AN OPPORTUNITY SEIZED: J & B SERVICES, INC., THE 1970S AND 1980S DEREGULATION OF THE MOTOR CARRIER SYSTEM, AND THE POTENTIAL FOR SMALL BUSINESS

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ABSTRACT

The mid 1970s and subsequent 1980s witnessed a broad reduction of governmental restraints on the American trucking industry. The reforms initiated in the United States transportation business under the administrations of presidents Gerald Ford, Jimmy Carter and Ronald Reagan accompanied similar and simultaneous moves in telecommunications, airlines, railroads, as well as banking systems. In a ten-year period from roughly 1975 to 1985, and including the passage of the Motor Carrier Act in 1980, the trucking landscape rapidly broadened to include smaller carriers that differed a great deal from their larger predecessors. While all new freight movers did not survive, more than enough succeeded to change forever the organization of the American trucking industry. Structured differently internally and externally, these new smaller carriers carved various economic niches for themselves throughout the United States. Too small to be perceived a threat by the larger companies, and yet too large to be battered by ripples in the national economy, these often locally-owned carriers thrived and grew under the new framework brought about by the deregulation of the trucking industry. Using the Tupelo, Mississippi-based J & B Services, Inc. as a microstudy, this work examines the creation, survival, and expansion of one such carrier in the new economic environment.[1] While the following article does not attempt to solve the debate between the proponents of trucking deregulation and their critics, it does, however, supply enough evidence for the reader to gain brief insight in the American trucking industry, and both sides of the deregulation argument.

In the 1920s and 1930s trucks began to dot American roads offering an alternative to labor and rail in moving piece goods across the nation. By 1925 many states, recalling the Populists fears of the turn of the century, grew concerned about the possible creation of new monopolies. Many called for the creation of various forms of trucking regulation.[2] Ten years later the Motor Carrier Act of 1935 created among other things minimum rates charged for shipments and control of entry into the business by common freight carrier trucking companies.[3] The legislative act also established an acceptable framework for trucking companies to operate.[4] Businesses that wished to haul freight across state lines first had to obtain authority from the Interstate Commerce Commission, or ICC, and prove that carriers pre-existing in the region failed in their service obligations.[5] The Motor Carrier Act of 1935 also established economic and safety regulation on a national basis, giving enforcement again to the ICC.[6]

Created in 1887 in response to years of complaints over railroad practices and prices, the ICC ensured that rate setting in transportation did not suppress the possibility for competition. Expanding through subsequent decades to include all surface transportation, the organization also regulated railroad and truck safety with varying success until the creation of the Department of Transportation in 1966. In an ironic twist to the story of the ICC, President Reagan, citing the triumph of deregulation in the trucking industry, unsuccessfully attempted to abolish the organization in the 1980s.[7] He often lamented that if the ICC had existed in the pioneer days, wagons would presently still sit at the Mississippi River awaiting Federal rules for crossing.[8]

The ICC can be a difficult organization to study and understand. Lawrence S. Rothenberg's 1994 study of the ICC, *Regulation, Organizations, and Politics: Motor Freight Policy at the Interstate Commerce Commission*, suggests intentional complexity on the part of the organization. He supplies a detailed glossary and writes that the ICC's minutia of regulatory details and jargon creates a barrier of specialized vocabulary that only the privileged inner circle possesses.[9]

Beneath the watchful eye of the ICC the American trucking industry grew rapidly. Trucking gained a dominant place in the transportation system in the 1950s with the development of President Dwight Eisenhower's National System of Defense and Interstate Highways, otherwise known as the Interstate Highway System.[10] Almost immediately, however, due to the mass profits competition could produce, cries rang out for deregulation in the industry.[11] This request broke with economic tradition. The belief that regulation helped stabilize the American financial system thrived virtually unchecked among many economists until the 1960s. Many, however, began to perceive that regulation, instead of protecting the consumer, actually allowed for particular industries to maintain a different type of monopoly.

The motor carrier system before deregulation allowed for raised shipping rates that remained above competitive levels that ensured high economic profits for regulated trucking firms.[12] Route restrictions, strict limits on entry into the trucking industry, as well as the power of the International Brotherhood of Teamsters worried many that the trucking industry belonged to an exclusive club.[13] The Teamsters who maintained a high profile in the motor carrier industry, originated in 1903 with an uneasy alliance between the Chicago-based Teamsters National Union and the Team Drivers International sponsored by the union American Federation of Labor.[14] No one inside or outside the trucking industry doubted the decades of power, political and otherwise, of the organization.

