be carried forward, but no one yearly increase could exceed 12 percent. After 1984, the zone of flexibility could increase by four percent per year with no carry-over provisions. Future rate adjustments would be tied to the inflation index.

Martin T. Farris pointed out the similarities and differences in the three reform acts. All stressed the desirability of more competition through market emphasis. Rate flexibility was allowed and jurisdiction over rates liberalized in rail and air transportation.

¹ Public Law 96-296 (1980); "Truckers, Shippers Give Varied Views on Truck Deregulation Legislation," *Traffic World* (November 23, 1979): pp. 17, 19; Donald V. Harper, "The Federal Motor Carrier Act of 1980: Review and Analysis," *Transportation Journal* (Winter 1980): pp. 5-34.

² Public Law 96-448 (1980).

Entry restrictions were removed in air and motor carriage. Conference rate-making was modified in rail and motor operations. Ultimately, complete elimination of all economic regulation in air transportation was contemplated with modifications in rail and motor operations. The differences related to the goals and objectives of each act. In air transportation legislation, the user was to be the major beneficiary; inefficiencies were emphasized in the Motor Carrier Act; and financial support was stressed in the Staggers Act. The final deregulation act at this writing was the Bus Regulatory Act of 1982, signed into law on September 20 of that year. It covered the familiar issues of market entry, exit, operating restrictions, rates, insurance and safety.

The Impact of Regulatory Reform

General Observations

Perhaps in five or ten years it will be possible to more precisely judge the impact of reform legislation on the carriers, users and general public. Such analysis cannot be made with any degree of confidence in the relatively short period of 1978-1985. It is probably more accurate to predict that controversy will continue as the drama unfolds. Reactions to the regulatory policy changes came with the onset of an economic recession, and the immediate or preliminary results were difficult to isolate whether caused by one or the other or both. The discussion that follows briefly presents the pros and cons of the impact of the legislation and recognizes in its brevity the inevitability of further studies, public policy changes and industry and user responses to the newly created "free market" atmosphere.

It would be well to remember history, however. Transportation as an industry has come full circle from its unrestrained laissez-faire era through almost a century of government regulation to return to a relatively unencumbered free market. Will the mergers of giant carriers materialize as some predict, creating oligopoly-type structures generating anti-monopoly pressures? How long will the euphoria over the new economic freedoms last if discriminatory rate or service abuses flourish as between large and small shippers, regions or communities? Is there a correlation between regulation and safety? Will giving up government controls require the public to submit to the evils which historically the people decided to prevent? Finally, can the nation economically or socially afford a complete disregard for commercial transportation by total deregulation of the industry in the light of conservative political policies? These are

but a few of the basic questions to be considered—questions which create more issues and bring no clear answers.

Airlines

The adjustment to "deregulation" by the airlines was traumatic. Route structures were altered, pricing strategies modified, and operating policies changed. Route expansion was vigorously promoted by some carriers while others consolidated existing routes by adding flights. Expansion proved costly to Braniff International, Air Florida and Continental, considered to have been a major factor in reorganizations or bankruptcies. A variety of pricing alternatives were available to passengers who could choose from a wide selection of services on heavily traveled routes between major hubs. Discount fares were common, used by approximately 80 percent of large city passengers as price competition outweighed service competition. However, on short and intermediate routes under limited competition, fares rose sharply. Warren Rose commented: "The results were predictable. Greater inconveniences and more depersonalization of travelers occurred. The traditional high standards of excellence were seen more in the breach than in the observance. Promotional efforts by the airlines were directed at pricing inducements with only occasional references to the quality of service."³

Small and mid-sized cities suffered. Between April 1980 and April 1981, the Civil Aeronautics Board reported that 40 airports serving 41 cities across the nation lost all scheduled airline service. From July 1978 to July 1981, 279 cities lost one airline; 38 lost two airlines; and nine lost three airlines. In some cases commuter carriers stepped in to provide replacement service, using smaller plans which many travelers might have found unattractive in terms of comfort and safety. It seems reasonable to conclude that deregulation did not benefit all consumers of air service equally—those who benefitted did so at the expense of others. On the other hand, it seems fair to

³ Warren Rose, "Three Years After Airline Passenger Deregulation in the United States: A Report Card On Trunkline Carriers," *Transportation Journal* (Winter 1981): pp. 51-59.

point out that regulation often compelled consumers to pay for services that would not otherwise be provided. Mass marketing of airline services appeared to be the new operating strategy.

As the deregulation process ran its early course, airlines broke all records for financial losses. In 1981, 12 of the largest carriers lost \$641 million and in 1982, airline revenues represented the first year-to-year decline in the nation's history. Only three of seven selected trunkline carriers reported modest profits, and losses from 1980 to 1982 amounted to over \$1 billion. The strike of air traffic controllers in 1981 temporarily aided the industry when the FAA ordered a 25 percent reduction in flight schedules. However, despite financial problems and subsequent "reregulation" proposals by critics, airlines rejected any return to the regulatory environment of the past. They expected that reduced labor costs, stable fuel prices, recovery from the recession and higher patronage would bring prosperity to the industry by 1984. Airline economists predicted operating profits of approximately \$2 billion and net income ranging between \$600 and \$800 million for the industry in 1985.

While the number of airlines nearly quadrupled during the six-year period following deregulation in 1978, approximately 161 trunk and commuter lines terminated service. In 1986, Frontier Airlines filed for bankruptcy when it could not be sold to United by People Express, which was also in financial difficulty and eventually merged with Texas Air. Delta merged with Western, Republic with Northwest, Ozark with TWA and Eastern with Texas Air. Airlines carried 90 percent of all non-automobile intercity transportation in 1985, and 80 percent of that figure was carried by five companies: United, American, Delta, Texas Air and Northwest, including their merger partners. It would seem that the question of oligopoly in the airline industry, previously raised, has been partially answered.

