

STATEMENT OF
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BEFORE THE
SUBCOMMITTEE ON SURFACE TRANSPORTATION
COMMITTEE ON PUBLIC WORKS AND TRANSPORTATION
UNITED STATES HOUSE OF REPRESENTATIVES
REGARDING
REGULATORY REFORM FOR THE INTERCITY BUS INDUSTRY
MAY 28, 1981

Mr. Chairman and Members of the Subcommittee:

I am pleased to be here today to outline the Administration's views on regulatory reform of the intercity bus industry.

As President Reagan has made clear, the Administration is intent on removing unnecessary regulatory burdens wherever we can find them. Regulation of the transportation industries is a prime target. Immense progress has been made over the past six years through bipartisan efforts and the leadership of this Subcommittee, as well as the full Public Works and Transportation Committee. Mr. Chairman, you helped lead the effort to totally deregulate the domestic airline industry. That legislation is working well and we are now advocating an early sunset of the Civil Aeronautics Board. Great steps were also taken in the last Congress by this Subcommittee and others toward deregulation of the trucking industry. I might note that the leadership of Mr. Howard, Chairman of the full Committee, Mr. Shuster, and other Members of this Subcommittee were instrumental in this effort. Through the work of other Committees of Congress, we have also recently seen significant regulatory reform in the railroad industry. Now it is time to focus on deregulation of the intercity bus industry.

The Administration shares your interest in the intercity bus industry. This industry constitutes an important segment of our nation's passenger and freight transportation system. It serves more points and carries more passengers in the U.S. than any other form of public transportation.

Over the years the bus industry has demonstrated its ability to provide excellent service to the public at reasonable fares and rates. This has been the case in spite of a burdensome economic regulatory system. Interstate Commerce Commission regulations govern virtually every aspect of interstate bus operations. On top of this, most States regulate the intrastate operations of interstate carriers to varying degrees.

Over the last several years, the ICC has taken some steps to liberalize economic regulation of the bus industry, most notably in the area of entry. Those steps appear to have benefited both the intercity bus industry and the traveling public.

We believe, however, that such action does not go far enough. The nature and structure of the intercity bus industry indicate that continued economic regulation of this industry is not needed.

The bus industry has traditionally been an example of successful private enterprise, generally operating without public subsidy. While over the past decade this mode of transportation has lost passengers to the airlines, Amtrak, and the automobile, and profitability has registered a long-term decline, ridership and profits have improved during the past two years.

The Administration firmly believes in the power of free enterprise and in the need to reduce the burden of Federal regulations. The marketplace, not a set of regulatory standards developed in 1935, should

govern the behavior of the managers of the bus industry. We see no need to continue any Federal economic regulation of the industry. The industry's economics show that reliance on the free enterprise system should increase the efficiency of bus operations, enable the industry to utilize its energy efficiency to the maximum extent, improve profitability, and result in better service to the public. Deregulation would also eliminate unnecessary government restrictions and red tape.

Mr. Chairman, as you are aware, motor carrier transportation in the State of Florida was completely deregulated on July 1, 1980. Earlier this year, my staff conducted a preliminary study of the effects of deregulation on intercity bus operations in Florida. While it is still too early to draw firm conclusions, the results on balance appear favorable. Nevertheless, we seek the opportunity to study this unique environment over a longer period, in order to determine how best to accomplish a transition from the existing system of regulation to a deregulated regime.

In short, Mr. Chairman, while we are not advocating that Congress totally deregulate the intercity bus industry tomorrow, we see total deregulation as a desirable endpoint. We have been working closely with the bus industry and other interested groups and we realize that there are several areas which merit further serious consideration before we will be in a position to advocate a particular deregulation scenario. We would like to investigate these areas thoroughly and gather more evidence before presenting a formal legislative recommendation calling for total deregulation.

Let me briefly outline some of the areas we are investigating.

Entry Freedom

We are convinced that free entry for both the regular-route and charter and special operations sectors will result in increased competition among carriers and a wider variety of price/service options for the traveling public. In recent years, more liberal entry standards have prevailed for the charter and special operations sector, with favorable results.

I do wish to note, Mr. Chairman, that while we seek to deregulate entry, we want to be certain that the carriers providing service are financially responsible and that the safety of bus operations will be maintained. I will discuss safety and insurance in greater detail in a few minutes.