Other factors in addition to fears of unfair practices and monopolies brought about serious discussions concerning deregulation. In the 1970s the worsening economic situation known as stagflation—the stagnant monetary situation, rapid inflation, combined with high unemployment—played a role in a clamor for deregulation. Increasing number of Americans accepted the conservative political argument and began to view any governmental regulation as stifling economic prosperity.[15] Therefore when discussing deregulation many scholars maintain that the trucking industry deregulated for external economic and political reasons as the industry itself stood relatively healthy.[16]

Both proponents and opponents of deregulation presented strong arguments to support their claims. Supporters of reform claimed it would produce more competition, lower rates for shippers, eliminate wasteful backhauls, introduce new and progressive carrier services, and reduce inefficient motor carriers who enjoyed protection under unnecessary government regulation. Opponents claimed dark days ahead for the industry and predicted that increased competition would result in additional bankruptcies of smaller carriers, poor service, shoddy safety, and disruptions to the American economy.[17]

Many scholars argue that changes in the regulatory make-up of the trucking industry originated neither in ideological free market commitments of legislators nor an effort to protect the interest of various constituents. Several researchers conclude that change only occurred due to the political maneuvering of Congress under the guidance of presidents Ford and Carter. The two presidents found themselves pushed by economic and political necessity.[18] In other words, the financial and ideological situation outside the White House brought tangible changes in motor carrier policy within the Oval Office.

President Gerald Ford took the first steps in the deregulation of many businesses, including the trucking industry. His distance from the motor carrier business, unlike President Richard Nixon, enabled him to consider the positives of deregulation. After Congress failed to create a national commission on regulatory reform requested by the president, Ford established a weekly task force to plan the deregulation of the airline and trucking industries. The president approved the plan and submitted bills to put it into operation.[19] The Ford plan for the trucking industry, called the Motor Carrier Reform Act, arrived on Capitol Hill in November 1975. Hearings before the Subcommittee on Administrative Practice and Procedure of the Senate Judiciary Committee, chaired by Senator Ted Kennedy of Massachusetts, began later that year.[20] Ford's defeat by Governor Jimmy Carter of Georgia in November of 1976 halted the deregulation movement and laid any new initiatives on the issue at the feet of the new president.

Deregulation gained allies through the ongoing changes internally at the ICC. Attitudes toward transportation reform began to change as new ICC directors came on board. Executives wishing to keep their jobs and sensing the changing American view on deregulation changed their stances and supported reform. Ford in his last weeks in office introduced a new breed of commissioners at the ICC who helped to facilitate the administration's efforts to begin the reform process.[21] The outgoing president helped to hastened the change of attitude at the ICC as he appointed new directors such as Robert J. Corber and Betty Jo Christian who, while not whole-heartedly in support of Ford's plans, did not close their minds to regulatory reform.[22] As a result, many of the directors began to look at deregulation differently.[23] Victories, however, remained elusive and Ford left the White House in January of 1977 disappointed that he had not done more to reform the trucking industry. Ford could, however, take some solace in that he created at the least a minority voice within the ICC that favored some type of deregulation. While others nurtured the seed, Ford at least deserves credit for planting the kernel.

Carter campaigned in the 1976 presidential contest in support of deregulation of many industries, including transportation. The soft-spoken southern Democrat stumped that motor carrier reform would actually foster competition and thus by its own creation eliminate monopolies. In fact, two months after assuming the presidency Carter again asserted his belief in the deregulation of the transportation industry and through proposed legislation began to move in that direction.[24] Due to the prior efforts of Ford, Carter enjoyed the luxury of a plan already in place and a growing belief in deregulation.

After being persuaded to first target the deregulation in the airline industry, Carter turned his attention to motor carriers. Trucking because of the Teamsters Union and other political entanglements took a backseat as railroads became the second industry Carter's reforms targeted. Senator Ted Kennedy, who worked with Ford on earlier attempts in deregulation, felt no such political hindrances and quickly moved to introduce a bill to deregulate the trucking industry. While he professed commitment to the reforms, many suspected Kennedy sought the political capital in attempting to pass himself off as a reformist to the American people.[25] Sensing a political challenge, Carter became more convinced that Kennedy planned a run for the White House in 1980.

The president moved quickly and placed railroads on the backburner and joined forces with Kennedy to pass trucking deregulation. Echoing Ford's earlier moves, Carter worked with and within the ICC. He moved to change their ideological beliefs on deregulation and their number of executive voting members. The president lowered the number of resistors to deregulation by cleverly reducing the number of commissioners from eleven to seven and finally six.[26] The Carter administration thus succeeded by adopting a strategy of altering regulatory policy through administrative measures and then forcing legislators to endorse the changes in policy that followed.

