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REMARKS PREPARED FOR DELIVERY BY SECRETARY OF TRANSPORTATION
ELIZABETH HANFORD DOLE
TO THE AMERICAN TRUCKING ASSOCIATIONS
WASHINGTON, D.C.
JUNE 15, 1983

I am truly honored to stand before this most prestigious assembly of the American trucking industry and to share with you some thoughts about the future of our common field, transportation.

We are all aware of the winds of change that are blowing through the motor carrier industry and, in a larger sense, through our nation as a whole. And to borrow a phrase from John Adams: "All great changes are irksome to the minds of men..." But the beautiful constancy about America, its people, its free enterprise system and its private sector, has been our enduring ability to adjust to change.

And yours has always been an industry dedicated to the building of America. Since 1956 trucks have paid more than \$46 billion into the Highway Trust Fund. In doing so, you have made a major contribution to the construction of the national highway system so vital to the flow of America's commerce. You serve over 40,000 small communities, many in remote areas of the country, whose only access to commercial markets is delivered by motor carriers like yourselves. Together, such carriers handle 39 percent of the nation's total intercity freight traffic, easily the largest percentage share of any transportation mode. This alone helps to make truckers the transportation backbone of America's economy.

In short, ladies and gentlemen, I know something of your problems -- and even more of your potential. And I am delighted to work closely with you in tackling and resolving those problems.

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Sometimes we may have to agree to disagree. Yet there is no dispute about our common objective: an even stronger, more productive trucking industry. That is a positive change on which we can all agree. I want to concentrate today on the future and how we can work together to take full advantage of the benefits of change -- to seize the opportunities it offers and develop them into greater strengths.

I hardly have to remind you that for the trucking industry, the last few years have been a traumatic period of adjustment. Higher fuel prices, an uncertain economy, increased competition: all have posed substantial problems. The worst of those problems, I am convinced, are now behind us and I trust you would agree with me that one of the industry's most pressing needs is for improvements in productivity, including some relief from the current mixture of state registration and tax requirements.

I can recall when my hometown paper back in Salisbury, North Carolina used to report the first robin of spring. But even I was taken aback by a story in one of the Washington papers several weeks ago proclaiming the "first sighting of a tandem trailer in Virginia."

Those trucks will bring greater productivity. Of that I am confident. But I am equally certain that if they cannot be operated with a high degree of safety, then neither we in the government nor you in the industry will sanction their continued use on our highways.

We had hoped that all fifty states would be responsive to the new truck widths and the use of double trailers on qualifying routes. A number of them have, as you know, registered objections to the sections of non-Interstate roads added by the Federal Highway Administration to provide a system of connected routes.

The problem is, that while the so-called "double bottoms" have been in use for years in 36 states -- and have become common in many states in the West -- they are new to some of the Eastern states. Aware of this, we have been working with states which have expressed concern, and we will continue to do so as we evolve the final system plan due in October. Let me assure you that the Department is vitally interested in ensuring safe highway system operations. Our discussions with the states have been going very well and I am sure we can reach mutually acceptable agreements. We already have "de-designated" some of the routes initially included in the interim system.

On the other hand, we will use the legal means available to us to assure that the law is upheld and that double trailer trucks are permitted as required by law to operate on the Interstate system linking the 48 contiguous states and on designated Primary highways where they can be safely accommodated.

Connecticut was one state which took us to court. You are probably aware of the decision announced Monday. I believe the Judge made the correct decision. I look forward to working cooperatively with the State of Connecticut in establishing a designated system of highways accessible to double trailer trucks.

I think it is incredible, the lengths to which truckers must go to comply with the states' patchwork quilt of differing registration requirements, fuel tax payments, operating authority rules and "third structure" taxes. During the attempted shut-down last February it became evident that this was an area of legitimate concern to the industry, and also one in which we perhaps could be helpful. And it will increase your productivity.

Our experience suggests the unlikelihood of the states, with their own laws and particular revenue needs, agreeing voluntarily to any universal trucking registration and taxing mechanisms. Neither can the Federal government pre-empt entirely state taxing prerogatives. We do believe, however, that it is possible to reduce the administrative complexity of the various state tax and registration requirements, and that this, in turn, will lower the cost of Interstate trucking operations.