Pricing Freedom

Closely related to removal of entry restrictions is the need for pricing freedom. If Congress should choose to stage entry freedom, we feel that pricing freedom must be tied to the speed at which entry is deregulated.

Pricing freedom will encourage carriers to set innovative fares, representing a great benefit to bus passengers. This freedom will also allow carriers to more quickly tailor their services to the costs of particular operations.

We believe that along with pricing freedom must come the elimination of antitrust immunity for ratemaking among bus operators. As you know, Mr. Chairman, bus companies are allowed to discuss and vote upon single-line and joint-line fare changes and propose these changes through the bus industry rate bureau, the National Bus Traffic Association (NBTA).

We see no reason to allow this antitrust immunity to continue. Immunity for single-line fares should be removed completely. The industry should be permitted to continue to set joint-line fares, but not in a manner that reduces or stifles competition.

Exit Freedom

A balanced proposal for bus regulatory reform must include the right to abandon unprofitable service. This will no doubt result in the trading of many routes as carriers restructure their networks. The end result, however, should be more efficient systems for bus companies, with carriers being able to serve points they want to serve. Bus riders should also benefit as carriers will enter new markets, large towns and small, to provide service which matches their route structures and is profitable.

Initial results in Florida are favorable in this regard. Many towns have been added to the route networks of bus companies, although some loss of regular-route service has been reported. Carriers are restructuring their route systems, allowing them to provide improved transportation service. New carriers have entered some markets as old carriers have exited.

State Preemption

Perhaps the most controversial issue concerning bus deregulation is the effect of State regulation on interstate operations. This manifests itself in two respects. First, many State regulations appear to be implemented in a manner in opposition to Federal standards. The bus industry has provided us with several examples where this appears to

be the case. Second, individual State regulations requiring reporting and registration often vary significantly, creating a considerable burden for carriers. Nevertheless, this Administration realizes the importance of State authority; the Federal government will not interfere in matters that are truly State or local in nature.

The Department and the ICC are studying the issue of uniform State regulation, as directed by Congress under the requirement of Section 19 of the Motor Carrier Act of 1980. The report on this joint effort, which also investigates State regulation of buses, is to be submitted to Congress by January 1, 1982.

Safety

Safety is a continuing concern in this industry. Mr. Chairman, we believe that existing safety regulations should be strictly enforced. It has been suggested that the present minimum level of insurance required of interstate operators may be too low to afford adequate protection to the traveling public. We believe serious consideration should be given to including authority on bus insurance similar to the authority granted the Department of Transportation in the Motor Carrier Act of 1980 for trucks. This would allow the Secretary limited authority to set minimum insurance requirements as circumstances require.

Other Bus Legislation

Mr. Chairman, let me now briefly discuss the Administration's views on the two pieces of bus legislation before the Congress.

This Administration is firmly on record in support of easing Federal intervention in American business. The intercity bus industry is a prime example of an industry where competitive forces should be allowed

to determine the nature of the industry. The "Motor Bus Act of 1981", proposed by the ICC, takes some important steps in this direction. This bill contains significant entry and pricing reforms and is aimed at increasing competition in the intercity bus industry.

The "Bus Regulatory Modernization Act of 1981", on the other hand, allows for easing of pricing restrictions, but contains a more restrictive entry policy than that now practiced by the ICC. This bill, proposed by the American Bus Association, does not encourage competition and would not provide sufficient managerial freedom to lead to overall improvements in services rendered to the public.

We believe that neither of these bills goes far enough.

Deregulation Will Benefit the Bus Industry and the Public

In conclusion, Mr. Chairman, we see no need to continue any Federal economic regulation of the intercity bus industry. This Administration is committed to reliance on competition, not government regulation, in providing transportation services. The intercity bus industry is an essential part of our nation's transportation system. Freedom from economic regulation will increase the efficiency of bus operations, improve the financial health of the industry, and improve available service to the traveling public. Mr. Chairman, I look forward to working with you and the Members of the Subcommittee in the future to achieve those ends.

That completes my prepared statement, Mr. Chairman. I would be pleased to answer any questions you or other Members of the Subcommittee might have.

11