Commercial Motor Carriers

The large numbers of commercial motor carriers on the nation's highways with their inherent advantage of flexibility of operations and fast door-to-door delivery offered shippers a variety of services. Regulatory economic reform for for-hire trucking began in 1977, when the ICC allowed a more liberal approach to operating authority, favoring greater competition and freedom for the carriers. The act of 1980 substantially endorsed the ICC's pro-competitive

policies and brought them into the legislative structure of motor carrier economic regulation.

Deregulation initially hit the industry with a harsh impact. Coupled with the 1981-1982 recession, economic indicators showed that industry earnings had progressively worsened. For example, for the top 10 motor carriers in the period 1976-1981, return on equity fell from 18.70 to 8.95 percent, and the operating ratio rose from 91.63 to 95.97 percent. In 1982, the operating ratio for the industry was 98.29 percent and return on equity, 2.90 percent, the worst year in the history of ICC regulated carriers. According to the American Trucking Association, a measure of profitability returned in 1983. For more than 2,000 trucking companies, earnings rose from \$225 million in 1982 to \$736 million in 1983, with the 100 largest carriers accounting for 57.5 percent of the total.

There appears to be no accurate estimate of the number of motor carriers who have declared bankruptcy or ceased operations without formal petition for reorganization. Sources place the figure at 350 to 400, affecting thousands of workers and millions of lost annual revenues. However, the 1980 legislation appeared to reward efficient carriers providing quality service with higher revenues and expanded markets. More attention was given to marketing and pricing plans and a vastly increased use of contracts. Rail/truck links made services, not possible in the past, available to additional users. A new sense of economic realism emerged in labor-management negotiations as new non-union firms entered the industry. A deceleration in the growth of union wages occurred, probably more than can be explained by falling inflation, and there was also evidence of the willingness of labor to consider work rules changes to enhance productivity. Shippers generally seemed to approve deregulation, although rates had not declined on an industry-wide basis. Increased competition benefitted those shipping full loads; less-than-truckload shippers had difficulty in getting rate discounts.

Railroads

Of the major carrier industries subjected to regulatory reform, railroads, when carrying large shipments of bulk commodities and serving certain geographical regions, come close to the "natural monopoly" concept. Air and motor carriers more easily entered new markets and expanded service territories, but deregulation in this respect had no effect upon

railroads. "Regulatory freedom for railroads meant freedom to merge, freedom to abandon trackage and freedom to charge (usually higher) rates."⁴ Mergers during the 1970s and early 1980s consolidated carriers into seven major systems in the nation. Even this number may be reduced as the single system in the Northeast (Conrail) was the object of a bidding war by the two Southern regional systems, CSX and Norfolk Southern. In the West, four major systems have emerged: the Burlington Northern, Inc. (BN, Frisco); Tri Pac or Rail Pac (UP, WP, MP); SP and AT&SF.

Railroad fortunes changed markedly under the Staggers Act. The industry came through the economic recession without additional bankruptcies and with earnings sufficiently high enough to make increases in capital expenditures. Innovative arrangements, improved services and rate flexibility recaptured traffic lost to motor carriers, reversing a 30-year trend. Whereas a major reduction in regulation appeared to have positive results for carriers and shippers, some areas of concern surfaced.

The railroads have been aggressive in implementing their new freedoms, assisted by liberal ICC interpretations of the act. Increased rate competition developed and changes were made in joint rates, routes, gateways and reciprocal switching arrangements. These affected many "captive" shippers who experienced substantial rate increases. Rail services to many communities were abandoned, leading to substitution of more costly truck transportation.

Opposition to railroad practices and ICC interpretations of the act came in the form of coalitions of shippers who depended solely upon railroad transportation. Electric utilities, agribusiness firms, commodity groups, coal, farm and manufacturing companies complained that the Reagan administration and the ICC allowed railroads with monopoly power to charge excessive rates. These groups contended that the ICC had emphasized the creation of economically healthy and often wealthy roads while ignoring the problems of shippers so affected. The growing impressions of unfairness attracted the attention of members of Congress, who indicated a willingness to study the effects of the Staggers Act and raised the possibility of legislative changes unless corrective actions were taken. In response, the ICC announced that it would undertake a consolidated review of post-Staggers regulations in a single proceeding. Further clarification and

interpretations will be required before railroads and shippers can operate with confidence and security. Issues such as market dominance determinations, maximum rates, box car exemptions, joint rate, route and switching cancellations and merger policies will need to be explored. How these matters are resolved will determine the extent to which the railroad industry becomes fully deregulated or reregulated. At the present time, it seems that regulatory reform efforts have produced both positive and negative results—that the Staggers Act presents major problems of interpretation and administration. Both carriers and shippers have an opportunity to benefit under it. However, it appears likely that the act is an intermediate stage in the regulatory revisionary process, and congressional action will be sought following the testing of its provisions in the courts and by the commission.

The Small Community Impact Motor Carriers: The Pre-Deregulatory Period

The quantity, quality and cost of service to small towns and rural communities was a major concern of Congress and state agencies as regulatory reforms were being argued. While the debates were national in scope, they also applied to state regulatory rules and procedures. One of the deficiencies was the absence of empirical evidence to support the pro or con regulatory positions. Since railroads were abandoning branch and primary mileage, leaving small communities solely dependent upon truck transportation for freight movements, the potential impact initiated national and regional research studies between 1976 and 1980.