The gradual changes within the ICC stripped away over forty years of trucking regulation. Although 1977 saw only minor changes, 1978 exploded with numerous deregulatory actions. Barriers on the entry of new carriers into the trucking industry found themselves greatly reduced. In the years 1975-1979 applications for entry into the industry grew seven-hundred percent and the numbers accepted swelled to over eight-hundred percent.[27] Trucking legislation finally passed in July 1980 with the Motor Carrier Act. While not as sweeping as the earlier airline deregulation, the legislation introduced greater liberalization and flexibility into rate settings, access to the market, elimination of indirect routings designed to protect carriers from competition, limited collective rate-making, and allowances for carriers to charge discriminatory prices.[28]

President Carter, with a start by Ford and a political push by Kennedy, scored a major economic coup with deregulation and restructured a fundamental section of the economy of the United States. The numbers reveal the overall impact. In 1977, regulated industries produced seventeen percent of the United States' gross national product. By 1988, that total had been slashed to 6.6 percent of the GNP.[29]

The Teamsters and other groups maintained a vested interest in the continued regulation of the trucking industry and did not surrender quietly. As late as mid-1978, however, many in the Teamsters organization did not show overt concern with deregulation.[30] The stance changed as motor carrier reform drew closer. The organization's position included the claim that no public outcry for the deregulation of the trucking industry had occurred. Teamsters reasoned that the American people, because of infrequent contact with the transportation business, did not equate the motor carrier system with high government regulation.[31] The group threatened political death at the ballot box to many Senators if deregulation passed.[32] The Teamsters feared the loss of power and influence with deregulation and seemingly with good reason. One study suggests that unions, mainly the Teamsters, by the year 2000 suffered almost a forty percent drop in membership since deregulation twenty years earlier.[33]

Many inside and outside of Washington D. C. believed that trucking reform would never pass, as the political costs were too high. Others hoped to delay any legislative action until the 1980 presidential election.[34] The Teamsters attempted various tactics to replace the 1980 Motor Carrier Act with other weaker pieces of legislation but in the end failed.

The American Trucking Association joined in the endeavor to stop deregulation and shared in the defeat. The ATA by name represents the interest of all of its members. The organization publishes the trucking industry weekly newspaper, *Transport Topics*, and gathers and analyzes industry statistics and public policy issues. Various staff members frequently testify before congressional committees and various government agencies.[35] Not unlike the Teamsters, politicians do not dismiss the organization's power and influence. Carter could not have realized it at the time, but he need not have worried about the political power of the Teamsters and other interest groups. The members of Congress sensed the new wind of public support for deregulation. The legislation passed the Senate 70-20 and soon after the House of Representatives 367-13.[36]

Ironically, Carter's support for deregulation, especially in the trucking industry, may have played a hand in the loss of the 1980 presidential election to Reagan. As discussed, both Presidents Ford and Carter entertained the ideas of serious deregulation in various industries due to the economic woes of the United States in the mid to late-1970s. Some have suggested that the move to deregulate, especially in the case of Carter, may have been a strategic mistake from an electoral perspective. The International Brotherhood of Teamsters, smarting from their legislative loss to Carter, certainly could have provided more help to the embattled president if he perhaps would have exercised a bit more flexibility with trucking deregulation. Carter thus, some have argued, placed deregulation and the promise of economic recovery over maintaining a solidified hold over his Democratic base.[37] In doing so, he may have freed a substantial portion of the American economy at a great political and personal cost.

Quite often, historians award Reagan with the title of great deregulator, but truthfully regulatory reform swept many industries of the nation before he took office.[38] By 1980 many Americans believed that the economic market and the forces that drove it could serve consumers better than the government.[39] With the exception of bus deregulation, oil price decontrol, and movements in the telephone, and electric and gas utilities, the new president essentially continued the direction laid out by his predecessors.[40] Reagan did believe passionately that the Federal government enjoyed too much involvement in the lives and economics of the American citizen. He also believed that too much leadership from Washington D.C. often choked off opportunity for individual economic entrepreneurship.

After Reagan's landslide victory in the 1980 presidential election many in labor management hoped that the new chief executive would reward the various industries for their support and slow the tide of deregulation. He did not. Reagan preached a strong conservative philosophy of cutting government regulation. The new president also realized the opportunity for negative political cost and possible American economic damage with any perceived return to regulation. He also feared the public's perception of such a move and so disappointed his electoral allies who helped put him into the White House by maintaining a deregulation direction.[41] Reagan wanted a stable government framework in which the American people could confidently invest in the economy in ways of their own choosing. In his first ten days in office the new president froze more than 170 pending governmental regulations.[42]

Reagan's new administration placed high importance on continuing the deregulation of particular industries. The president believed that trucking reform would lower governmental cost as well as foster greater economic competition.[43] Reagan created the "Bush Commission," headed by Vice President George H. W. Bush, to identify regulations that could be eliminated or reformed.[44] This commission worked with David Stockman, the director of the Office of Management and Budget and together they decided that hundreds of federal regulations should be discarded or modified. Quite often, Reagan's broad-brush approach encountered resistance from Congress, the courts, and more importantly, the American people.[45] As stated earlier some historians have even concluded that no deregulation actually occurred during the Reagan years.[46] Compared to Ford and Carter, many suggest that Reagan's deregulation movements actually were more attitude and public rhetoric than policy.[47] No matter who supported or protested deregulation no one suggested that the efforts did not produce immediate alterations to the trucking industry.

