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BEFORE THE SUBCOMMITTEE ON EXPORT OPPORTUNITIES
AND SPECIAL SMALL BUSINESS PROBLEMS
HOUSE COMMITTEE ON SMALL BUSINESS

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Mr. Chairman and Members of the Subcommittee:

Good morning. With me today is Mr. Donald L. Ivers, Chief Counsel of the Federal Highway Administration, and Mr. Kenneth Pierson, Director of the Bureau of Motor Carrier Safety.

Your Subcommittee held hearings (1975-1978) on the problems facing the Nation's owner-operators in the motor carrier industry. These hearings culminated in a report recommending that the Department of Transportation, the Interstate Commerce Commission, and the Small Business Administration cooperate to establish a multi-agency task force to develop a training project for owner-operators. Such a task force was established in June of 1979.

The task force studied this segment of the motor carrier industry and found that, for the most part, the Nation's owner-operators tend not to be well organized and do not generally act collectively. Many owner-operators are not fully aware of the Federal and State laws and regulations with which they must comply. Few are familiar with the remedies available to them on State and Federal levels for relief from various problems that confront them.

Truck owner-operators, sometimes referred to as independent truckers, number about 150,000 to 200,000 and are employed in virtually every aspect of highway motor carrier transportation. Some of them own and drive their own vehicles while others may own several rigs, employ other drivers, and are engaged in securing cargo for their trucks. About two-thirds of these truckers lease their vehicles and themselves as drivers to the larger regulated carriers who hold operating authority issued by the Interstate Commerce Commission. These leasing arrangements can be relatively permanent in nature or as short as a single trip. Generally, these truckers receive approximately 65 to 75 percent of the freight

bill while the certificated carriers receive the remainder. Once a permanent lease (30 days or more) has been arranged, industry practice is such that owner-operators are not free to refuse a load-even if it is unprofitable-without breaking the lease.

The remaining one-third of the independents carry commodities exempt from economic regulation by the ICC. Over half of the exempt commodities are carried by owner-operators. Exempt commodities are generally nonmanufactured or unprocessed farm products, horticultural products, ordinary livestock, and seafood products. The owner-operator will usually only haul full truck loads. These loads may be procured on a shipment-by-shipment basis, sometimes with the services of a broker or through oral or written contracts with the shipper. Since transportation rates and charges for exempt commodities are not regulated, the trucker may negotiate the freight bill or refuse the load if it is not deemed profitable. Brokers who arrange loads of exempt commodities charge about eight to ten percent of the revenues for their services whereas regulated carriers charge 25-35 percent.

There is an ICC proposal to allow owner-operators to lease themselves to private carriers. The Department has supported this proposal, however, the Commission has not yet decided the issue.

Major portions of the food supply and other commodities vital to our Nation are transported by owner-operators. They are an important segment of our transportation system. These enterprising individuals provide a livelihood for their families, pay taxes, and help support those businesses from whom they purchase goods and services. Many of them, unfortunately are conducting their businesses at a less than profitable level and are going bankrupt as a result. Their problems cannot be ignored. As individual businessmen they need help to survive in a very competitive market; and as important members of our transportation and distribution system they play an essential role in the general economy.

In September 1979, the inter-agency task force submitted its report on an owner-operator training program to the heads of the participating agencies. The study provides the framework for an instruction program to help owner-operators become a more viable sector of our transportation system. The purpose of the program developed by the task force is to help owner-operators to better understand the environment in which they must function and thereby enhance their ability to survive and serve the public.

A target of initially training 10,000 of the estimated population of 200,000 owner-operators was decided upon. This project is to be accomplished within 2 years from the date of implementation.

A series of 15 two-day conferences for owner-operators was held in various locations across the Nation during the months of July and August of this year. The attendance at the conferences far exceeded our expectations. Quite frankly, we did not anticipate that substantial numbers of the owner-operators would forego the revenues of "pulling a load" in order to attend one of the seminars.

The Federal Highway Administration's (FHWA) Bureau of Motor Carrier Safety was selected to handle the DOT's responsibilities for the seminars. The Bureau secured mailing lists from the two largest organizations of truck stop operators and sent, in cooperation with FHWA's Office of Public Affairs, brochures to approximately 2,500 truck stops across the Nation. Additional supplies of the brochures and flyers were furnished to the ICC and SBA for their distribution.

