

ORAL
STATEMENT OF
HONORABLE NEIL GOLDSCHMIDT
SECRETARY OF TRANSPORTATION
BEFORE THE
COMMITTEE ON COMMERCE, SCIENCE AND TRANSPORTATION
UNITED STATES SENATE
REGARDING
MOTOR CARRIER REGULATORY REFORM
FEBRUARY 26, 1980

MR. CHAIRMAN AND MEMBERS OF THE COMMITTEE:

THE PRESIDENT AND I ARE COMMITTED TO STRONG TRUCKING REFORM LEGISLATION, AND I AM PLEASED TO BE HERE TODAY TO OUTLINE THE ADMINISTRATION'S VIEWS ON THE IMPRESSIVE BILL WHICH YOU AND SENATOR PACKWOOD HAVE PLACED BEFORE THE COMMITTEE.

TRUCKING REFORM LEGISLATION PRESENTS THE CONGRESS WITH A UNIQUE OPPORTUNITY NOT ONLY TO IMPROVE OUR TRUCK TRANSPORTATION SYSTEM, BUT TO HELP CONTROL INFLATION, CONSERVE FUEL, AND REDUCE RED TAPE IN GOVERNMENT.

MR. CHAIRMAN, YOU RECOGNIZED THE SIGNIFICANCE OF THESE ISSUES AND HAVE LED THIS COMMITTEE THROUGH A PROMPT AND THOROUGH REVIEW OF ALL ASPECTS OF THE TRUCKING INDUSTRY.

YOUR ACTIVE LEADERSHIP IN THIS PROCESS HAS SET A STANDARD FOR ALL OF US. YOU HAVE EXAMINED THE ISSUES EXHAUSTIVELY, AS HAS SENATOR PACKWOOD, AND AS A RESULT OF THAT HARD WORK, YOU HAVE INTRODUCED S.2245, "THE MOTOR CARRIER REFORM ACT OF 1980."

WE THINK THAT THE INTRODUCTION OF THIS BILL IS A VERY, VERY POSITIVE DEVELOPMENT. S. 2245 IS FORWARD-LOOKING, PUBLIC INTEREST LEGISLATION. IT RECOGNIZES THE NEED TO INJECT COMPETITION INTO THE TRUCKING INDUSTRY AND THE NEED TO END WASTEFUL PRACTICES CAUSED BY OUTDATED TRUCKING REGULATION.

THIS BILL ALSO RECOGNIZES THAT REFORM OF THE PRESENT SYSTEM IS THE BEST WAY TO IMPROVE TRUCK SERVICE TO THE SMALL TOWNS OF AMERICA. MR. CHAIRMAN, YOUR PAINSTAKING EXAMINATION OF THE SMALL COMMUNITIES ISSUE HAS BEEN PARTICULARLY IMPRESSIVE. YOU NOT ONLY REVIEWED ALL THE EVIDENCE THAT WAS READILY AVAILABLE, YOU ASKED MY STAFF TO CONDUCT ADDITIONAL STUDIES, TO LEARN HOW WE CAN BEST MEET THE NEEDS OF SMALL TOWNS IN TRUCKING LEGISLATION. WE APPRECIATE THE CAREFUL CONSIDERATION AND HELP YOU AND YOUR STAFF HAVE GIVEN TO OUR WORK IN THIS AREA.

ALL OF THIS IS NOT TO SAY THAT S. 2245 COULD NOT BE IMPROVED. WE FEEL THAT CONSIDERATION SHOULD BE GIVEN TO SOME ADDITIONAL REFORMS, WHICH WOULD SUPPLEMENT THE BENEFITS S. 2245 OFFERS TO THE PUBLIC. HOWEVER, THE GENERAL APPROACH OF S. 2245 IS VERY GOOD AND WE WOULD BE EXTREMELY DISAPPOINTED TO SEE THIS BILL WEAKENED BY AMENDMENTS WHICH ARE NOT JUSTIFIED BY THE FACTS OR RESPONSIVE TO THE NEEDS OF THE TIMES.

INCREASING COMPETITION

MR. CHAIRMAN, THE ADMINISTRATION BELIEVES THAT MORE COMPETITION IN TRUCKING WOULD BE A GOOD THING - AND THERE'S PLENTY OF REAL WORLD EVIDENCE TO BACK US UP. STUDIES INVARIABLY SHOW THAT UNREGULATED RATES ARE LOWER THAN REGULATED RATES FOR COMPARABLE SHIPMENTS, AND WE HAVE PRESENTED THIS EVIDENCE TO THE COMMITTEE. THE STATEMENT I HAVE SUBMITTED FOR

THE RECORD INCLUDES ADDITIONAL EVIDENCE THAT REGULATED TRUCKING RATES ARE HIGHER THAN THEY NEED TO BE.