It was feared that Iowa would be greatly affected by the regulatory changes, having approximately 920 of 960 communities under 10,000 population, widely dispersed and potentially vulnerable to reform. When the Iowa DOT attempted to assess possible impacts, it found virtually no information available on the level of motor carrier service in these communities. Therefore, a research study was authorized in 1979 and published in 1980.

⁴ Paul S. Dempsey, *Transportation Deregulation—On A Collision Course*. Presented before the Iowa Transportation Commission, December 20, 1983, p. 12.

Two levels of motor carrier operations were regulated under Iowa laws: Certificated Carriers who operated under a certificate of convenience and necessity; and Motor Vehicle Operators, running on an irregular basis. Researchers were interested in the service effectiveness of each class and their relative importance to the shipper/receivers. The study was conducted through 500 personal interviews with manufacturers, processors, retailers and civic bodies in 28 percent of cities and towns under 25,000 population, representing statistically every area of the state. The results showed that nearly nine of every 10 shipments to and from these communities moved by truck; that private carriers, parcel carriers (UPS), contract carriers and truck operators handled up to two-thirds of the total tonnage as alternatives to regulated carriers in the smaller towns.

There was evidence that a service network of regional (intercounty) carriers was emerging to meet the needs of small businesses. Users were more interested in availability of timely, reliable service than rates—service which gave them access to carriers who could haul their commodities with a minimum of loss and damage. There was no clear consensus on the possible impact of deregulation, mirroring the confusion on the national level, but some shippers/receivers expressed the opinion that little effects would result. Further investigations to support or refute these expressions were studied by the Iowa DOT (May 1986 Report) and presented to the Transportation Commission on July 15, 1986. There were few substantive changes from the earlier report.

The Post-Deregulatory Period

Section 28 of the Motor Carrier Act mandated a study by the ICC on the impact on small communities. No such requirements were found in the Airline or Staggers Railroad Acts. A randomly selected national sample of 1,200 shippers were requested to provide information in six-month intervals over an 18-month period beginning January, 1981. The response rate ranged from 67.3 percent to 77.1 percent of those contacted. Comparisons were made on services into communities of 5,000 or less with those of over 5,000 populations.

The results were remarkably consistent. No dramatic changes in rates or services occurred, and what changes were made were generally considered favorable. A majority of shippers reported practically no differences in the quality of service as measured by on-time performance, availability, and loss and

damage claims. Where changes occurred, service improvement was reported more than service deterioration. Service complaints declined significantly during the period investigated. Rates for small communities increased less rapidly than the rates for the larger communities.

Richard Beilock and James Freeman analyzed a number of state studies examining the effects of the act on non-urban communities. "No matter how the study has been conducted, no matter what its funding source, no matter how it defines small or rural and no matter what its jurisdiction, the results are approximately the same. Deregulation has at most a neutral effect on non-urban shippers/receivers and is likely to exert a favorable influence on rates, service options and competitiveness of transportation in this areas. All shipper groups, small, large, urban or rural in the deregulated areas greatly prefer deregulation and the differences between the groups are for the most part statistically insignificant."⁵

Airline Service

According to witnesses testifying before a subcommittee of the House Public Works and Transportation Committee in 1983, the five-year history of airline deregulation had been a record of disaster, a partial success needing some adjustments, or a complete success. The objectives of Congress had not been achieved in many small cities and isolated areas as traffic declined and fares increased. Passenger service had been in a state of confusion and uncertainty through additions and suspensions of hundreds of flights, and under the law, small cities did not have a chance to build traffic to a level which was self-supporting. The Airline Act did not require the Civil Aeronautics Board to consider freight requirements when "essential air service" was established.

The president of the Association of Flight Attendants (AFA) stated that the level of safety had been reduced through cost-cutting programs. Allegations were made that the number of hours had declined in first-aid training at the same time that employees worked

⁵ Richard Beilock and James Freeman, "Deregulated Motor Carrier Service to Small Communities," *Transportation Journal* (Summer 1984): p. 80.

longer hours, leading to fatigue and loss of effectiveness in emergencies. Competitive schedules to meet on-time departures made take-offs necessary before complete safety checks of the equipment were possible. Flight attendants flew an average of 10,000 hours on AFA carriers compared to an average of 3,000 hours on the new carriers entering the industry, offering less safety value to the traveling public.

In 1981, the Reagan administration proposed an end to subsidies for airline service to small and medium-sized cities effective on October 1, the beginning of the new fiscal year. The proposal would mean a restructuring of Iowa's air routes. More than \$7.4 million annually was provided by the federal government to subsidize airline service at Sioux City, Burlington, Dubuque, Mason City and Fort Dodge airports. The loss would mean that Iowans would fly in smaller planes operated by smaller airlines with fewer amenities. However, these planes may be flown more frequently and at more reasonable hours than the previous service. Following the end of the subsidy, "essential air service" would be guaranteed to certain airports, already in effect in some areas, including Clinton and Ottumwa. About \$500,000 was paid in 1980 to Mississippi Valley Airlines, a commuter line flying into the two cities, but the service was discontinued at these airports as well as at Waterloo.

The big loser in subsidy terminations would be Ozark Airlines, paid about \$6.7 million for service to Sioux City, Burlington, Dubuque, Mason City and Fort Dodge. Republic received about \$750,000 for service into Sioux City. Ozark's financial condition improved during 1980, and it subsequently withdrew from all cities except Des Moines, Cedar Rapids, Waterloo and Sioux City, serving without subsidies.

Until deregulation took effect, 16 of the 19 Iowa and border airports were served by trunk air carriers using turboprop or turbojet planes seating 60-100 passengers (such as Ozark, Republic and United). Prior to deregulation, regulations provided for cross-subsidies—losses suffered in small markets with short-haul service balanced against profits in more lucrative large markets or by subsidies from the federal government for local service. The premise of "cross-subsidization" was abandoned in the deregulation process and emphasis placed upon individual route profitability with some exceptions. The situation opened markets for commuter airlines using piston or turboprop planes seating eight to 60 passengers.

