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REMARKS PREPARED FOR DELIVERY BY U.S. SECRETARY OF TRANSPORTATION NEIL GOLDSCHMIDT TO THE COORDINATING COMMITTEE ON TRUCK REGULATORY REFORM, WASHINGTON, D.C., JANUARY 17, 1980.

I'm pleased to be here today on Capitol Hill to speak to you about reform of trucking regulation. The issue we are here to discuss warrants this kind of attention. For it speaks to the economic lifeblood of this country, to our national energy-conservation and inflation-fighting goals.

As recently as this time last year, the conventional wisdom had it that regulatory reform of the trucking industry was a hopeless cause -- a grandiose monument to unpopular economic theories put together, brick by hypothetical brick, by theoretical dreamers with no knowledge or experience in the real world.

That was last year.

This year, it is clear, the real issue has been joined. This year, we are going to do something. This year, the leadership of both houses of Congress is looking seriously at the need for reform. Senator Cannon and Representative Bizz Johnson and Representative Jim Howard have promised the President that they will have a bill on his desk by June 1.

This year, in other words, is the year.

And the time is right.

For truck reform tackles the two most significant issues that face us as a nation: energy and inflation. Our over-dependence on foreign sources of oil represents the greatest threat to our nation's future: it leaves us vulnerable to foreign blackmail on matters of international and domestic policy; it creates a balance of payments problem that is destabilizing the dollar; it fuels inflation at home; and it is causing a major transition in our economy as industry adjusts to the ever increasing price of oil.

For all of these reasons, we must develop a national conservation strategy -- a strategy that demands an end to the waste of scarce and expensive resources. And in developing this strategy, we must look at every sector of our economy to see where and how we can reduce or eliminate the unnecessary consumption

of imported oil. For in wringing the waste out of our economic system, we ultimately wring inflation out of the system. It is the fastest and most effective means at our disposal to increase the productivity and the competitiveness of the American economy.

The first place to look for these savings is at the government itself. Where we are imposing waste and inefficiency as a result of needless regulation, we have a responsibility -- to the American consumer, the American producer, to the American economic system -- to eliminate that waste.

I believe that is exactly why we need to reform the way we regulate the trucking industry in this country. I believe that you can make a convincing case that a federal regulation that requires a trucker to deliver goods from Philadelphia to Pittsburgh by way of Binghamton, New York, mandates a wasteful uneconomic way of doing business -- a way of doing business that is more expensive for the shipper and the hauler and for the consumer, and ultimately for the entire economic system.

We consider this legislation to be a high priority item because it tackles two significant problems that are facing the nation right now: energy and the economy. Actually, they are two aspects of the same issue because the cost of our continuing demand for energy contributes substantially to the rate of inflation -- perhaps as much as one-third of the rate of inflation.

Now, we are a country that uses a lot of energy, and much of our usage is built into our economy. A lot of it is absolutely essential to our survival. But a lot of it isn't essential. It's been estimated that we waste as much as half the energy we consume. And we devote about half our total energy consumption to transportation.

So, obviously, anything we can do to reduce or eliminate unnecessary consumption of imported oil, and the unnecessary costs of doing business in this country will be a worthwhile contribution toward achieving our most pressing national goals. That's especially the case if those unnecessary costs are imposed by the government itself.

The evidence of this is out there, in the communities of America.

Not long ago, at Senator Cannon's request, we sent a number of researchers out to six small towns -- two towns each in the states of Nevada, Kentucky and New Mexico. Our researchers asked local businessmen about the quality of the truck service they received. Were they satisfied with it? Was the service they received frequent enough? Was it reasonably priced? Were complaints handled fairly and promptly? Questions like that.

We did not pick the communities ourselves. Members of the Commerce Committee did that. We went to as many businesses as we could in each community. We used the same questionnaire wherever we went.

We found that, in many instances, shippers and receivers in these small communities received perfectly adequate trucking service. But this was rarely due to the ICC-regulated general freight carriers. Rather, the most responsive service was provided by small package specialists such as United Parcel Service, by private truckers and by intrastate truckers who are not subject to ICC regulation. General freight carriers, on the other hand, generally provide service that is too infrequent, too slow, and too expensive.

We also heard some horror stories.

*As an example, a retailer in a small Kentucky town told us about a shipment of Easter candy that had sat for two months in a truck terminal in another town 20 miles away. It was finally delivered a month after Easter.

*The owner of a building supply store in a small town in Nevada drives his own truck to Las Vegas -- a distance of 175 miles -- every week to pick up merchandise. He says it is cheaper and quicker than relying on common carriers.

*The same retailer who told us about the Easter candy also told us about an order of disposable diapers he once received. The diapers -- 28 cases of them -- were brought to the terminal of a carrier that is authorized to serve the retailer's little town, but the carrier refused to accept them. He said his terminal was full. So the diapers were schlepped all over the state of Kentucky, in a vain attempt to find a carrier who would deliver them. They were finally delivered to a plumbing firm in a nearby community, and one of the plumbers delivered them in his own truck, on his way home after work, as a favor.