The Regional Offices of Motor Carrier Safety selected individuals from their staffs to serve as instructors for the conferences. Two professional staff members were present for both days of the conference.

The Bureau had a 4-hour time slot at the beginning of the second day of each seminar. The subject matter included the Federal Motor Carrier Safety Regulations (FMCSR), fuel economy, truck specifications and operations. The attendees were furnished with informational literature which can be retained as valuable reference sources. The conference manual supplied by DOT is essentially a primer of the FMCSR prepared especially for these conferences.

The DOT session began with a presentation of the FMCSR with a question and answer session following each part of the regulations. We found that the areas of greatest interest were driver qualifications and driver's hours of service. Since the minimum levels of financial responsibility requirements applicable to the for-hire motor carriers of property became effective July 1, the requirements of the new insurance rules were discussed at each conference and generated much interest. Other subjects frequently introduced by the audience were their concern about the 55 m.p.h. speed limit, lack of uniform maximum weight limits

among the States, and allegations of harrassment by some personnel of State regulatory agencies.

The cross section of the audience varied from location to location with some of the individuals attending specific portions of the conference. The DOT instructor from the conference in Kansas City, Missouri, reported: "The audience was composed of owner-operators and their wives, drivers interested in becoming owner-operators, accounting services, insurance companies, small fleet operators, a reporter for the Kansas City Star, representatives from an owner-operator independent trucker association, and instructors and students from a driver training school located in Illinois. Those attending resided in the States of Missouri, Kansas, Iowa, Illinois, Arkansas, Nebraska, and Texas." Present at other conferences were members of legal firms, transportation consultants, traffic managers, and reporters for trade publications. The DOT instructor for the conference in Atlanta, Georgia, reported that: "The greatest interest of the group centered around insurance, drivers hours of service, driver qualifications and hazardous materials with respect to our (DOT) portion of the program. I thought that we would lose about 25 percent of the attendees over the 2-day period. However, we lost only three persons. This in itself will give you some idea of the interest displayed by those who attended."

The DOT instructor for the conference in Forth Worth, Texas, generally reflected the reports received from the other conferences in his statement: "I feel that the meeting was generally well received and that the participants received valuable information."

The instructors advised that the area of greatest interest in the presentation by the ICC was the procedure for obtaining operating authority in order to carry ICC regulated commodities without having to pay a regulated carrier the 25-35 percent fee. The ICC instructors "walked" the attendees through the process of making an application for operating rights and the individuals completed the forms they would have used had the applications been authentic. The attendees were also eager to learn more about leasing arrangements and agreements. Owner-operators frequently complain about the inequities in their leases and their failure to receive full compensation. We have been advised that the ICC instructors were well prepared and the subject matter presented was well received by the audience.

The Small Business Administration had a number of topics on the agenda and also reportedly put on an excellent program. It appears that the topics that generated the most interest in the SBA presentation were business and financial management.

Our final analysis of the owner-operator pilot conferences is that they were a success. The first indication of the substantial interest in the conference came when it was discovered that in many instances the number of pre-registrants exceeded the capacity of the conference facility. The enthusiasm shown by the conferees during the presentation of the subject matter and their participation in the discussions that followed demonstrates their determination to become profitable business persons.

The success of these conferences was due to the high level of cooperation between the participating agencies whose staff members planned the curriculum, conducted advance publicity, and selected the conference locations; and to the instructors who presented the program in an interesting format and in a professional manner.

The success of the pilot program indicates a definite need for additional conferences of this type. The sole proprietors in the trucking industry have demonstrated their approval for these conferences through their enthusiastic response to the pilot seminars. The FHWA is willing to participate in additional conferences because through them the owner-operator is assisted in conducting a profitable small business within the framework of the law and the Government achieves better compliance with its rules and regulations through the educational process. These results are encouraging and should help to provide the public with a more efficient, safe, and more effective highway transportation service.

We will be pleased to respond to any questions that the Committee may have with regard to our participation in this activity.