On an average day in the early 1980s, about 3,000 passengers boarded air carriers or commuter flights at 12 Iowa airports. Another 4,000 boarded from seven airports in states adjacent to Iowa. Omaha and Des Moines accounted for over half of these totals, and the 10 least busy Iowa airports handled only about four percent of the 7,000 daily enplanements. It was predicted that these patterns would not change for a decade. At the close of 1984, only four cities continued to be served by trunk airlines: Des Moines, Cedar Rapids, Waterloo and Sioux City. Commuter lines operated at Mason City, Fort Dodge, Dubuque, Clinton, Ottumwa, Burlington and Spencer. American Central served eight airports until it ran into trouble and was grounded by the FAA in December, 1984. Of the major airports, seven received "essential service" determinations. Commuter and other airlines enplaned enough passengers to cover costs at three, and four—Mason City, Fort Dodge, Ottumwa and Clinton—received the federal subsidies originally planned to be phased out in 1988. However, new federal budget proposals recommended that the subsidies be discontinued before that date, raising a major policy issue for the state in determining its role in insuring minimum service levels at these airports.

Scheduled airline service at Iowa airports gradually improved after the recession of 1981-1982. Passenger traffic at the Des Moines International Airport was 17 percent higher in 1985 (August) than in 1984, partly due to the addition of two new trunk carriers, American Airlines and America West Airlines. The airport recorded 60 daily flights in early 1985, up from 40 two years earlier. In addition to the trunk line carriers, the gain also was attributed to commuter airlines and the use of small jet planes by trunk carriers. At the bottom of the list were Ottumwa and Clinton with an average of 2,200 boardings.

Bus Service

Motorized intercity passenger transportation began during the first decade of this century and reached its record peak in 1946, when 27 million Iowa-originated passengers rode buses. Since 1942 approximately 30 regular route carriers provided service in the state, but only six operated continuously during the 40-year period: Greyhound, Jefferson, Missouri Transit, River Trails, Scenic Stage and Trailways. A seventh, Arrow Stage Lines, operated from the west into Sioux City, and three: Midwest Coaches, Iowa Coaches and Scenic Hawkeye Stages provided service since 1962. The latter two were based in Iowa while

the remaining carriers were from outside the state. Almost two-thirds of all regular route passengers were served by Greyhound buses over routes which traverse much of the state. Since 1958, regular route service has been declining, both nationally and in Iowa. Between 1958 and 1970, state passenger traffic dropped by almost 47 percent to a low of 900,000 riders. The energy crisis of the early 1970s caused a resurgence to 1.4 million route passengers during 1975, but ridership leveled off to an average of about 1.1 million annually. Iowa officials stated in 1984 that the bus companies had dropped 62 Iowa communities from their schedules, leaving more than 80,000 persons without convenient access to intercity buses. Hardest hit were the elderly and students, the most frequent bus riders who have no other affordable method of transport from city to city.

Through a federal grant of \$100,000, the Iowa DOT established seven experimental feeder routes to allow residents in areas without scheduled bus service to reach the nearest bus terminals. Five of Iowa's 16 regional transit systems already serving multi-county sections of the state would provide feeder service. For example, daily routes from Forest City and Garner were established to meet the Jefferson Lines schedules at Mason City; from Clarion and Webster City to the Jefferson stop at Boondocks USA truck stop at Interstate 35; from Eldora to Jefferson's terminal at Iowa Falls and from Centerville to the Ottumwa Trailway station at Albia. Rural residents of Cerro Gordo, Story and Warren counties would be transported to Mason City, Ames and Indianola. The federal grant covered operating losses incurred by the five regional systems for the first six months of the experiment. The project was not successful and DOT plans for other feeder routes were dropped.

The End of the Regulatory Era?

According to Transport Policy Associates, a research group, 1984 was the first in almost 80 years that the major share of freight moving in the nation was exempt from government rate regulation. About 77 percent of rail freight and only 38 percent of truck traffic was regulated by the ICC. Regulation applied to 2.6 percent of domestic coastwise water traffic and six percent on the inland waterways. Airlines were virtually free from economic regulation while at the other extreme, 90 percent of the petroleum pipeline industry was still regulated. If rail and motor contracts were included, government-regulated traffic might be close to 40 percent.

What economic regulation remained was primarily on the national level. Federal deregulation legislation preempted state economic regulation in airlines, railroads and motor carriers of passengers. A section titled "Federal Preemption" was introduced in the Airline Deregulation Act which amended the Federal Aviation Act. It provided that federal law would preempt state regulation as soon as an intrastate airline received any interstate authority no matter how limited these interstate activities may be. State jurisdiction over those intrastate carriers, whose sole operations were of an intrastate nature, would not be changed. Implementation by the Civil Aeronautics Board exempted any federally certified carrier, including air taxis registered with the Civil Aeronautics Board, from any state economic regulation which covered certification, tariffs, flight frequency rules, liability, insurance, bonding and capitalization.

Federal-state regulatory conflicts in rail transportation began as intrastate operations became increasingly important. They started with the Minnesota and Shreveport cases in 1914 and continued through the 1920 and 1958 Transportation Acts as ICC authority over intrastate rates expanded. The Staggers Act provided that only those states who received certification from the ICC on standards and procedures could exercise jurisdiction over intrastate rates and the absence of such certification would prevent state rate regulation. Standards and procedure requirements were published by the ICC in 1980. Since then, conflicts over interpretation between states, railroads and the ICC brought the issues into the courts. Traditional federal-state rivalry over railroad regulation has not abated through federal preemption and has not furthered cooperation between the parties.