That particular retailer, not surprisingly, now says he won't buy from a supplier who ships his goods via general freight carrier. If the supplier won't ship on his own trucks, or by UPS, he says: "I change suppliers."

*The owner of a little Kentucky service station told us that general freight carriers won't even come into town to deliver to her. They call her on the phone and tell her to meet them on the highway and bring along two cups of coffee.

*And a hospital administrator in New Mexico told us that carriers often delay perishable goods -- such as intravenous solutions -- for long periods of time while they wait to accumulate a truckload of freight to her community.

If there was a continuing theme running through our survey -- a leitmotif -- it was that regulated common carriage is not small town America's lifeline, as the apologists for the status quo often claim. Regulated common carriage, in reality, is small town America's last resort.

Over and over again, the people we interviewed told us they considered regulated truckers to be undependable, unconcerned and ungodly expensive. Some folks told us they relied on common carriers only when there was no other choice. Others said they didn't rely on common carriers even then.

We conducted our survey in only six communities in only three states, but I have no doubts that the results couldn't be duplicated again and again in almost any small community in any state. The smaller the town the more predictable the results.

I invite you to try it yourself, if you like. The results of our study were published in November under the title: A Study of Trucking Service in Six Small Communities. The questionnaire that we used is reprinted in one of the appendices. Pick up a copy of the book, which is available here today, rip out the questionnaire and take it with you back to your own home town. Ask a few shippers and receivers the same questions we asked. The results may not be scientific, but I think you'll find them interesting.

So why is regulated trucking service to small communities so bad?

One basic reason it's bad is that it doesn't have to be good. Under the current regulatory scheme, every common carrier has its own turf, and that turf is protected against new competitors. In one of the towns we surveyed, a couple of respondents said only two carriers were authorized to provide service. One was authorized to bring freight into town, and the other was authorized to take freight out of town. I don't know whether that's really the case, but it's safe to say that regulated common carriage is not the nation's most competitive industry.

Trucking is simply too widespread and too complex a business to be run out of some cavernous building on Constitution Avenue. In theory, the Interstate Commerce Commission can yank a trucker's ticket if the operator fails to serve all comers, without discrimination. But that's simply never happened.

The fact of the matter is that 44 years of economic regulation by the federal government have done little to assure good trucking service to small communities in America. On the contrary, by discouraging new entry and rate competition, federal regulation has often acted to keep truckers out of small communities.

We do not propose legislation designed to destroy the regulatory system, rather we seek to eliminate a lot of the cumbersome and unwieldy aspects of that system. We would make it easier to apply for a new route by eliminating a lot of the red tape in the application process. We would eliminate all those restrictions that send truckers 200 miles out of their way in order to deliver the goods, and the restrictions that say you can haul only instant noodle soup because somebody else has the authority to haul split pea.

We would broaden the agricultural exemption to include all food and farm items. When you come right down to it, the differences between dry milk and canned evaporated milk have more to do with theology than with transportation. And we're proposing greater competition on rates by encouraging ratemaking flexibility and discouraging price fixing. We're also proposing a much tougher safety program administered by DOT.

On the other hand, we're not abolishing the ICC. We're not proposing abolition of the basic tests of financial responsibility. We want the ICC to retain its right to review rate increases if they exceed a reasonable level, and we're

not proposing to change the common carrier obligation. In fact, by eliminating a lot of other non-productive and time-consuming chores, we think the common carrier obligation can be made enforceable.

I've talked a lot about small towns today, but I've done it for a good reason.

In the first place, small towns -- and small businesses -- suffer the most under the existing system and we think they deserve a better break than they've been getting. We think legislation like the bill we have introduced will provide that better break.

But there's another reason, too, and it goes back to my earlier discussion about the need to eliminate economic waste. We sometimes forget just how important small businesses are to our economy. Frank Swain's organization, the National Federation of Independent Businesses, represents about 580,000 small and independent businesses. By themselves they may not seem to be a major force in our economy, but together they produce a major portion of our goods and services, and they contribute significantly to our way of living. Especially, but not exclusively, in small towns.

We used to say that if we take care of the pennies, the dollars will take care of themselves. Small town businesses -- small businesses everywhere -- represent a lot of pennies. And a lot of dollars, too.

Ultimately, the issue is one of waste. If we have learned anything from the energy issue that we face, it is that waste is a luxury that we can no longer afford.

We are now in the midst of defining an economy for the 80s; an economy where we are eager to eliminate waste and inefficiency to substitute productivity and competition. The transportation system is a major part of this economy. For it moves the goods that move the economy. If there is fat in the transportation system, it shows up as added cost -- either in dollars we send to OPEC or in added inflation that we pay for in the market. I believe that the transportation system can lead the way to a leaner, more conserving economy -- and that truck reform is a part of that leadership.

If we are serious about the need to eliminate waste -- and in the Carter Administration we're very serious about it -- then it's time we got on with it.

And that's the reason we're meeting here today.

Thank you.

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