TURNING TO THE BILL ITSELF, I'D LIKE TO FOCUS ON THE PROVISIONS THAT ADDRESS MOST DIRECTLY THE NEED TO INCREASE COMPETITION IN THE TRUCKING INDUSTRY - SPECIFICALLY, THE PROPOSALS TO END LEGALIZED PRICE-FIXING, TO REMOVE ARTIFICIAL BARRIERS TO ENTRY, AND TO GRANT PRICING FLEXIBILITY TO REGULATED TRUCKERS.

THE NEED FOR REFORM IN EACH OF THESE AREAS IS CRUCIAL. FURTHER, IT IS ALSO VERY IMPORTANT THAT THESE AND THE OTHER PROVISIONS OF THE BILL BE SUPPORTED BY A STRONG, PRO-COMPETITIVE NATIONAL TRANSPORTATION POLICY, IN ORDER TO ASSURE THAT NEEDED REFORMS ARE NOT GIVEN RESTRICTIVE INTERPRETATIONS. WE ARE PLEASED THAT S. 2245 INCLUDES A PRO-COMPETITIVE POLICY STATEMENT.

AS TO ENTRY, YOU HAVE PLACED THE BURDEN OF PROOF ON OPPONENTS OF APPLICATIONS, WHICH IS AN EXTREMELY IMPORTANT REFORM. ALSO, YOU HAVE PROVIDED THAT THE PUBLIC CONVENIENCE AND NECESSITY TEST IS NOT TO BE APPLIED IN CASES WHERE AN APPLICANT SEEKS TO SERVE AREAS ABANDONED BY RAILROADS, OR TO DELIVER SMALL PACKAGES. THESE REFORMS WILL HELP IMPROVE SERVICE TO SMALL COMMUNITIES. YOUR BILL WOULD ALSO ELIMINATE FRIVOLOUS PROTESTS OF ENTRY APPLICATIONS AND SPEED UP THE ICC DECISION-MAKING PROCESS.

YOUR PROVISION TO REDUCE UNNECESSARY RESTRICTIONS ON EXISTING CARRIERS IS ALSO TO BE APPLAUDED. ITS ENACTMENT AND IMPLEMENTATION WILL REDUCE FUEL USE AND CUT COSTS. THE PROVISION EXEMPTING SHIPMENTS THAT TRAVEL BY AIR AND TRUCK IS A VERY LOGICAL EXTENSION OF THE WORK YOU HAVE DONE IN THE REFORM OF AVIATION REGULATION.

AS TO PRICE-FIXING, YOU AND SENATOR PACKWOOD ARE TO BE PARTICULARLY COMMENDED FOR HAVING THE COURAGE TO FACE UP TO THE FACTS THAT CALL FOR REFORM IN THIS AREA. WHILE MR. SHENEFIELD WILL BE ADDRESSING THIS ISSUE IN GREATER DEPTH, I WANT TO MAKE CLEAR THAT YOUR PROPOSAL TO END ANTITRUST IMMUNITY FOR SINGLE LINE RATES IN 1983 IS A VERY POSITIVE STEP. WE ALSO FULLY AGREE WITH YOUR PROPOSAL TO OPEN UP RATE BUREAU MEETINGS.

REGARDING RATE BUREAUS, LET ME ALSO MENTION THAT S. 2245, LIKE OUR OWN PROPOSAL, WILL NOT ABOLISH RATE BUREAUS. THE RATE PUBLISHING AND INFORMATION SERVICES PROVIDED BY RATE BUREAUS WOULD CONTINUE AFTER ENACTMENT OF S. 2245, AND THAT IS ENTIRELY APPROPRIATE.

AS TO PRICING FLEXIBILITY, WE FEEL THAT YOUR PROPOSED ZONE OF RATE FREEDOM IS COMMENSURATE WITH THE LEVEL OF ENTRY AND RATE BUREAU REFORMS.