State sovereignty over motor carriers of property dating back to the Motor Carrier Act of 1935 resulted in a status quo situation and was not changed substantially by the 1980 legislation. A considerable portion of the motor carrier freight industry is local in structure and operation and there seemed to be no reason for federal preemption. The major concerns centered on the lack of uniformity of state laws relating to registrations, certification, permits and taxes. Where conflicts surfaced, they were between motor carriers of passengers and the states. The interstate bus industry argued that state regulation was a structure of inefficient, cumbersome rules and practices resulting in lower rates or fares for intrastate carriers than received by interstate carriers for the

same or similar services, and service regulation was not consistent with federal regulation. These contentions were challenged by the states. The influence of the opposing groups made the Bus Deregulatory Act a mixture of preemption provisions of the Airline and Railroad regulatory reform legislation.

In projecting the future of state regulation, Keven H. Horn stated that economic regulation of airlines had been completely preempted; in railroad regulation, states were limited to exercising present and future ICC standards and procedures, and state rate regulation in the absence of market dominance was completely preempted. Few pressures existed for preemption of state regulation on motor carriers of property, but federal preemption of motor carriers of passengers was considered consistent with precedents established for exclusive federal regulation of railroad passenger service.

"The particular pattern of preemption reflects the scope of state regulation. Total preemption of state air regulation was relatively easy because of the small number of states affected. Preemption of rail and interstate motor bus operators has been less dramatic and effective. Federal efforts to certify or oversee state regulation essentially signifies the end of state regulation . . . While the formality of state regulation may persist, the substance has been preempted. Truly, independent state economic regulation no longer exists."⁶

Transportation Policy Issues

"Statements of policy," whether within or external to formal legislation, have not succeeded in the development of a workable national transportation policy, perhaps a seemingly impossible task in a dynamic society. Instead, the emphasis has been on modal programs administered by modal agencies using modal policies to promote modal goals. The results have been somewhat less than the often stated goals of efficiency, adequacy, reasonableness and fairness in transportation matters. Coordination of modal agencies into single administrative units and regulatory reform may offer opportunities for the unified goals and objectives relating to the overall development of the transportation functions. However, critical issues remain to test the wisdom and courage of transportation leaders. These issues are examined briefly through analysis of the National Transportation Policy Study Commission's (NTPSC) 527-page report published in 1979, and a series of

reports by the Transportation Research Board (TRB) of the National Academy of Science, the latest published in 1984.

The NTPSC Study

With an appropriation of \$5 million, the National Transportation Policy Study Commission study was mandated by Congress in 1976 to make "a full and complete investigation and study of the transportation needs and of the resources, requirements and policies of the United States to meet such expected needs."⁷ Needs and requirements to the year 2000 were to be developed, and no aspect of transportation was to be excluded from the analysis.

The commission found 64 federal agencies administering approximately 1,000 programs and policies and 30 congressional committees with jurisdiction which affected the supply and demand for transportation services. The proliferation of authority and responsibility apparently was not disturbed by the creation of the Federal Department of Transportation, and fragmentation of jurisdiction among Congress and committees was a particularly troublesome problem. The report noted that federal policy-making was ad hoc. Numerous inconsistencies existed, and conflicts and jurisdictional duplications were frequent. The impact of non-transportation policies on the transportation sector was often not considered.

Three levels of growth; high, medium and low, were used for baseline forecasts of future transportation activities. On the medium level, which more nearly represented growth during the postwar years, it was predicted that transportation volumes of people and commodities would increase more rapidly than growth in population and the labor force. Fuel consumption would grow by 28 percent with no perceptible improvement in transport air pollution after 1985. Projected intercity ton-miles by all modes

⁶ Kevin H. Horn, "Federal Preemption of State Transportation Economic Regulation: Conflicts Versus Coordination," *Transportation Journal* (Winter 1983): pp. 32-33, 42-43.

⁷ Public Law 94-280 (1976).

would grow by a factor of 2.65 between 1975-2000, ranging from 1.14 for gas pipelines to 3.35 for water transport. Remarkably consistent in the range of 2.50 to 2.95 were railroads, motor carriers, oil pipelines and air freight. It was assumed that the nation would continue to be automobile-oriented during the period.

Although the study included all modes and markets, two dominant policy themes emerged. "The first is the importance of pricing mechanisms to allocate scarce resources in the context of transportation markets to determine the levels of transport required. . . . There appears to be no mechanism superior to market-determined prices to decide which modes should provide services and which services should be provided. . . . The second theme is for government to avoid distorting transportation markets and to maintain the role of private enterprise when transportation is made a tool for achieving non-transportation goals."⁸

Six major themes formed the basis of the policy section of the report:

1. **National Transportation Policy Should Be Uniform.**

Most policies or programs are individually directed at particular problems. . . . In particular, the important question of intermodal transportation has received little emphasis.

2. **There Should Be An Overall Reduction In Federal Involvement.**

The private transportation sector should be permitted and encouraged to meet changing economic and other requirements without being unduly restrained by federal rules and laws that do not apply to other business sectors.

3. **Economic Analysis Of Intended Federal Actions Should Be Made**

A careful analysis of benefits and costs might often serve to focus federal involvement on those issues where government could maximize its contribution.

4. **When A Transportation System Is Used To Pursue Non-Transportation Goals, Do So In A Cost-Effective Manner.**

Where transportation policies are established to achieve other national goals such as safety, environmental protection, energy conservation, regional development, export expansion and

national defense, such non-transportation goals should be pursued with minimum impediments to free transportation markets.