While some disagree, many economists place 1982 as the first full year after deregulation implementation.[48] One study reveals that by 1984 productivity and lower cost revealed the positive effects of deregulation as thousands of new entrants raised levels of competition for the moving of freight.[49] These changes brought on by reform dropped prices and lowered union membership roles.[50] The elimination of route restrictions allowed many carriers, old and new, to lower cost by eliminating expensive empty backhauls.[51]

Trucking companies gained specialized status as they streamlined their businesses to meet the changing market. Carriers often transformed into either less-than-truckload or truckload, or LTL and TL. LTL shipments weigh less, involve more deliveries, and subsequently involve more personnel. TL freight weighs more and usually delivers to only one location. TL also involves fewer workers as a more direct relationship exists between shippers and customers.[52] While some would argue that specialization of the industry limited options, others would suggest a greater flexibility as new carriers created economic structures that best guaranteed financial success.

Deregulation opened the doors for new carriers to enter the trucking market. One work reports that the number of ICC-certified carriers almost tripled, from 16,606 in 1977 to 47,890 in 1991.[53] By the late 1990s more than 3,000 carriers a year gained new or additional operational authority. In the year 2000, there were more than 500,000 interstate motor carriers in the United States.[54]

The Teamsters Union, not surprisingly, offered evidence that deregulation greatly wounded the trucking industry. They reported that between the passage of the Motor Carrier Act of 1980 and mid-year 1993, almost fifty percent of Class I and Class II freight carriers in existence at the dawn of deregulation filed for bankruptcy. Class I signifies carriers grossing more than $5 million annually and Class II represents carriers grosses between $1 and $5 million yearly.[55] Other works agree with the Teamsters' data and suggest that not everyone benefited from deregulation. Some numbers state that between the years 1980 and 1999 approximately 48,000 motor carriers, some established and many new, went out of business.[56]

The Teamsters also perceived deregulation as producing a sharp decline in union membership roles. Since a high membership of almost two million in 1974, not all of which came from the trucking industry, Teamster membership numbers declined by twenty-seven percent overall. The sharpest drop occurred in the early 1980s as deregulation gained strength. Membership did equalize later in the decade, but never achieved the level of the mid 1970s.[57] One report stated that between 1980 and 1986 the Teamsters lost approximately 120,000 motor carrier jobs.[58] Loss of members equals loss of dues payments. Clearly, the Teamsters suffered financial and political power deficits due to trucking reform.

As new carriers opened their doors new technologies also altered the motor carrier industry. Deregulation occurred roughly at the same time of the onset of the computer revolution in the United States. The sheer influx of new trucking companies forced many businesses to alter past patterns in an effort to stand out and survive. Many new carriers often utilized new information technologies to increase business.[59]

A 1998 survey by the American Trucking Association Foundation and the National Private Truck Council discovered that fifty-one percent of Truckload carriers used the Internet. By early 2000 that number jumped to seventy-seven percent.[60] Atreya Chakraborty and Mark Kazarosian concluded that companies that promise on-time delivery at a higher rate will be more likely to use technology than trucking companies that exchange on-time delivery for lower shipping rates.[61] In other words, more intense marketing strategies involve more intense usage of advanced information technologies.[62]

Utilizing evidence gleaned from the 1998 Motor Carrier Safety, Operations, and Technology Survey conducted by the American Trucking Association as well as additional data gathered from the United States Department of Transportation's Bureau of Transportation Statistics, Chakraborty and Kazarosian state that after deregulation new and even some existing companies carved out niches for themselves by offering services related directly to this new technology.[63] Often firms soon after deregulation unwilling or unable to adopt their technological abilities fell to the wayside.[64] Trucking companies used technology for various purposes. Computers aided in the dispatching of the trucks, routes to take for delivery, communication with the driver, as well as to track maintenance.[65] All uses of the new technology are directly related to the continued improvement of customer service.

Deregulation of the trucking industry forever changed the economic landscape of the American freight delivery system. The number of carriers in the early 1980s swelled as many attempted their fortune in new financial endeavors. Numerous companies failed and just as many succeeded. "Old Guard" freight businesses as well as union organizations opposed deregulation and preached severe transformations and gloom for the future of the industry. Others viewed trucking reform as an opportunity for greater financial success as more competition could only help the business. Both arguments contain elements of truth. Finally new technologies accompanied deregulation in the motor carrier business as both endeavors brought changes to the industry.

Facts without faces and numbers without names, however, quite often blur the economic picture. With the brief story of trucking deregulation, and those opposed and in support now secure, a tangible example of the aforementioned data adds clarity to the effect of trucking reform. In 1986, a former truck driver, only removed from the steering wheel by two years, took full advantage of the deregulation process. Jerry Wayne Bates of Tupelo, Mississippi opened J & B Services, Inc., or J & B, a full-load carrier. Consisting of two pieces of used equipment, a tractor and trailer, Bates in less than a decade acquired a fleet of fifty-plus trucks, over 150 trailers, and a multi-million dollar company. His story clearly reveals the economic advantages as well as potential financial failures of the deregulation of the trucking industry.[66]

Bates, before opening J & B Services, Inc., possessed almost thirty years of hands-on experience in the freight and transportation business. In the 1960s he worked in various manufacturing companies in north Mississippi prior to entering the trucking industry. In 1968, Shumpert Truck Lines, a local LTL company in the small town of Tupelo, hired the young twenty-three year old as a pick-up and delivery driver and dockworker. Here Bates gained his first taste of what would soon be a life-long profession.