MR. CHAIRMAN, RATHER THAN DISCUSS THE IMPORTANCE OF EACH OF THESE REFORMS, I'D LIKE TO EMPHASIZE THAT IT IS CRITICALLY IMPORTANT THAT WE CLOSELY COORDINATE THE INTRODUCTION OF REFORMS TO END PRICE-FIXING, REMOVE UNREASONABLE BARRIERS TO ENTRY, AND ALLOW RATEMAKING FLEXIBILITY. TO PROVIDE REFORMS IN ONLY ONE OR TWO OF THESE THREE AREAS COULD BE INEFFECTIVE, OR EVEN COUNTERPRODUCTIVE.

FOR EXAMPLE, RATEMAKING FLEXIBILITY WITHOUT SUFFICIENT RATE BUREAU REFORMS OR ENTRY LIBERALIZATION -- OR ENTRY THAT IS SLOW IN COMING -- COULD EASILY LEAD TO A PREPONDERANCE OF RATE INCREASES, NOT DECREASES.

ON THE OTHER HAND, INCREASED ENTRY WITHOUT SUFFICIENT RATEMAKING FLEXIBILITY COULD EASILY LEAD TO INTENSE SERVICE COMPETITION, BUT NOT PRICE COMPETITION. THIS COULD MEAN RATES THAT CONTINUE TO BE HIGHER THAN THEY NEED TO BE AS WELL AS GREATER FUEL WASTE.

THE GREATEST STRENGTH OF S. 2245 IS THAT IT SETS FORTH A BALANCED APPROACH, PROVIDING FOR SUBSTANTIAL REFORM IN EACH OF THESE AREAS. WITH SOME MODIFICATIONS, HOWEVER, THE REFORMS YOU HAVE PROPOSED COULD WORK TOGETHER EVEN MORE EFFECTIVELY TO CAPTURE THE LARGE GAINS FOR THE CONSUMER THAT WE KNOW ARE THERE TO BE HAD.

CONSIDERATION SHOULD BE GIVEN TO PROMPTER AND STRONGER ACTION TO END ANTI-TRUST IMMUNITY. PHASING OUT JOINT LINE IMMUNITY A YEAR OR TWO AFTER SINGLE LINE IMMUNITY IS ENDED WOULD BE ONE SUCH CHANGE. ALSO, IMMUNITY COULD BE ENDED FOR FREIGHT FORWARDERS, WHO WOULD BE GIVEN PRICING FLEXIBILITY UNDER THE BILL. IF THE REFORM OF ANTI-TRUST IMMUNITY CAN BE STRENGTHENED, CONSIDERATION SHOULD BE GIVEN TO WIDENING THE ZONE OF RATE FREEDOM AS IMMUNITY IS REMOVED.

SPECIFIC REFORMS

LET ME SHIFT NOW TO A DISCUSSION OF THE NEED FOR REFORM OF SEVERAL PARTICULAR ASPECTS OF THE TRUCKING INDUSTRY.

OPERATING RESTRICTIONS

MR. CHAIRMAN, IN THE PAST YEAR ALL OF US HAVE HEARD A GREAT DEAL ABOUT THE MANY IRRATIONAL OPERATING RESTRICTIONS GOVERNING TRUCKING OPERATIONS. ENDING THESE RESTRICTIONS WILL SAVE FUEL AND GREATLY IMPROVE THE EFFICIENCY OF TRUCKING OPERATIONS AND, IN A MORE COMPETITIVE ENVIRONMENT, THESE FUEL AND OTHER SAVINGS WILL BE PASSED ON TO CONSUMERS AND SHIPPERS.

S. 2245 WOULD IMMEDIATELY TERMINATE ANY CIRCUITIOUS ROUTING REQUIREMENTS AND PROVIDE FOR PROMPT ICC CONSIDERATION OF APPLICATIONS TO REMOVE OTHER RESTRICTIONS, INCLUDING BACKHAUL AND COMMODITY RESTRICTIONS. WHILE WE THINK THE PROVISION COULD BE STRENGTHENED BY PROVIDING FOR MORE OF THE RESTRICTIONS TO BE REMOVED AUTOMATICALLY, WE STRONGLY URGE YOU TO RESIST ANY AMENDMENTS THAT MAY BE OFFERED TO WEAKEN THIS EXCELLENT PROVISION.

AGRICULTURAL TRANSPORTATION

IT IS ALSO VERY IMPORTANT TO EXPAND THE EXEMPT AGRICULTURAL SECTOR OF THE TRUCKING SYSTEM. THE EFFECTIVENESS OF THE AGRICULTURAL SECTOR, BOTH IN TERMS OF COSTS AND EFFICIENCY, PRESENTS A COMPELLING ARGUMENT FOR THE EXPANSION OF THIS EXEMPTION.