5. **Federal Involvement In Transportation Safety and Research Is Required.**

Involvement, including financing to insure safety and research of national importance, can be beneficial if carefully structured.

6. **Users And Those Who Benefit From Federal Actions Should Pay.**

Where assignable, direct charges should cover costs of government-supplied facilities. Where benefits are widespread, a general tax should be assessed to cover federal costs.⁹

The lengthy and detailed recommendations for policy changes were divided into five functional areas: (1) Regulation and Regulatory Reform; (2) Ownership and Operation of Federal Transportation Facilities; (3) Financing, Pricing and Taxation; (4) Planning and Information; and (5) Government Organization. The protracted discussion inhibits any attempt at analysis.

Ernest Williams, in a review of the report, noted that: "The broad themes are clear: place maximum reliance

⁸ National Transportation Policy Study Commission (NTPSC), *National Transportation Policies Through the Year 2000*. Final Report, Washington, D.C.: June, 1979; Alan E. Pisarski and Rolf R. Schmitt "Critical Issues in Transportation," *TRB Transport Research News* No. 115 (November-December 1984): pp. 23-28. Two additional studies not analyzed are: U. S. General Accounting Office, *Evolving Transportation Issues for Analysis*, Washington, D. C.: U. S. Government Printing Office, January, 1982; and AASHTO, *A New Focus for America's Highways*, Washington, D.C.: April 30, 1985.

⁹ Ernest W. Williams, Jr., "The National Transportation Policy Study Commission and its Final Report: A Review," *Transportation Journal* (Spring 1980): p. 11. Williams observed that these proposals have appeared in all studies since the railroads faced market competition in the late 1920's. Both the Federal Coordinator of Transportation in 1933 and the Board of Investigation in 1940 mandated studies of user charge policy. Competition in transportation was strongly supported by James C. Nelson in *Transportation and National Policy* published by National Resources Planning Board, Washington, D.C.: 1942. Freedom of transportation markets from government control and government promotional policy neutralized among modes have been topics of increasing interest especially in the post-World War II years.

on the market, utilize private enterprise to the maximum degree, avoid governmental policy which is prejudicial to market performance, subject policy to economic analysis, and move public investment decision-making as far as possible toward the local level. It is difficult to take issue with these propositions when thus broadly stated. Trouble appears when they are translated into specifics. . . . Nor is their applicability fully demonstrated. Is competition indeed fully workable in the rail and pipeline industries? Is local decision-making likely to be superior to federal even when standards of analysis and processes of review are imposed? Will increasing shifting of highway financing to the levels below improve or worsen the prospects that effective user-charge policies will come into place? The report seems to proceed with much more assurance in dealing with regulatory policies than it does in confronting impacts of promotional policy."¹⁰

The 1984 TRB Report

In 1976, 1978 and 1981, the TRB developed lists of critical national issues. The purpose was to stimulate discussion, encourage research, and create a public awareness of problems considered crucial to transportation and non-transportation activities. The 1984 list included many of the previously selected issues such as safety, financing, energy, regulation and environment. Six are emphasized here as having been increasingly emerging on both national and state levels in the area of transportation planning and policy decisions. Accentuated in the report was the need for research to resolve some of the issues:

1. Improved Management of Public Capital Expenditures

The infrastructure crisis in recent years has captured public attention and raised fundamental questions about the methods of making investments in public transportation. Are revenues adequate? Are they directed at the proper modes and locations? Are they efficient in their design and maintenance requirements? Are they financed by use of a proper mix of funds from users and various levels of government?

2. Improved Transportation Productivity

Interstate highways, jet aircraft, unit trains, and containerization, among other innovations, have led to safer, less expensive, faster and more effective transportation which

has changed the economic structure of the nation and enhanced mobility of the people. Cooperative federal-state research efforts on promising major projects which offer potential for further productivity breakthroughs should be seriously considered.

3. Transportation and Economic Development

Although efficient transportation systems have historically been recognized as essential to commerce, transportation investments have been made with little knowledge or to what degree they influence the economic development of the nation, regions, states or industries.

4. Decommission of Existing Infrastructure

Railroad branch lines, primary highways superceded by the interstate system, and transit routes with low ridership may have outlived their usefulness, and continued support diverts resources from more pressing problems. Decommissioning is a difficult process with probable perverse impacts upon industries and people who have located around the targeted facilities. Restriction or removal of low priority highways presents a difficult political problem even though research could clearly identify economic justification for such actions.

5. Changing Character of Urban Services

The strain of financing existing urban transit has reached the breaking point in many communities. The public continues to voice support at the same time it refuses to approve funds for equipment and services, and it requests more services not matched by increased patronage. The changing character of urban transit, expected to operate like a private enterprise but constrained by law and custom, will probably remain a critical issue for many years.

¹⁰ Ernest W. Williams, Jr., "The National Transportation Policy Study Commission and its Final Report: A Review," *Transportation Journal* (Spring 1980: pp. 18.19.