Five years later Shumpert Truck Lines sold out to the nationwide LTL carrier Roadway Express and all Tupelo operations transferred approximately sixty miles south to an even smaller town of Amory. Many employees received layoffs, including Bates. He found employment in Memphis, Tennessee with yet another nationwide LTL carrier, Gordon's Transport, moved his family northward, and served as an over-the-road driver for the company for the remainder of 1973 and 1974.

As the oil embargo of 1974 gripped the United States in the early to mid-1970s Gordon Transport, like so many carriers, experienced a slow down. Bates soon found his routes, and therefore his income, severely reduced by the nationwide economic downturn. He returned to Tupelo, Mississippi and quickly found employment with a nationwide LTL truck line new to the area. Although Bates did not perceive it at the time, Transcon Lines directly affected the direction of his life.

For seven years Bates worked in various capacities. Although his job description read pick-up and delivery driver, he also worked the loading dock and through various efforts established strong relations with many of Transcon's customers. His name became known in Tupelo transportation circles as a hard worker and through his actions Bates earned the reputation of someone curious about the day-to-day business of the trucking industry. He observed items and asked questions. Bates displayed interest in operational procedures, revenue patterns, and cost of equipment and operation. He also enrolled in a local community college and passed several night classes that dealt with transportation management.

His hard work did not go unnoticed by his employer. In 1981 Transcon elevated the truck driver and dockworker into sales where Bates continued to make connections and observe the direction of the industry. Three years later Transcon placed him in charge of the Tupelo operation. Bates did not realize it at the time, but because of his hard work and interest in the overall aspects of the trucking industry, he stood less than two years away from the creation of his own company.

In 1985, Bates ended his nine-year relationship with Transcon. He appreciated all that the experience taught him but felt the need to pursue other opportunities. He accepted a position with the full load nationwide carrier, TASCO Industries, a company new to the area. They hired Bates based on his established reputation and placed him in the position of regional manager for Mississippi, Tennessee, and Alabama. He helped the company quickly establish itself in Tupelo. Always aware of the industry that surrounded him, Bates soon perceived that perhaps the time had arrived to take a bold step. In the spring of 1986 he announced to his family his intention to create his own company: J & B Services, Inc. The success of his company answered many broad-brush assertions concerning deregulation and the trucking industry.

Why did Bates choose 1986? He realized that deregulation allowed greater opportunity for smaller carriers to enter the industry. The former truck driver observed through decades of work in the region the transportation needs of the area and believed that many carriers lacked elements vital to success. Bates also received financial support from his wife, Judy, who at this time became successful selling real estate in the North Mississippi area. Her return to the workforce after raising three children added needed financial capital to the family. Bates utilized his knowledge of the trucking industry, the opportunity provided by deregulation, and the added monetary security brought by his wife's employment to create his own business.

His years of work in the area and the contacts created during that period allowed Bates to realize what each potential customer looked for in a carrier. Safety and on-time service appealed greatly to patrons, and deregulation brought some concern about problems in those areas. Bates determined that J & B Services, Inc., would include those two items as selling points to potential clients.

Some studies have suggested that customers do not mind paying higher costs for on-time service.[67] Bates proved the studies correct. He did not lower his rates to attract new clients. He allowed his dedication to service to build the customer base. Bates also structured the business so that it could transform around the peculiar needs of any customer served. On more than one occasion, prior to the enlarging of his fleet and at personal financial cost, he rented trailers to carry loads rather than say no to customers who called with last minute orders. Bates often lost money in these instances, but J & B Services, Inc.'s reputation grew in the area as a new carrier dedicated to customer service.

The early days of J & B suggested in no way the multi-million dollar company that exists today. Bates borrowed $7500 to buy his first truck when new trucks sold for $80,000 and placed his business in a small two-thousand square foot building in an older industrial section of Tupelo. He spent $300 dollars on used office supplies, received only a small salary, and invested the rest of any income back into the company. Bates met frequently with his banker and noted every increase in the company's profits. The bank's confidence grew with J & B Services, Inc. earnings and thus the trucker turned owner began to win the loyalty of people in a position to help him.

Bates, although planning for J & B Services, Inc. to serve as a TL carrier, realized that to survive he must diversify as much as possible. While deregulation forced many carriers to choose either LTL or TL, J & B did both. Again, seventeen years as a driver and dockworker in the LTL business brought tremendous dividends. Individuals he called upon as a driver now drew attention as potential clients. Bates also brokered freight for various companies to gain name recognition, client contacts, and additional revenue. The young owner maintained the dual role for two years, using the additional profits to enlarge his truck fleet.