OUR OWN LEGISLATION PROPOSED THAT THE TRANSPORTATION OF PROCESSED FOOD, FARM IMPLEMENTS, AND FERTILIZER BE MADE EXEMPT. S. 2245 MOVES IN THE RIGHT DIRECTION IN ADDING SEVERAL IMPORTANT COMMODITIES TO THE EXEMPT LIST, SUCH AS SLAUGHTERED BUT UNCOOKED MEAT, FEED, AND SEED. AT THE SAME TIME, WE BELIEVE THAT FURTHER EXPANSION WOULD BE IN THE PUBLIC INTEREST.

WE ALSO PROPOSED AN EXPANSION OF THE AUTHORITY OF AGRICULTURAL COOPS TO HAUL NON-EXEMPT GOODS ON AN EXEMPT BASIS. S. 2245 PROVIDED FOR A SMALLER INCREASE IN THIS AUTHORITY THAN WE REQUESTED AND WOULD IMPOSE NEW CONDITIONS ON THOSE COOPS WHICH CHOOSE TO HAUL NON-EXEMPT TRAFFIC. WE URGE THE COMMITTEE TO FURTHER BROADEN THIS PROVISION AND TO DELETE THE NEW REQUIREMENTS.

OTHER PROVISIONS

TRUCKING REFORM LEGISLATION MUST ALSO PROVIDE NEW OPPORTUNITIES FOR PRIVATE AND CONTRACT CARRIERS.

S. 2245 IS RESPONSIVE TO MANY OF THEIR PROBLEMS. THE BILL WOULD REMOVE LIMITATIONS ON THE NUMBER OF SHIPPERS SERVED BY CONTRACT CARRIERS AND WOULD ALLOW CONTRACT CARRIERS A FAIR OPPORTUNITY TO OBTAIN COMMON CARRIER AUTHORITY.

THE BILL ALSO TAKES EFFECTIVE ACTION AGAINST THE PRESENT UNREASONABLE RESTRICTIONS ON INTERCORPORATE HAULING WHICH, ALONG WITH OTHER RESTRICTIONS, FORCE PRIVATE CARRIERS TO ACCEPT EMPTY BACKHAULS MORE THAN TWICE AS OFTEN AS REGULATED CARRIERS. WE STRONGLY SUPPORT THE INTERCORPORATE HAULING PROVISION OF S. 2245. HOWEVER, WE WOULD LIKE TO SEE S. 2245 DO MORE FOR PRIVATE CARRIERS. ONE IMPROVEMENT WOULD BE TO CODIFY RECENT ICC DECISIONS AND END ANY LEGAL QUESTION AS TO WHETHER PRIVATE CARRIERS MAY OBTAIN COMMON CARRIER AUTHORITY, EITHER FOR FRONTHAULS OR BACKHAULS. SUCH LEGISLATION SHOULD ALSO INCLUDE REFORM OF THE SECURITIES LAWS GOVERNING TRUCK TRANSPORTATION, SUCH AS HAVE BEEN PROPOSED BY THE COMMISSION AND OURSELVES.

SERVICE TO SMALL COMMUNITIES

BEFORE CLOSING, MR. CHAIRMAN, LET ME RETURN TO THE SMALL COMMUNITIES ISSUE.

AS I SAID WHEN I APPEARED BEFORE THIS COMMITTEE LAST OCTOBER, WE FIRMLY BELIEVE THAT THE STATE OF SMALL COMMUNITY SERVICE IS A REASON FOR PROPOSING CHANGE TO THE PRESENT SYSTEM, NOT A REASON FOR RESISTING CHANGE, AND THIS IS BORNE OUT BY THE FACTS.

TODAY I'D LIKE TO EMPHASIZE WHAT HAS HAPPENED SINCE THAT OCTOBER HEARING. MR. CHAIRMAN, AT THAT TIME YOU ASKED US TO DO MORE RESEARCH IN THIS AREA. AT YOUR REQUEST WE WENT OUT TO SMALL TOWNS IN NEVADA, KENTUCKY, AND NEW MEXICO. THE TOWNS WERE SELECTED BY THIS COMMITTEE. OUR QUESTIONNAIRE AND SURVEY APPROACH WAS DEVELOPED IN CLOSE COOPERATION WITH THE STAFF OF THIS COMMITTEE. IN SHORT, IT WAS A VERY NEUTRAL INVESTIGATION AND IT IS THE MOST UP TO DATE SURVEY ON THE SUBJECT.

