

SUBMISSION TO THE STANDING COMMITTEE ON INFRASTRUCTURE AND
COMMUNICATIONS WITH REGARD TO THE INQUIRY INTO THE ROAD SAFETY
REMUNERATION BILL 2011 AND THE ROAD SAFETY (CONSEQUENTIAL
AMENDMENTS AND RELATED PROVISIONS) BILL 2011

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29 January 2012

To: Dr Kilian Perrem
From: Dr. Michael H. Belzer
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Date: January 29, 2012

I wish to submit evidence in support of the Road Safety Remuneration Bill 2011 and the Road Safety (Consequential Amendments and Related Provisions) Bill 2011. I am providing this evidence on the recommendation of Professor Michael Quinlan of the University of New South Wales, pursuant to your request to him dated 8 December 2011, inviting him to recommend that others also submit evidence.

The evidence I wish to submit, in addition to the report I presented on November 21, 2011, at the SafeRates Summit at Parliament House in Canberra, includes the following documents. I will submit them separately because of the size of the attachments. I cannot submit a copy of my Oxford University Press book by the deadline, though I am sure it is available in Australia. Professor Quinlan cited that book in his 2001 Inquiry report.

Belzer, Michael H. *Sweatshops on Wheels: Winners and Losers in Trucking Deregulation*. Oxford, UK and New York, NY: Oxford University Press, 2000.

_____. *Report of Analysis: Truck Crashes and Work-Related Factors Associated with Drivers and Motor Carriers*. Prepared for the Federal Motor Carrier Safety Administration by Sound Science, Inc., 2009.

_____. *Crisis in the North American Motorcoach Bus Industry: Threats and Opportunities Created by Growth in Intercity Bus Traffic*. Detroit: Wayne State University, 2010. Report.

_____. *The Economics of Safety: How Compensation Affects Commercial Motor Vehicle Driver Safety*. Submitted to SafeRates Summit, Parliament House, Canberra, Australia, November 21, 2011.

Belzer, Michael H., and Susan Christopherson. "Freight Transportation and Economic Development: Who Pays? Who Profits?" *Urban and Regional Policy and Its Effects* (2008): 54.

Belzer, Michael H., Daniel A. Rodriguez, and Stanley A. Sedo. *Paying for Safety: An Economic Analysis of the Effect of Compensation on Truck Driver Safety*. Washington, DC: United States Department of Transportation, Federal Motor Carrier Safety Administration, 2002.

Belzer, Michael H., and Peter F. Swan. "Supply Chain Security: Agency Theory and Port Drayage Drivers." *The Economic and Labour Relations Review* 22, no. 1 (2011): 23.

Christopherson, Susan, and Michael H. Belzer. "The Next Move: Metropolitan Regions and the Transformation of the Freight Transport and Distribution System." In *Urban and*

- Regional Policy and Its Effects*, edited by Nancy Pindus, Howard Wial and Harold Wolman, 194-222. Washington: Brookings Institution Press, 2009.
- Rodriguez, Daniel A., Marta Rocha, Asad J. Khattak, and Michael H. Belzer. "Effects of Truck Driver Wages and Working Conditions on Highway Safety: Case Study." *Transportation Research Record* Freight Policy, Economics, and Logistics; Truck Transportation, no. 1833 (2003): 95-102.
- Rodriguez, Daniel A., Felipe Targa, and Michael H. Belzer. "Pay Incentives and Truck Driver Safety: A Case Study." *Industrial and Labor Relations Review* 59, no. 2 (2006): 205-225.
- Saltzman, Gregory M., and Michael H. Belzer. *Truck Driver Occupational Safety and Health: 2003 Conference Report and Selective Literature Review*. Washington, DC: U.S. Department of Health and Human Services, Public Health Service, Centers for Disease Control and Prevention, National Institute for Occupational Safety and Health (NIOSH), 2007, 2007-120.

Note that I include the intercity bus report because while it may not reflect the economic causes of commercial motor vehicle crashes, the indirect applicability is significant. The North American bus industry has begun to grow after decades of decline, but that growth has come in the "curbside" bus sector, which in many respects is an informal and unregulated market. The segments of the industry associated with the greatest risk are the segments engaged in the most intense competition for price-sensitive consumers. It also has been associated with a dramatic increase in fatal bus crashes killing and maiming numerous passengers and others. The findings of this report are corroborated at least in part by an independent study conducted in 2011 by the National Transportation Safety Board.

National Transportation Safety Board - U.S. Department of Transportation. *Report on Curbside Motorcoach Safety*. Washington, DC.: National Transportation Safety Board, 2011. Special Report. www.nts.gov/doclib/safetystudies/SR1101.pdf

Qualifications

In addition to my scholarly and professional qualifications, I worked as a professional truck driver in the US from approximately 1975 through 1986. For eight of those years I worked as a tank truck driver running "over-the-road" (intercity and interstate) operations out of Chicago, Illinois. Over that period I drove approximately 750,000 miles.

During my scholarly career I have authored numerous books, articles, and reports on issues associated with the trucking industry. Many of these have dealt with issues associated with trucking operations and truck driver occupational safety and health. I will send a *curriculum vita* also as a separate attachment.

I also have served on expert panels and acted in a professional capacity as a member or chairman of numerous committees of professional associations, including the Transportation Research Board of the National Academies, and the National Research Council. Just last week I presented my report SafeRates Summit report to the TRB Committee on Truck and Bus Safety and to the TRB Committee on Freight Economics and Regulation.

Recommendations

My research supports the hypothesis that economic deregulation led to heightened competition in the trucking industry, and that while this has resulted in some economic efficiencies, it also has resulted in a substantial decline in truck driver compensation. The increased competition has put substantial stress on commercial motor vehicle operators, and this stress is associated with greater crash risk (as shown in the report I prepared for the FMCSA in 2009). Our research has shown that the lower compensation levels caused by this competition also is associated with greater crash risk. This suggests that while higher pay and lower driver stress leads to safety, the inability of motor carriers to maintain high levels of compensation continues to lead to negative safety and health outcomes. This is evidence of a market failure.

Over all, these results are consistent with a world in which market clearing compensation levels do not lead to socially acceptable levels of safety. While more research is needed to understand this effect (I currently supervise a doctoral student working on this problem), one can conclude scientifically that we are experiencing a market failure. That is, while it is possible to recruit and retain commercial motor vehicle drivers (though in the US the trucking industry regularly complains of a labor shortage), on average the industry cannot attract the kind of drivers who will provide the safety level that society demands. Crashes and negative health outcomes beyond socially acceptable levels suggest that the industry continues to experience competitive pressures that lead to undesirable levels of health and safety.

These outcomes are negative externalities; that is, society, rather than the ratepayers, absorbs the cost of crashes and negative health outcomes. In an efficient market, prices should reflect the full cost of operation, and the chronic externalization of these costs provides evidence of an inefficient market. Regulations, such as Chain of Responsibility and Safe Rates, should help to remove these inefficiencies while creating greater social equity.

If I can be of further assistance, please do not hesitate to contact me.

Professor Michael H. Belzer