Deregulation offered greater opportunity to enter the trucking industry, but it did not guarantee success. Many companies exited just as quickly as they entered the trucking industry. Bates tempered the growth of his company to a manageable pace. As the reputation of his business expanded many potential clients sought service. Bates through his experience knew the clients who would pay and those who would not. He did not overreach and realized early in the process that for his company to succeed J & B needed to serve the customers it wanted, not necessarily all that sought business.

Bates did not utilize his knowledge of the industry to strengthen only his customer base. A former driver himself, he knew exactly what tractor-operators looked for in a company. He structured the internal workings of his J & B to attract the best drivers available, as Bates realized that without a strong and dedicated driver base his company would fail.

One study that stands against deregulation reports that as a result of trucking reform, long-haul drivers worked long hours, remained on the road continually for approximately three weeks, earned low wages, and thus produced a high turnover rate, perhaps as much as one-hundred percent.[68] J & B Services, Inc. shattered such assertions. Bates structured J & B Services, Inc., so that his single drivers—a solo driver in a truck—would return home twice a week. Team drivers, meaning two drivers per truck and primarily used for longer hauls to the Atlantic Northeast and the Pacific Northwest, returned home once a week. Bates also encouraged husband-and-wife teams for his two-driver equipment as that structure helped families stay together and share in the work experience.

He structured J & B so that drivers, single and team, pulling outgoing freight to a destination would, in the same area, pick up incoming freight arriving back in North Mississippi. Since many drivers made the same runs repeatedly, Bates saw an opportunity to establish long-distance customer relations by utilizing his drivers as essentially salespeople for his business. Many other companies have their drivers deliver to an area, empty, pick up additional freight in that region and travel to another portion of the country. Here they repeat the process, and then finally return home. Bates saw that structure as horrible for tractor-operators and driver morale and retention.

J & B also maintained new equipment, rotating out older models every few years. Bates recalled the often-shoddy tractors he drove in the 1970s, and vowed to offer his employees better. The cost remained high, but newer equipment often meant less maintenance and happier employees. Bates in 1989 opened J & B Diesel Services, Inc., an on-site diesel and trailer repair shop. The business soon exploded to included outside repair work on trucks and trailers from other carriers, including numerous competitors. Bates also employed a truck washer, as drivers spend days in the equipment cleanliness remained a must. J & B's drivers realized on-site mechanics dealt with problems immediately, doing away with long waits at repair shops.

J & B Services, Inc. provided strong insurance, including a dental plan, to their employees. Bates often fought hard for affordable insurance coverage. Truck drivers often stand poorly rated by insurance companies. Hard labor hours and a less than healthy diet often scare potential insurance companies. Bates also complicated matters by intentionally hiring only experienced drivers. In the trucking industry age often equals experience. Insurance companies again shied away due to potential drawbacks. Bates detected a positive from the complexities of the insurance dilemma. Because J & B's drivers remained some of the most experienced on the road, liability insurance rates remain low.

J & B Services, Inc., also supplied a 401K retirement policy as well as a profit sharing program to the employees of the company. As detailed earlier, the driver pool that the company maintained remained that of an older, more experienced group. J & B therefore supplied a full benefit package available to all drivers in an effort to maintain employee morale and recruit potential tractor operators. The company contributed 1.25 percent to the driver's 401K as long as the employees made a payment of at least 5 percent to his own retirement account. J & B also offered supplemental policies such as cancer policies and optional life insurance to any employee that wished to participate. J & B's profit sharing program did well with $20,000 contributed during 2002.[69]

Another criticism of deregulation suggested that since reform drivers in the trucking industry, especially those employed by non-union carriers, dropped to the bottom of the industrial pay scale.[70] J & B Services, Inc., did not match the paradigm. The drivers employed stood among the top paid in the nation, receiving a basic payment for each mile driven and the successful transport of every delivery. J & B also supplemented the weekly payments by including safety and fuel bonuses. Operators also received monetary supplements on anniversaries that specifically deal with time spent in the service of the company. Depending on the work habit of the driver, the pay scale for J & B employees stood anywhere from $32,000 to $87, 000. The average yearly pay for 2002 calculated to $56,649.00.[71]

Again, Bates's knowledge and memories of serving as a truck driver enabled the owner to answer his drivers' needs. Through time at home, newer equipment, strong insurance, 401K retirement, and high pay the drivers at J & B Services, Inc. realized that the owner of the company viewed his employees as vital elements to financial success. As a result J & B Services, Inc., almost from the beginning, enjoyed high driver preservation. While most motor carriers the size of J & B experienced triple-digit turnover, Bates maintained less than twenty-five percent loss of employees. The average employment length for all drivers stood at 3.7 years while the top fifty-percent of J & B's seniority maintained an average of 6.2 years in 2002.[72]

As J & B Services, Inc., expanded new technologies allowed for even better service for the customers. As detailed earlier, Chakraborty and Kazarosian discovered that companies that guaranteed on time delivery utilized to a greater degree information-processing technologies to meet their market objectives.[73] They concluded that companies that push on-time delivery often use technology to ascertain the best route possible to service their customers and to keep cost down.[74] Bates realized the benefits of the computer and information age to the industry. J & B utilized a computer system to generate such routing procedures. The programs used enabled Bates's dispatchers to best service customer by detailing to the mile and hour delivery distance, time and cost. The drivers benefited as well as details to trips became more exact so that the employee could best plan the trip in order to maximize profit.

