Trucking collapse proves Fed is lying

by Lonnie Wolfe

If the much ballyhooed recovery were real, it would show up in a dramatic increase in freight carriage, both trucking and rail. If industrial production were up, as the liars at the Federal Reserve and the Commerce Department claim, the products or their component parts and materials would have to be transported at several stages of the production process.

But according to the American Trucking Association (ATA), the large industry-wide association, the trucking industry is in a state of collapse, with no end in sight.

Freight carriage is measured in ton-miles—the number of miles one ton of cargo is carried. The latest ATA figures for the supposedly robust second quarter of 1983 show freight ton-miles flat—there was no increase over the disastrous second quarter of 1982. In fact, there was a slight decline—from 24.983 million ton-miles in 1982 to 24.437 million ton-miles this year.

These figures place the industry operating at less than two-thirds of 1979 capacity. They are even more dismal if compared to 1978, the last year before the Ted Kennedy-Jimmy Carter deregulation assault on the industry and the year before Federal Reserve chairman Paul Volcker achieved his interest rate stranglehold on the world economy. Trucking industry analysts describe the second quarter of 1978 as "mediocre," yet freight ton-miles were 44.992 million.

The indices go haywire

The ATA has also drawn a useful correlation between the Fed's published production index and the ATA survey.

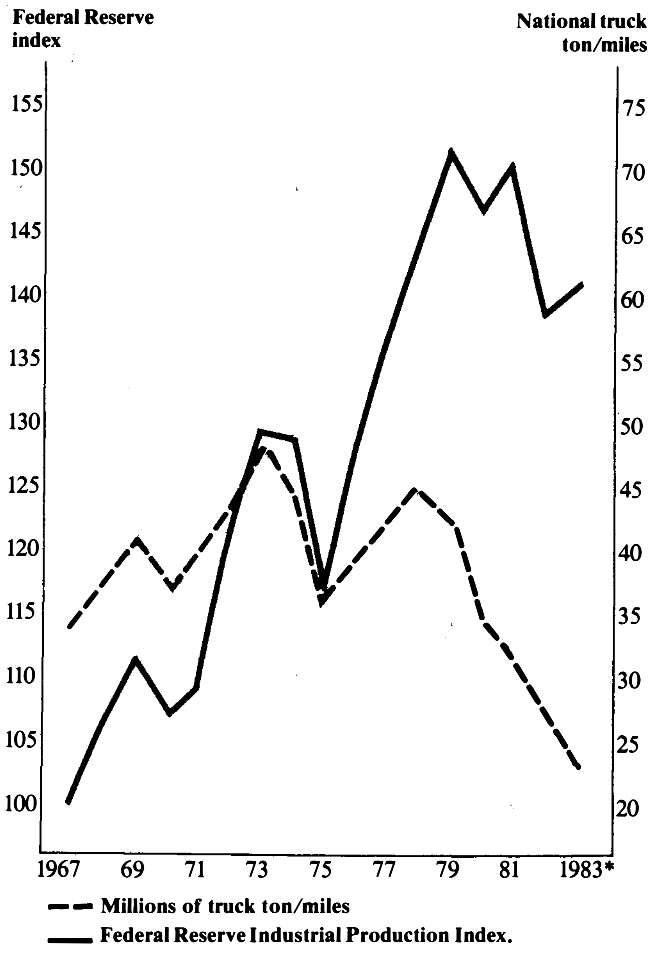
Over the last several decades, freight ton-miles have been a very volatile economic indicator, but they have always moved in the same direction as the Fed index. Whenever there was a downward turn in the economy, there would be a sharp decrease in freight ton-miles. Conversely, when the Fed index soared there would be an even steeper increase in freight ton-miles carried by trucks. When properly weighted, the two indices would have a one-to-one correspondence.

But in 1981, as Volcker's first, aborted upturn got underway, truck ton miles went down. When the Fed indices started their "turn" upward again in summer-fall 1982, truck ton-miles rose only marginally, lagging behind the industrial production index like a truck with a flat tire. As the Fed's recovery turned more "robust," truck ton-miles started to drop and continued to fall off.

"Somebody is monkeying with the figures and it isn't us," said a trucking industry spokesman. "How else can you explain what is happening? We know we are not lying." People over at the Fed and Commerce Department retort that the ATA survey deals with regulated carriers, and some of the missing freight tons doubtless slipped over to unregulated carriers and the railroads.

"That is a big lie. First, the owner-operators and unregulated carriers are hurting real bad. In fact, they have only marginally gained tonnage, to the best of our estimates and theirs. Many of these owner-operators have been hired by

Trucking figures challenge Fed's output reports



Source: American Trucking Association, Federal Reserve Board.

*Average for the first two quarters.

