



OLR RESEARCH REPORT

September 20, 2012

2012-R-0428

STATE REGULATION OF TRUCKING COMPANIES

By: Paul Frisman, Principal Analyst

You asked why the state began regulating for-hire trucking companies, including moving companies. This report briefly discusses the history of federal and state regulation of motor carriers (truck and bus companies) in answering the question, and addresses these motor carrier laws only as they affect trucks that transport property (such as moving companies).

SUMMARY

Connecticut began regulating intrastate trucking companies (including moving companies) in 1935, the same year the federal government began regulating interstate motor carriers through the Interstate Commerce Commission (ICC). The state law (SB 266, codified as Chapter 126 of the 1935 session) placed in-state trucks under the jurisdiction of the state Public Utilities Commission (PUC) and required that new companies obtain a PUC permit to operate. Trucking companies in business before December 31, 1934 would automatically get a permit if they showed they were financially responsible.

The legislature's Motor Vehicles Committee held a hearing on SB 266 on February 26, 1935. Those testifying in favor of PUC regulation of the trucking industry included representatives of the New Haven Railroad, the Connecticut Motor Truck Association, the Manufacturer's Association of Connecticut, the Connecticut Warehouseman's Association, and others.

Representatives of the railroad, already subject to federal regulation, argued that trucking companies should be regulated so that the two industries would compete on an equal footing. Some representatives of the trucking industry favored regulation to limit “cut-price competition” among trucking firms. Opponents of the bill contended that it gave too much power to the PUC and would “strangle” the trucking business.

The Senate passed the bill on April 18, 1935; the House on April 25, 1935. The bill was enacted as Chapter 126 of the 1935 session, and initially codified as § 575c *et seq.* of the General Statutes. These provisions were later codified as Chapter 285 of the statutes and were re-codified in 1989 as Chapter 245c after the legislature transferred supervision of motor carriers from the Public Utilities Control Authority (PUC’s successor) to the Department of Transportation (please see OLR Report [2012-R-0406](#) for more information on this aspect).

In 1995, Congress enacted P.L. 104-88, which abolished the ICC and preempted states from regulating prices, routes, or service of most intrastate trucking companies. However, the law left regulation of intrastate moving companies up to the states (49 USC § 14501 (c) (2) (b)). In 1995, the legislature accordingly eliminated DOT regulation of the intrastate for-hire trucking industry except for moving companies ([PA 95-126](#), codified as [CGS § 13b-398](#)). We have attached a summary of this act.

BACKGROUND — FEDERAL REGULATION OF THE TRUCKING INDUSTRY

Regulation of the interstate trucking industry was occurring at the federal level at the same time Connecticut was considering such legislation for intrastate truckers.

The federal government had been regulating railroads, through the ICC, since 1887. In 1935, Congress enacted the Motor Carrier Act, extending ICC regulatory authority to the trucking industry “after persistent lobbying by state regulators, the ICC itself, and especially, the railroads, which had been losing business to trucking companies,” according to Thomas Gale Moore ([Trucking Deregulation](#)).

Some truckers also favored regulation as a way to limit competition within the industry. The Motor Carrier Act made it hard for new trucking companies to gain a foothold by imposing “entry regulations that required firms to obtain ICC certificates of convenience and necessity to operate in...interstate markets,” according to [The Evolution of the U.S. Motor Carrier Industry](#). “Firms already in operation....were ‘grandfathered’ into the industry but new entrants were required in engage in an expensive and often lengthy application process...The result was that few new firms entered the industry.”

Another factor working in favor of regulation, according to [The Rise of Truckload](#), was the National Recovery Administration (NRA) Act of 1934, under which major industries had to submit and comply with a code of fair competition. Many of the code’s principles on trucking rates were incorporated in ICC regulations.

In 1980, the federal Motor Carrier Regulatory Reform and Modernization Act greatly reduced the ICC's role over the interstate trucking industry. The ICC itself was abolished in 1995 (P.L. 104-88). Many of its responsibilities concerning interstate trucking regulation are now carried out by the U.S. Department of Transportation’s Federal Motor Carrier Safety Administration (<http://www.fmcsa.dot.gov/rules-regulations/administration/fmcsr/fmcsrguidedetails.aspx?menukey=375>

P.L. 104-88 preempted states from regulating laws and regulations governing prices, routes, or service of most intrastate trucking companies. However, the law left regulation of intrastate moving companies up to the states (49 USC § 14501 (c) (2) (b)). In 1995, the legislature eliminated DOT’s regulation of the trucking industry except for moving companies (“carriers or household goods”) ([PA 95-126](#)).