J & B did not fit the model proposed by Chakraborty and Kazarosian at every point. The authors suggested that longer hauls such as nationwide dispatching indicates the need for more sophisticated technology such as satellite communications as well as automatic vehicle-location systems.[75] J & B's structure avoided this and for two decades managed to avoid the great financial cost such an upgrade would entail. Bates required his drivers to call in every morning to receive any information needed for that day's work. Cell phones, all personally owned, provided for emergency contact. While the system might appear outdated it utilized an element of trust between company and worker. J & B Services, Inc., through the use of the current system, conveyed confidence in the employees. Again, Bates utilized his experience in knowing what the worker expected by treating his employees as trusted associates.

Bates retired in 2002, keeping a family member at the helm by selling the company to his youngest son, Waynon Todd. The elder Bates started in 1986 with one truck, a borrowed trailer, and less than $2000 in the bank. Sixteen years later he left a multimillion dollar business with over fifty tractors and 150 trailers. J & B Services, Inc. size is not that unusual. Of the 500,000 motor carriers currently in the United States, more than seventy percent operate six or fewer trucks while eighty percent operate less than twenty.[76] What does remain unusual is the level of success in relation to size that J & B enjoys. Bates, due to deregulation, discovered an economic niche for his company. He maintained a small-sized operation with a family oriented atmosphere in a highly competitive market.

Seventeen years after the creation of the business, J & B continues to serve its clients with the same dedication fashioned by its creator. It remains a testimony to Bates that his small company enjoys relationships with clients and employees that stretch back almost two decades. Deregulation offered opportunities for countless individuals to enter the trucking industry. Numerous companies arrived and possessed the same goals as J & B and yet failed.

Bates utilized his many years of experience in the building of his company. The example of J & B Services, Inc., reveals that many proponents and opponents of trucking reform offered correct assumptions. Competition did increase as many individuals entered the work force. Not all belonged there, and many suffered. Older and established businesses folded as newer companies opened to the public. Customer service and safety issues arose as deregulation allowed for a greater number of players and thus a greater volume of mistakes. The truth is usually found between two extremes, and the reality of trucking deregulation is no exception. J & B Services, Inc., remains a success story for proponents of deregulation. Legislation that moved from Washington D. C. and quickly combined with the experience of a small town truck driver enabled the creation of a company that continues to gain strength in the twenty-first century.

Notes

1. While this paper does detail to some extent the deregulation of the trucking industry, it is more a case study of one individual's effort to find a place for his new company in the economic environment that deregulation created. For a greater detailed examination of the deregulation of the motor carrier industry please review Lawrence S. Rothenberg, *Regulation, Organizations, and Politics: Motor Freight Policy at the Interstate Commerce Commission* (Ann Arbor: The University of Michigan Press, 1994) and Michael H. Belzer, *Sweatshops on Wheels: Winners and Losers in Trucking Deregulation* (Oxford: Oxford University Press, 2000).

2. W. Carl Biven, *Jimmy Carter's Economy: Policy in an Age of Limits* (Chapel Hill: The University of North Carolina Press, 2002), 217.

3. Ibid., 217.

4. Belzer, *Sweatshops on Wheels*, 24,25.

5. Anuradha Nagarajan, Enrique Canessa, Will Mitchell, C. C. White III, "Trucking Industry: Challenges to Keep Pace", in *The Economic Payoff from the Internet Revolution* (Washington D. C.: Brookings Institution Press, 2001), 131., and Belzer, *Sweatshops on Wheels*, 60.

6. Belzer, *Sweatshops on Wheels*, 68.

7. Eric Foner, *The Reader's Companion to American History* (Boston: Houghton Mifflin Company, 1991), 572.

8. Joseph R. Holmes, *The Quotable Ronald Reagan: The Common Sense and Straight Talk of Former California Governor Ronald Reagan* (San Diego: JRH & Associates, Inc., 1975), 103.

9. Rothenberg, *Regulation, Organizations, and Politics*, 261.

10. Belzer, *Sweatshops on Wheels*, 22.

11. Rothenberg, *Regulation, Organizations, and Politics*, 214.

12. Nancy L. Rose, "Labor Rent Sharing and Regulation: Evidence from the Trucking Industry", *The Journal of Political Economy* 95, no. 6 (December 1987): 1149.

13. John S. King, Theodore E. Keeler "Pricing in a Deregulated Environment: The Motor Carrier Experience", in *The RAND Journal of Economics* 22 No. 2 (Summer 1991), 264.