6. Highway Goods Transportation

Truck traffic profoundly influences highway design, financing, productivity and safety. "User fees" continues to be a hotly contested topic. Public awareness of an involvement in highway transportation is increasing as communities become more and more dependent upon motor carriers for all of their supplies. Achieving a balance between truck needs and the consequences of their use is an arduous task, but the cost of neglecting issues relating thereto could be immense. Deregulation further compounds truck policy.¹¹

State Transportation Policies

Policy statements have been issued periodically by the Iowa Department of Transportation and the Iowa Railroad Finance Authority. Their published statements are found in Figures 12-1 and 12-2. At the request of Governor Ray, a task force of 27 Iowans was organized on July 1, 1982, to study the state's transportation system and make recommendations for improvement over the next decade. The chairpersons were Robert K. Beck and Donald Gardner, and their report was published in December, 1982. Sixty recommendations involved policy modifications for consideration by the General Assembly, the Transportation Commission, Department of Transportation, counties, cities and public and private organizations. These are summarized in three major classifications:

A. Shifting Emphasis on Transportation Programs

1. Revise the transportation goal to provide and **preserve** adequate, safe and efficient transportation services **based upon use and/or benefits that accrue** to the public. (Revisions are boldfaced).
2. Top priority for maintenance in all programs was strongly recommended.
3. No major expansions should be undertaken but need for selected improvements was recognized. Particular attention in this respect would apply to highways and airports; reducing the number of airports eligible for state project assistance and encouragement of the development of multi-jurisdictional district airports.

4. Railway bonding and branch line assistance programs should be continued.
5. Federal funding for operating costs of transit systems was expected to be reduced or eliminated. Shifting this responsibility to local communities could be met through local option taxes and selected fare increases with concessions to those unable to afford the increased fares. State funding should be indexed to cost increases.
6. Iowa should continue to support waterway user taxes.

B. Cost-Saving Measures

1. Legislation should be developed to reduce the number or vacate "low priority" roads. Only adjacent landowners would have usage privileges.
2. Greater reliance should be given to the free market mechanism through relaxation of motor carrier regulation.
3. Realign highway system responsibilities into state jurisdiction of all federal-aid systems (25,000 miles); counties over the remaining roads including those in unincorporated areas (76,000 miles); and the jurisdiction of cities would cover all streets in incorporated areas not on the federal-aid system (11,000 miles). Consistency in design, construction and maintenance should be required as between state and county governments.
4. A feasibility study of joint school bus/public transit operations should be undertaken by the state to explore improved operational efficiencies. Amend Chapter 601J of the Iowa Code to encourage coordination of school transportation programs with other public transit to achieve cost reduction.

¹¹ National Academy of Science Transportation Research Board, 1984 Report.

5. Eliminate one of two highway maintenance programs—state or counties—and include cities in a newly coordinated maintenance program.

existing formula for distribution of Road User Tax Revenues if achievement of the recommendations relative to jurisdictional responsibilities are adopted.¹²

C. System Financing Measures

1. Economies through implementation of the Task Force recommendations would adjust but not totally eliminate transportation system needs. Changes should reduce funding required but would not offset future inflation and subsequent reduced purchasing power of the transportation dollar.
2. The impact of demand elasticities should be carefully considered before changes or increases in transportation taxes are made by the legislature.
3. The 1976 appropriation of \$2 million annually for transit should be continued with increments necessary for inflation to bring the total amount to approximately \$3.5 million.
4. For rail branch line assistance, a \$3 million annual appropriation should be considered. The Iowa DOT should monitor the program to insure the return of rollover funds to the state where needs of economically viable branch lines have been met.
5. Legislation is needed to fund airports through local option taxes. If additional revenues are needed, they should be provided by elimination of the aviation fuel tax refunds and assessment of a 13 cent per gallon fuel tax on general aviation with exemption for common carriers.
6. New motor fuel taxes should be delayed until the impact of the federal increase of five cents per gallon is known and until cost reduction proposals of the Task Force have been given an opportunity to be implemented. Iowa fuel taxes should be indexed to costs of reconstruction and maintenance of highways and revenue bonding may be necessary under certain circumstances and conditions.
7. The legislature should change the

There was no significant opposition from the state or counties on the committee's recommendations. Most were supported, and where neutral positions were taken, it was usually because proposed legislation had died in House or Senate Committees or that specific recommendations were under study and investigation by the DOT staff. As of October 1, 1984, policy changes had been approved. Independent studies were underway on highway maintenance consolidations, jurisdictional responsibilities, consistency in standards on state and county roads and vacation of "low priority" roads. Project emphasis on maintenance over construction was included in the 1983-1984 highway program. Bus coordination rules were developed effective May 1, 1985, and six pilot programs on possibilities of coordination of school bus transportation with other transportation were identified and implemented at Nashua, Dubuque, Ottumwa, Sioux City, Burlington and in Dickinson County.

Legislation was still needed on local option taxes for airport and public transit funding. Proposals to raise transit fares to cover higher system costs were under DOT staff review. Reduction of fares for those unable to pay was the subject of investigation in 12-month pilot programs at Carroll and Denison. The legislative appropriation for railroad branch line assistance was \$1 million annually for 1984 and 1985.

On May 30, 1985, a bill increasing state motor fuel taxes was signed by Governor Branstad. Gasoline taxes would increase from 13 to 15 cents per gallon on July 1, 1985, and to 16 cents on January 1, 1986. Gasohol would be taxed 14 cents and 15 cents respectively, and diesel fuel taxes would jump from

¹² Report of the Governor's Blue Ribbon Task Force, December, 1982. The appointment of the Task Force was recommended by the Transportation Committee at the Governors Conference, November 9-10, 1981. Responses to Key Transportation Issues Provided by the Transportation Committee, the Governors Conference, Institute of Urban and Public and Regional Research, Special Report No. 16, Iowa City:University of Iowa, November 10, 1981.

15.5 to 17.5 on January 1, 1986, and 18.5 cents on January 1, 1987. The increases were expected to raise \$48 million when fully implemented; approximately two-thirds to be allocated to RISE (Revitalize Iowa's Sound Economy), a program for improvements on city streets, county roads and state highways to stimulate industrial development and economic

growth. Part of the additional fuel tax would be used for other transportation programs including increased state aid for transit. Road use tax revenues for FY 1983 were distributed as follows: Primary Road Road Fund, 45 percent; Farm-to-Market, 9 percent; Secondary Roads, 28 percent and City Streets, 18 percent.