STATE REGULATION OF FOR-HIRE MOTOR CARRIERS

The legislature approved SB 266, which called for PUC regulation of intrastate for-hire trucking firms, including moving companies, in the 1935 session. It was not the first time the legislature considered regulation. The New Haven Railroad had introduced a similar bill two years earlier. “The New Haven Railroad has for a number of years attacked unregulated motor truck competition as unfair,” the *Hartford Courant* reported on January 27, 1933.

SB 266 divided most intrastate truckers into two classes: common carriers and contract carriers and gave the PUC, which already regulated railroads and trolley companies, oversight over the trucking companies. Under the bill, a “common carrier” transported freight for the general public; a “contract carrier” hauled freight under individual contracts or agreements. Trucking companies needed a PUC permit to operate, but the law granted permits as a matter of right to trucking companies in business before December 31, 1934 on a showing of financial responsibility. Common carriers had to file rate schedules with the PUC, which had the power to prescribe uniform rates for common carriers that were “just and reasonable” and “reasonably compensatory.” The commission, in deciding whether to issue a common carrier permit, considered the public need for the service and the applicant’s financial responsibility and ability to provide the service, among other things.

Motor Vehicles Committee Public Hearing

The *Courant* reported on January 27, 1935 that the Connecticut Motor Truck Association had come out in support of PUC trucking regulation at its annual meeting and would propose a bill to that end.

At the February 26, 1935 public hearing on SB 266 the association’s Myles Illingworth acknowledged that the industry had previously opposed regulation, but told committee members he believed that “since surrounding states are discussing truck regulation, Connecticut should also be interested.” Illingworth said that “through working with the other interests, the railroads and the manufacturers, a bill has been drawn which is acceptable to everyone in its major features.”

Several representatives of the railroad industry testified in favor of the bill. “As some of the committee know, the interests I represent have advocated regulation of this sort for two or three sessions,” said an attorney for the New Haven Railroad. “The substance of the bill...is that regulations give adequate, dependable service at just and reasonable rates.” Another attorney for the New Haven line pointed out that buses and trolley lines were already regulated. And the president of the Railroad Employees and Taxpayers Association said the legislation would allow “all agents of transportation to compete on [a] substantially equal basis.”

The *Courant*’s February 27, 1935 report of the hearing stated:

“The railroad, which finds in trucks a competitor for freight business and itself operates motor truck service, has tried in several sessions to secure regulation of the industry. The

advent of the NRA, with imposition of codes on the trucking business...has been a factor in bringing about agreement on the program. There were several references to 'chiselers' who fail to follow the code...and the desirability of state regulation to keep them in line."

Effect on New Truckers

The restrictive effect of the proposed regulatory scheme on new trucking companies was generally acknowledged, as the *Courant* noted on March 16, 1935. "Question (*sic*) also was raised as to possible injustice to new men who want to start in the trucking business after the law is in effect and proponents of the bill admitted that they seek protection for the men now in business against the cut-price competition of beginners." Senator Hungerford, chairman of the Motor Vehicles Committee, struck a similar note when he later said that one of the bill's purposes was to "bring into the open the irresponsible wildcat operators in the industry."

The committee made a number of changes to the bill before it passed both chambers in April, 1935. According to the March 30, 1935 *Courant*, Senator Hungerford said that "sections of the bill which have been giving trouble have been compromised or dropped and the entire bill considerably modified."

In May, 1960, on the legislation's 25th anniversary, the *Courant* quoted former Governor Wilbur Cross on the measure, as first reported in the November 1935 *Connecticut Motor Truck News*. "The act may not be perfect but it must at least be accepted as a good start toward placing the trucking industry on a more stable basis," the governor said, in calling on trucking companies to comply. "The industry has been growing with such rapidity that some sort of state control seems to me to be the only apparent method of saving it from an unpleasant destiny, and enabling it to retain its place among the leading industries of the state."

We have attached copies of Chapter 126 of the 1935 session, the *Courant* articles cited above, and a stenographer's summary of the 1935 Motor Vehicles Committee public hearing.

PF:ts