14. Belzer, *Sweatshops on Wheels: Winners and Losers in Trucking Deregulation*, 23.

15. Rothenberg, *Regulation, Organizations, and Politics*, 216.

16. Andrew F. Daughety and Forrest D. Nelson, "An Econometric Analysis of Changes in the Cost and Production Structure of the Trucking Industry, 1953-1982", *The Review of Economics and Statistics* 70, No. 1 (February 1988), 67.

17. Nicholas A. Glaskowsky, *Effects of Deregulation on Motor Carriers* (Westport: Eno Foundation For Transportation, Inc., 1986) 2, 3.

18. Rothenberg, *Regulation, Organizations, and Politics*, 243.
19. Biven, *Jimmy Carter's Economy*, 219.
20. Ibid., 219.
21. Rothenberg, *Regulation, Organizations, and Politics*, 221.
22. Ibid., 219.
23. Ibid., 220.
24. Ibid., 222.
25. Ibid., 234.
26. Ibid., 227.
27. Ibid., 229.
28.Biven, *Jimmy Carter's Economy*, 221., and Belzer, *Sweatshops on Wheels*, 29.
29. Biven, *Jimmy Carter's Economy*, 222.
30. Rothenberg, *Regulation, Organizations, and Politics*, 231.
31. Ibid., 213.
32. Ibid., 231., 232.
33. Belzer, *Sweatshops on Wheels*, 21.
34. Rothenberg, *Regulation, Organizations, and Politics*, 239.
35. Glaskowsky, *Effects of Deregulation on Motor Carriers*, 43.
36. Rothenberg, *Regulation, Organizations, and Politics*, 239.
37. Ibid., 242.
38. Lou Cannon, *President Reagan: The Role of a Lifetime* (New York: Public Affairs, 1991), 736.
39. Kevin Phillips, *The Politics of Rich and Poor: Wealth and the American Electorate in the Reagan Aftermath* (New York: Random House, 1990), 64.
40. Ibid., 94.
41. Rothenberg, *Regulation, Organizations, and Politics*, 249.
42. Phillips, *The Politics of Rich and Poor*, 94.
43. Michael J. Boskin, *Reagan and the Economy: The Successes, Failures, and Unfinished Agenda* (New York: Kampmann & Co., 1987), 53.
44. Ibid., 64.
45. Cannon, *President Reagan*, 738.
46. Ibid., 738.
47. Ibid., 739.
48. Rose, "Labor Rent Sharing and Regulation" , 1150., and Daughety and Nelson, "An Econometric Analysis of Changes", 70.
49. King, Keeler "Pricing in a Deregulated Environment", 273.
50. Rothenberg, *Regulation, Organizations, and Politics*, 247.
51. Theodore E. Keeler, "Public Policy and Productivity in the Trucking Industry: Some Evidence on the Effects of Highway Investments, Deregulation, and the 55 MPH Speed", *The American Economic Review* 76, no. 2 (May 1986), 153.
52. Belzer, *Sweatshops on Wheels*, 41, 83.
53. Belzer, *Sweatshops on Wheels*, 84.
54. Nagarajan, Canessa, Mitchell, White III, "Trucking Industry", 131.
55. Belzer, *Sweatshops on Wheels*, 41, 201.
56. Nagarajan, Canessa, Mitchell, White III, "Trucking Industry", 131.
57. Belzer, *Sweatshops on Wheels*, 107.
58. Glaskowsky, *Effects of Deregulation on Motor Carriers*, 29.
59. For a detailed look at the trucking industry and the relationship with the computer please see Nagarajan, Canessa, Mitchell, White III, "Trucking Industry".
60. Ibid., 141.
61. Atreya Chakraborty and Mark Kazarosian, "Product Differentiation and the Use of Information Technology: Evidence From the Trucking Industry", in *National Bureau of Economic Research* (Cambridge: 1999), 2.
62. Ibid., 20.

63. Ibid., 6.

64. Ibid., 7.

65. Ibid., 12.

66. All information concerning Jerry Wayne Bates and J & B Services, Inc. consists of data gathered from personal interviews in February and March of 2003 and remains in the possession of the author.

67. Keeler, "Public Policy and Productivity in the Trucking Industry", 157.

68. Belzer, *Sweatshops on Wheels*, 42,43.

69. Information gained in a March 2003 interview with Waynon Bates, Chief Executive Officer of J & B Services, Inc., Tupelo, Mississippi and remains in the possession of the author.

70. Belzer, *Sweatshops on Wheels*, 136.

71. Information gained in a March 2003 interview with Waynon Bates, Chief Executive Officer of J & B Services, Inc., Tupelo, Mississippi and remains in the possession of the author.

72. Ibid.

73. Chakraborty and Kazarosian, "Product Differentiation and the Use of Information Technology", 13.

74. Ibid., 17.

75. Ibid., 15.

76. Nagarajan, Canessa, Mitchell, White III, "Trucking Industry", 132.