

## CASE 3-1

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# Who Pays the Price?

Over the last ten years the federal government has dramatically increased the number of regulations pertaining to transportation security and the effects of transportation on the environment. After the terrorist attack on the United States on September 11, 2001, the Department of Homeland Security (DHS) was established. Within the DHS is the Transportation Security Administration, which is responsible for implementing regulations to protect the safety of passengers using the U.S. airline industry. These regulations require passengers to be screened for illegal items before they enplane, limit the size and nature of items in carry-on luggage, and provide guidelines for more intense scrutiny of randomly selected passengers. Critics of these policies complain that these policies delay passengers, increase time through airports, cause delays, and increase costs for the airlines. Proponents of these policies argue that the safety of air passengers is more important than these delays and increased costs.

The federal government passed legislation requiring all motor carrier tractors purchased after 2007 to meet more stringent EPA guidelines for engine emissions of particulate matter. These new guidelines require new engine technology that has increased the cost of these engines by over \$10,000. Motor carriers are critical of these guidelines, arguing that the increased engine cost and resulting increase in maintenance costs are prohibitive and are difficult to pass on to customers in the form of higher prices. Proponents of these guidelines argue that cleaner engine exhaust is better for the environment and, therefore, a benefit to the general public.

Legislation is being considered to dramatically increase the number of inspections on containers entering U.S. ports from foreign origins. The purpose of the inspection is to reduce the likelihood of terrorist activity that could occur by using a container to hold weapons or explosives that are meant to harm U.S. citizens. The inspection would require physically unloading the container at the port and inspecting its contents. The rationale behind increasing the number of containers inspected is the resulting reduction in the probability of a terrorist attack on U.S. soil. Critics of this legislation argue that with the thousands of containers entering U.S. ports every day, increased inspection activity would increase congestion at the ports, slow down the movement of goods into the United States, and add costs to carriers and shippers.

## CASE QUESTIONS

1. In each of the three scenarios presented in the case, opponents and proponents have divergent views of government regulations. One view is on the public benefit, the other is on the cost to private industry. How can you decide which view to accept?
2. In each of the scenarios above, identify the benefits versus the costs for both viewpoints.
3. Should the government intervene in setting regulations to increase security and help the environment? Or should private industry take on this role? Discuss.