GOAL	The transportation goal for Iowa is to provide and preserve adequate, safe, and efficient transportation services based on the use and/or benefits that accrue to the public.
POLICY	The Iowa Department of Transportation will:
A. General	<ol style="list-style-type: none"> 1. Promote a transportation system to satisfy user needs and maximize economic and social benefits for Iowa citizens. 2. Provide for a participatory planning process which: (a) involves public, private, and citizen interests, (b) encourages complementary transportation and land development patterns, and (c) gives consideration to the effects of transportation on the state's natural, cultural and human resources. 3. Encourage and support programs to provide commodity movement and mobility for all citizens. 4. Develop, promote, administer and enforce just and equitable policies and procedures for the registration, regulation and operation of motor vehicles and common carriers of passengers and freight. 5. Promote financing of the transportation system through user and non-user sources in an equitable manner. 6. Administer the lands and resources under its jurisdiction in a manner that both protects the rights of individuals and gives consideration to the effects of its activities on the environment.
B. Plan	<ol style="list-style-type: none"> 1. Develop a total transportation system plan, subject to annual review, which: <ul style="list-style-type: none"> - considers all transportation modes as interacting elements; - considers facilities and services necessary for person and commodity movement from origin to destination; - contributes to the development and implementation of a comprehensive state plan; - exerts a positive influence on social, economic, and aesthetic values; - provides safe, convenient travel opportunities; - minimizes economic, energy and environmental costs; - coordinates available federal, state, and local resources; - recommends appropriate investment and funding procedures; - makes the best use of land resources for permanent transportation use; - encourages more efficient use of energy resources; - fosters usage of technological advancements in transportation facilities; and - evaluates progress toward achievement of the goal contained in this policy. 2. Encourage and assist in the development of general aviation, airport facilities, and air-carrier services. 3. Encourage and assist in the general development, preservation and efficient use of highway transportation through programs to equalize functional adequacy of roads and streets throughout Iowa. 4. Encourage and assist in the development, maintenance and improvement of public transit systems and services. 5. Encourage and assist in the development and maintenance of a viable railroad system which is responsive to the needs of Iowa and the United States. 6. Encourage and assist in the development of programs which promote efficient use of river transportation. 7. Develop and participate in programs to improve the safety of all transportation modes. 8. Encourage and support development of transportation education programs.
C. Program	<ol style="list-style-type: none"> 1. Prepare a current and long-range program of capital investment, services, and regulatory practice--each year. 2. Propose and promote legislative programs to facilitate an integrated transportation system.

Figure 12-1
Iowa Transportation Policy.

The transportation goal for Iowa is to provide and preserve adequate, safe, and efficient transportation services based on the use and/or benefits that accrue to the public.

GOAL The goal for the Iowa Railway Finance Authority is to preserve and improve necessary railway transportation facilities and services for public use in full cooperation with the Iowa Department of Transportation.

POLICY The Iowa Railway Finance Authority will:

A. General

1. Promote an economically viable railway transportation network to satisfy user needs and maximize economic, energy, and social benefits for Iowa citizens.
2. Encourage ownership and control of railway facilities by the private sector to the maximum extent practicable.

B. Directions

1. Assess the economic, financial, and social viability and desirability of all proposed railway transportation improvement programs. to determine if they are worthy of Authority support.
2. Assist in the construction, acquisition, rehabilitation, and repair of essential railway facilities.
3. Encourage the investment of private capital in the maintenance and improvement of railway services and facilities.
4. Assist the private sector in securing public or private funding for financing essential railway facility and service improvements.
5. Conduct its activities consistent with the policy, plans, and responsibilities of the Iowa Department of Transportation.

Summary

Although the popular conception of the regulatory reform movement was sometimes interpreted as complete economic freedom for the carriers, the legislation did not discard all of the regulatory rules. The Airline Act of 1978 came close to regulatory freedom for the industry, but even it provided for a phase-in period to allow more use of the market mechanism. In the other industries, the legislation changed the application of the rules and eliminated parts of the regulations.

Objectives and meanings of deregulation differed in each of the legislative actions. Dissimilarities were evident in the targets of the reforms, ranging from wider airline passenger choices to correction of inefficiencies in the motor carrier industry and financial support for railroads. Similarities emphasized more reliance on the market function and less on social factors supported by government.

The operational structure and strategies of the transportation industries changed rather markedly through the deregulation process, but its impact upon the carriers was blurred by the onset of the economic recession of the early 1980s. The combination resulted in huge financial losses initially by the airlines and motor carriers, forcing bankruptcies, with only modest effects on railroads. The situation continued until adjustments were made to the new freedoms, and financial health improved as a result of economic recovery. Carriers, shippers and communities did not benefit equally by deregulation. Additional airline competition, expanded schedules and fare discounts favored the high volume markets; small shippers and communities faced the loss of services offered previously by scheduled carriers and were subjected to higher rates and fares. Captive shippers on railroads objected to the ICC's interpretation of the new rules and enlisted the aid of Congress for relief. Overall, the preliminary judgment indicated that the deregulation process in the short-run period had both positive and negative impacts, but generally the carriers and shippers found the market emphasis attractive for the future. Practically all state regulation of interstate carriers was preempted by the deregulation legislation.

Despite the movement toward regulatory reform, critical transportation issues were identified and recommendations made for policy changes on national and state levels. Some reflected broad policy themes, others addressed particular problems. Iowa joined in this exercise in 1982, when 60 policy issues were studied and recommendations for changes

presented to the state, political subdivisions, public and private groups for consideration. Implementation was directed toward possible solutions as of 1985.

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