We expect to submit legislation soon providing a mechanism for the states to use to reach agreement on truck registration and tax administration practices, one that the Department can employ to see that improvements are implemented uniformly across the landscape. This is no simple problem.

And, of course, no discussion of productivity improvement is complete without acknowledging the benefits the Surface Transportation Assistance Act of 1982 will bring to the highway system.

We hear a lot about what we have spent, and are spending, on the Interstate system. But I defy anybody to put a realistic price tag on the benefits that system has brought to motorists, to the tourism industry, to economic and urban development, and to motor carrier commerce itself. The Interstate system has shortened distances, reduced travel time, saved operating and maintenance costs. It has put more places in America on the map. It has made the truck a highly competitive freight and commodity hauler.

The highway is your factory, and the system must be kept in good condition. Washboard pavements can wreck schedules as well as tires. Weight-restricted bridges and detours do precious little for productivity.

No one in America knows this better than you. No one can better appreciate that the larger revenues from the user fees authorized under the Surface Transportation Assistance Act are going to make the difference between a hat-in-hand highway and bridge rehabilitation program and one adequately funded to protect and preserve the system now in place -- a system vital to your industry and the national economy it serves.

The Act provides about \$4 billion per year more than ever before for highways. It authorizes over \$12 billion for Federal-aid highways, bridges and related programs in this fiscal year and about \$56 billion through 1986.

And since states can now schedule highway and bridge projects with assurance that Federal funds will be available, many of those projects are being accelerated.

Of course, no one is happy about taxes, whether on the highways or in the workplace. There's a story about a meeting of North Carolina voters called to consider an increase in schoolteacher's salaries, which would also entail a rise in taxes. A reporter singled out a person who seemed very much interested in the schools and asked him to assess the general sentiment.

"Well," he replied, "as best I can see it, almost everybody is in sympathy with it, but hardly anybody is in favor of it." And I suppose that sums up the attitude of many motorists and truckers alike.

Now, I want to assure you that we are examining every alternative to the heavy vehicle use tax. A study was mandated by the Surface Transportation Assistance Act of

1982, but we are going beyond mere technical compliance. We are going to give this issue our fullest attention and highest priority. We will make an interim report this summer and a final report in January 1984. The summer report will focus on alternatives we think will work better. The preliminary assessment will give everyone interested an early indication of the direction the study is taking.

It will concentrate on the equity and user convenience characteristics of the alternatives, while the remaining time will be used primarily to address the administrative compliance and enforcement aspects of the tax alternatives examined. We continue to believe that the taxes levied on the heaviest trucks are fair. At the same time, we are very much interested in ways that the tax structure can be improved.

We will examine very carefully, for example, the trade-offs between increased diesel tax and lowered heavy vehicle tax -- one of the sets of alternatives -- because we know it is favored by many parts of the trucking industry.

Whatever the collection system, it remains our feeling that the tax is more than offset in most instances by the increases in productivity the new law permits. While the relative costs and benefits will vary from company to company, and depending on circumstances, our best rule-of-thumb calculations show an annual net gain -- by 1985 -- of \$3.2 billion of benefits over costs for the industry as a whole.

The Department is concerned that we have a strong interstate trucking industry that can work as efficiently as possible. That is a high priority with me as it is with you. And these are some of the ways we can and will work with you. We welcome your input every step of the way.

I know some in your industry are unhappy with the Interstate Commerce Commission's pro-competitive implementation of the Motor Carrier Act of 1980. I wouldn't even attempt to change your minds. That, at least, is one change I don't anticipate anytime soon.

But, one fact of life that isn't likely to change is that the clock will not be turned back. The trend in America today is toward deregulation -- toward giving the private sector more opportunity to function in a free market, free of red tape and excessive regulation. The tide of deregulation has yet to crest; the wave of regulation in America has long ago ebbed.

In all honesty, there is no substantial support in the Congress or the Interstate Commerce Commission, and none whatsoever in the Executive Branch, for re-regulation.

With that in mind, I ask you to consider whether you might not be living in the worst of both worlds. You still have many of the burdens of regulation. Yet, you may not be getting all the benefits. You might be better off by shucking the remaining regulatory restrictions that limit your flexibility and add to your paperwork and costs.