AND WHAT WE FOUND, MR. CHAIRMAN, IS THAT THE REGULATED GENERAL FREIGHT CARRIERS DON'T DELIVER A HIGH PERCENTAGE OF THE GOODS SHIPPED TO SMALL TOWNS. THESE TOWNS RECEIVE MOST OF THEIR TRUCK SERVICE FROM PRIVATE CARRIERS, WITH SIGNIFICANT CONTRIBUTIONS FROM SMALL PACKAGE FIRMS, AGRICULTURAL EXEMPT CARRIERS, AND INTRASTATE CARRIERS.

~~Further,~~ ^R Further, Mr. Chairman, we have not proposed any change to the exit provisions of present law. I think this bears repeating because, on this point, the opponents of reform have tried very hard to confuse the issue by arguing against the strawman of deregulation, not against the merits of particular reform proposals. The simple fact is that we never proposed a change in the common carrier obligation, nor have you and Senator Packwood proposed such a change in S. 2245.

IN BRIEF, MR. CHAIRMAN, I THINK THE RECORD IS CLEAR THAT THE KIND OF REFORM WHICH WE PROPOSED AND THAT YOU HAVE PROPOSED IS IN THE INTEREST OF SMALL TOWNS.

SUMMARY AND CONCLUSION

IN CLOSING, MR. CHAIRMAN, WE FEEL THAT YOU AND SENATOR PACKWOOD HAVE INTRODUCED A VERY MERITORIOUS BILL. IT REFLECTS AN APPRECIATION OF THE FACTS ABOUT TRUCKING REGULATION AND WOULD PROVIDE FOR REFORM IN ALMOST ALL OF THE CRITICAL AREAS OF TRUCK TRANSPORTATION. THE BILL WOULD REMOVE MANY OF THE PRESENT RESTRICTIONS ON TRUCKING OPERATIONS. IT WOULD MAKE TRUCKING A MUCH MORE COMPETITIVE INDUSTRY, AN INDUSTRY THAT WOULD BE MORE RESPONSIVE TO THE NEEDS OF SHIPPERS, CONSUMERS, AND THE GENERAL PUBLIC.

AS I HAVE SAID, WE WOULD LIKE TO SEE CONSIDERATION GIVEN TO FURTHER REFORMS.

HOWEVER, I THINK IT MORE APPROPRIATE TO EMPHASIZE THAT THE GREATEST STRENGTH OF S. 2245 IS THAT IT PROVIDES A BALANCED APPROACH TO REFORM IN THOSE AREAS WHERE REFORM CAN DO THE MOST TO MAKE TRUCKING MORE COMPETITIVE - THE AREAS OF ENTRY, COLLECTIVE RATEMAKING AND RATEMAKING FLEXIBILITY. AS WE EXPLAINED, FAILURE TO PROVIDE REFORM IN ANY ONE OF THESE THREE AREAS WOULD MAKE OTHER REFORMS FAR LESS EFFECTIVE, AND COULD WELL MAKE THEM INEFFECTIVE.

FINALLY, MR. CHAIRMAN, IN THESE TIMES, WE SIMPLY CANNOT RETAIN REGULATORY PRACTICES THAT WASTE FUEL AND ADD TO CONSUMER COSTS. STRONG TRUCKING LEGISLATION WILL END THESE WASTEFUL PRACTICES AND HELP SHIPPERS AND CONSUMERS IN LARGE TOWNS AND SMALL. THESE ARE GOALS THAT WE ALL WANT TO ACHIEVE, AND I THINK THE AMERICAN PEOPLE WOULD LIKE US TO ACHIEVE THEM AS SOON AS POSSIBLE.

WITH THESE IMPORTANT GOALS IN MIND, I LOOK FORWARD TO WORKING WITH YOU AND THE OTHER MEMBERS OF THE COMMITTEE IN THE COMING WEEKS TO ASSURE THE PASSAGE OF STRONG TRUCKING REFORM LEGISLATION.

AT THIS TIME, WITH THE COMMITTEE'S PERMISSION, MR. SHENEFIELD WILL CONTINUE THE ADMINISTRATION'S FORMAL PRESENTATION.