

6. PRODUCTIVITY FACTORS IN TRUCK TRANSPORTATION

In general, unit labor costs for the whole economy remained reasonably steady during the early sixties. A review of the publication *Business Cycle Developments*⁵ leads to a more precise conclusion that productivity of labor in the United States economy remained stable from 1960 through as late as 1965. The trend of unit labor cost began to climb steeply in 1966.

The same general trends are apparent in the motor carrier industry. Through the early sixties, higher labor rates were absorbed by offsetting operating economies. During the last two years however, each new teamster contract was followed by a wave of increased freight rates. An excerpt from a recent newspaper report explains the latest events in the round of motor carrier increases:

"Several of the major truck rate organizations are planning to publish their proposed across-the-board increases within about a week in order to provide the required 30-day notice to make them effective April 1, or soon afterward. Truck companies hope to compensate as quickly as possible for their wage increases scheduled for April 1 as the second round of boosts resulting from settlement of Teamsters union contracts last spring. It's expected that this impending group of increases, if successful, will set a pattern for later filings by other rate groups.

"Last June and July, the Interstate Commerce Commission permitted a rate increase for thousands of truckers operating through about a dozen rate associations. Although many variations existed, a pattern of increases amounting to 5% on less-than-truckload traffic and 3% on truckload traffic emerged, and by the end of the year similar boosts became effective in almost the entire country."

Class I and Class II motor carriers pay out over 60% of their revenue in payroll and selected fringe benefits, which illustrates the importance of labor costs to the motor carrier industry.⁷

Trailer size, load limits and handling techniques have important effects on productivity and can play an important part in helping offset higher labor rates. Transportation unit costs can be controlled under economical and efficient operating conditions.

7. WHAT DOES INCREASED SIZE AND WEIGHT LIMITS MEAN TO THE TOTAL ECONOMY AND THE PAPER INDUSTRY

Value to the total economy

The Transportation Association of America issues an estimate of the annual freight bill in the United States. This estimate for intercity truck shipments is \$28 billion, while the estimate for all truck shipments is \$51 billion.

House Bill 14474 would authorize the following increases: motor vehicles width from 96 inches to 102 inches which is a 6½% improvement, single axle weight limits from 18,000 lbs. to 20,000 lbs. which is an 11% improvement, tandem axle weight limits from 32,000 lbs. to 36,000 lbs. which is a 12½% improvement, and gross weight limits according to a formula which permits substantial percentage improvements.

A minimal 6½% improvement in productivity effects \$1.8 billion of the \$28 billion freight bill for intercity truck traffic and \$3.3 billion of the \$51 billion bill for all truck transportation.

Width limitations affect freight rates and private truck costs

Converted paper products, particularly sanitary tissues and corrugated containerboard, will benefit from increased width limits. The loadability of relatively lightweight paper products is restricted only by the size of trailers. Carrier unit costs and therefore their freight rates are higher generally on light density products because unit costs vary with the amount of product that can be loaded on one trailer. Sanitary tissue products are vital to public health and safety. Corrugated container board, and fibrebox shipping containers are essential to all industry. The increase in width to 102 inches will save the paper industry \$3 million annually.

Increasing the maximum truck width from 96 to 102 inches for a pulpwood truck could permit a maximum savings of 6%. A more conservative estimate of annual savings would be 1% which would amount to nearly \$1 million (1% of \$97.2 million—the total cost of transporting pulpwood). It is estimated that this savings might reach \$2.5 million by 1969.

⁵ January 1968, reported by U.S. Dept. of Commerce.

⁶ Journal of Commerce, February 23, 1968, page 28.

⁷ See American Trucking Trends 1966, published by The American Trucking Associations, Inc. page 23.