Consider too, if you will, whether the remaining protection you think you have may be less than meets the eye. For example, I know that many of you feel that the existing antitrust immunity for general rate increases is a very important benefit. Yet, it seems to me that formal collective rate increases are eroded significantly by discounts and actual competitive prices. One major shipper, for example, told us that the firm has negotiated less than truckload discounts averaging 21 percent. So I wonder then how important, in reality, is that antitrust immunity for general rate increases.

The benefits of collectively setting general rate increases may be overrated. The fact is that general rate increases applied to smaller shipments are often being avoided, as shippers increasingly consolidate small shipments to qualify for larger shipment rates. I understand that the main item in distribution magazines and on the agendas of shippers conferences these days is "how to save freight costs through consolidation." Moreover, brokers and shipper agents are enjoying significant increases in business by consolidating relatively small lots and frequently sending them by piggyback, so their only truck movements are for local pickup and delivery.

Also -- as the industry itself has recognized -- regulation no longer provides a significant barrier to the entry of new firms or to the expansion of existing firms into new markets. Motor carrier regulation today no longer shelters carriers from the forces of competition. The shelter may have turned into a cell -- the impression of protection may also be seen as false security.

Regulation is not simply neutral, but often downright harmful to an industry. For example, freight forwarders have been regulated strictly while their competitors -- shipper associations -- have been exempt from regulation. Consequently, forwarders' traffic has fallen while traffic obtained by shipper associations has grown vigorously. Similarly, rail transportation of perishable fruits and vegetables almost disappeared under strict rail regulation -- from a 75 percent market share in 1950 to less than 10 percent in 1978. However, the 1979 deregulation of rail carriage of perishables resulted in a substantial resurgence of such traffic. Likewise, piggyback traffic is up 12 percent since it was deregulated in 1981, at the same time that overall rail traffic is down 18 percent.

Let's carry this line of reasoning to some other examples, which I'm only suggesting that you might want to consider.

You know that motor carriers must still comply with ICC leasing rules, including those governing the use of owner-operators. Many carriers must still file reports annually with the ICC, and all common carriers bear the burden of filing tariffs containing their rates and conditions of service with the Commission. Contract carriers are losing this burden.

I was amazed to learn that in fiscal 1982, carriers filed over 180,000 independent rate actions through rate bureaus; in all, more than 725,000 tariffs were filed that year. It is clear to me at least that carriers and rate bureau personnel have to spend a considerable amount of time and money complying with Commission paperwork and other requirements -- time that could be more productively spent on improving carrier efficiency and profitability.

Equally important, regulation slows you down while introducing new uncertainties. There is a thirty-day time lag before rates filed by common carriers become effective, and competitive conditions may change significantly during this time. Again, contract carriers are shedding this burden.

Further, new operating authority still requires shipper support, paperwork, legal fees, and a \$350 filing fee. Similarly, carriers participating in the regulatory process bear the costs of protesting other carriers' rate or entry actions, and the costs of participating in other ICC proceedings.

So, again, I think, and I wonder if you might not agree, that you now bear many of the burdens of regulation without many of its assured benefits.

By imposing paperwork requirements and by restricting carriers' ability to respond to competition and the needs of shippers, regulation has imposed roadblocks on an industry dedicated to the open road. At the same time, many formerly beneficial aspects of regulation to carriers are now largely illusory. So here, too, change carries with it genuine promise -- not of disruption but of advance.

I hope that you will give these views your full consideration as we continue to work together toward the most realistic solution to the current situation.

I also hope you will continue to work very closely with me in resolving the problems of the industry. As I said at the outset, I have an open door: more important, I have an open mind. I hope you will think of both as resources, and I look forward to a relationship marked by candor and mutual respect. Of all the things that we cannot afford in 1983, the most important -- the most dangerous -- is mindless division or a hardening of the intellectual arteries. We require vision in place of the status quo, and a willingness to experiment and grow that has characterized this land at its most buoyant. It is that sense of hope and potential that I bring to my new duties.

It is an attitude I know you share. For America's trucking industry was not built by timid men -- anymore than America herself was the product of stubborn adherence to the ways of the past. No -- we are a nation of anticipators. And I anticipate more than most. I invite you to join me in turning anticipation into reality. Apart, we cannot succeed. Together, we cannot fail.

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