The Federal Reserve Production Index, issued on a quarterly basis, has been averaged here for a yearly figure. In the index, 1967 = 100. The truck ton/mile figure is the result of a quarterly survey of regulated common carriers taken quarterly by the American Trucking Association. One ton carried one mile is a ton/mile. These quarterly statistics have also been averaged on an annual basis.

fleets and other regulated carriers. We don't like that, but it's a fact of life. The freight carried by these owner-operators shows up as regulated freight ton-miles, and the Fed knows it," replies the industry spokesman.

"And railroads don't carry what is hauled by regulated carriers. Automobiles, auto parts, dishwashers, household goods—isn't that what the recovery is supposed to be all about? We are still the core of the trucking industry. Where are the goods if our carriers aren't hauling them?"

Disinvestment

The Fed and Commerce Department point to figures that show a dramatic doubling in trucking company profitability and after-tax income in the past year. But where do these so-called profits come from?

According to the ATA, overall investment in the industry has been *negative* since 1980. Between 1980 and 1982, industry disinvestment is put at more than $500 million. As a result, older, often inefficient and unsafe trucks are being pushed to the point of collapse. Breakdowns of plant and equipment are increasing. And when something finally goes over the edge, it is discarded rather than replaced.

The wage bill has been lowered over the last two years, primarily through mass layoffs of Teamsters, now numbering close to 300,000, and through contract givebacks. For all practical purposes, the Teamsters' Master Freight Agreement (MFA) is a dead letter, violated at will by companies putting the bankruptcy gun to the heads of union members.

No one—not the industry, not union officials—expects a rehiring of laid-off workers. "How can they be rehired?" said a union spokesman. "There is no recovery." Widespread awareness of that fact was behind the Teamster members' overwhelming rejection of a giveback contract rider on the Master Freight Agreement in September.

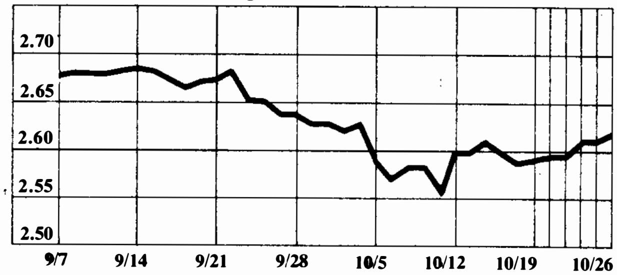
To make matters worse, the Interstate Commerce Commission is proceeding apace with actions designed to further deregulate the industry. Both the Teamsters and trucking industry spokesman have appealed to the ICC and Congress to reverse the process. For the most part, they have run into a stone wall.

Earlier this year, it was hoped that the presidential election campaign might serve to brake some of these deregulatory moves. The thinking was that the Reagan White House would do nothing to make matters worse while courting the support of the still-powerful Teamsters. But an industry source now comments, "The ICC is a rogue agency gone crazy with deregulation. I don't know if even Reagan himself could stop the process if he wanted, and I am not so sure that he wants to. It's that goddamn free-market ideology he believes in."

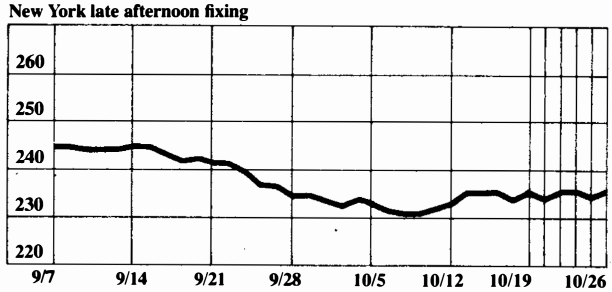
Wage-gouging and rationalization mean that the industry is suffering from long-term disinvestment in both capital and labor. Even if deregulation were slowed or actually reversed, "it is too little, too late for most of the trucking industry," said this source. "The only thing that will help is a real recovery."

Currency Rates

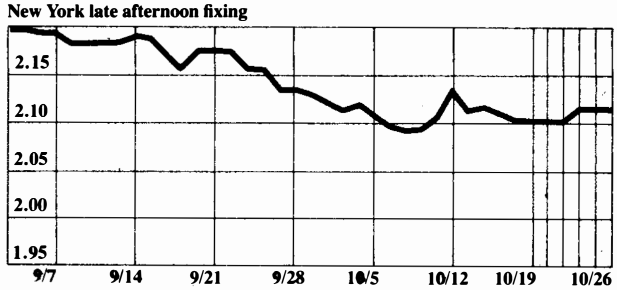
The dollar in deutschemarks
New York late afternoon fixing



The dollar in yen
New York late afternoon fixing



The dollar in Swiss francs
New York late afternoon fixing



The British pound in dollars
New York late afternoon fixing