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I. Introduction

Mr. Chairman and Members of the Subcommittee, I am delighted to be here this morning. As a member of President Bush's Cabinet, one of my major concerns has to be the state of our national economy. And when I see an opportunity to lift an impediment to economic efficiency, without any deterioration in the safety of our system, I want to push for it as hard as I can.

Truck deregulation is such an area. The present regulatory system is an anachronism that has long stood in the way of realizing the maximum efficiency of which the transportation system is capable. By ridding ourselves of its drawbacks, we can directly increase our economic efficiency. And higher efficiency in the transportation industry makes the whole economy more efficient, lowers consumer prices, improves our international competitiveness and thereby increases U.S. jobs.

I am particularly pleased to make my first congressional appearance as Secretary before this Committee, which played such a key role in the passage of the Intermodal Surface Transportation Efficiency Act (ISTEA) last year. We at the Department of Transportation are hard at work implementing that new law in as

timely a fashion as is possible, so that every State will benefit from the infrastructure improvements that it makes possible and the jobs that it creates.

Congress recognized in the ISTEA that a way to provide better transportation, at less cost, is through making intermodal movements more efficient. While provision of the appropriate infrastructure is an important ingredient toward more intermodalism, removing government barriers against it is another. Government deregulation during the late 1970's and early 1980's removed barriers to innovative applications of new and old technology. Piggyback car loadings were just about level at 1.5 million per year between 1968 and 1981. However, since 1981, when the ICC deregulated piggyback transportation -- exempting it from all rate regulation and tariff filing requirements -- piggyback car loadings have approximately doubled, including the relatively new double stack rail car technology.

There are other examples of intermodalism fostered by federal deregulation. Federal Express would still be hand-packing its tiny jets; instead its mechanized, state-of-the-art jumbo jets are everywhere, serving the global market as express freighters. The Air Cargo Deregulation Act of 1977 and the Motor Carrier Act of 1980 helped develop another of the most recent of America's innovations in transportation: the integrated package express industry. Together, these statutes made it much easier for air carriers to become motor carriers, for motor carriers to become air carriers, and for new aspirants to become either or both.

It is very difficult for us, however, to encourage firms to pursue additional intermodal innovations when they become limited by restricted entry and other regulation at the State level.

My appearance today is meant to signal a renewed and stronger commitment to completing the job of trucking deregulation, both on my part and on the part of the Bush Administration. It is important for the economic health of the country and for our competitiveness in markets abroad. This of course will also mean more job opportunities here at home.

The reforms designed and debated in this Subcommittee twelve years ago, and ultimately enacted as the Motor Carrier Act of 1980, were meant to be a good "first step" toward the goal of a competitive motor carrier industry whose economic performance would be regulated only by market forces, but whose safety continues to be regulated by the combined efforts of the Department of Transportation and the States. The saying "well begun is half done" is especially appropriate in the case of trucking deregulation. I commend you, Mr. Chairman, for holding these hearings and providing the opportunity for all parties to debate the issues. I am excited by the prospect of action by this Committee to complete the task.

I want to first briefly review the success of past deregulatory efforts, and then say a few words about current proposals--and then I would be happy to answer your questions.

II. The 1980 legislation has been a tremendous success.

By any measure, the Motor Carrier Act of 1980 has been a great success. Its results have gone beyond the most optimistic expectations. The competitive forces unleashed by its open entry and flexible pricing provisions are a function not only of the

increase in motor carriers with Interstate Commerce Commission (ICC) operating authority from 18,000 to about 49,000, which is impressive in itself, but of other factors as well. About 16,000 carriers can now provide head-to-head competition for any traffic anywhere in the contiguous 48 States; before 1980, most carriers had narrowly constricted ICC authority to carry a specific type of commodity between fairly specific locations, such as pizza crusts from Portsmouth, VA to Chicago. Today many private carriers haul traffic for others, for compensation; before 1980 they could not do so even for their own "sister" or "parent" corporation. The result has been increased productivity, fewer empty trucks, lower rates, and better service.

Productivity--Trucking productivity, which had been increasing by 3.2 percent annually between 1973 and 1979, jumped to a 3.7 percent annual increase between 1980 and 1990. It is interesting to note that the 26 percent increase in truck ton-miles between 1980 and 1988 was attained with only 4.2 percent more heavy combination trucks. The improvement results from more intensive utilization and fewer empty backhauls. Empty backhauls into Florida, for example, fell from 33 percent in the early 1980's to eight percent by 1989. For private carriers returning to Florida the improvement was even more dramatic, from 58 percent to 10 percent.

We at DOT are not alone in our conclusions about the success of the 1980 legislation. A 1990 Brookings Institution study estimates that rates in the less-than-truckload (LTL) sector today are about 17 percent lower than they would have been under continued, pre-1980 style regulation. The overall benefits to

shippers and consumers in current dollars are estimated to be over \$15 billion per year. Roughly half of that is from lower rates, and most of the remainder results from more efficient operations of private carriers.

This estimate is conservative, because it doesn't count savings from the smaller inventories that shippers can now afford to keep on hand. Since trucking service is more reliable now, shippers can reduce their "buffer stocks" and employ just-in-time (JIT) assembly and shelf-resupply systems.

For example, a leading bottler now delivers its sparkling water to stores in smaller quantities two or three times as often as before, 20 hours a day, seven days a week. Chrysler is now "mostly JIT", and carries virtually no safety stocks of inventory. Overall, industry now keeps about \$200 billion less capital tied up in unproductive inventory; and when the warehousing and handling costs are considered, many billions of dollars more have been saved.

Small community service--Critics predicted before 1980 that with deregulation, small shippers in rural communities would cease to be served, since carriers allegedly provided that service only because it was required by ICC regulations. DOT studies showed that, before deregulation, most service in small, rural communities, was by private carriage, UPS, and USPS. The lion's share was private carriage, especially for the essential merchandisers found in the smallest points, such as grocery, hardware, and general stores. Virtually all grocery and hardware shipments were handled by the private trucks of suppliers and the parent chain (IGA stores, Frito-Lay, True Value, etc.).

Since deregulation, this has remained the same, as one would expect: if regulation didn't ensure the service, deregulation would not cause it to stop. The post-deregulation DOT surveys covered small shippers in Georgia, South Carolina, North Carolina, Pennsylvania, New York and Maine. The number of ICC-certificated carriers had increased for 22 percent of small shippers by 1985, and had decreased for 15.7 percent. Of shippers using primarily LTL service, 20.4 percent had more carriers and 18.5 percent had fewer carriers; only 7.4 percent had shipping points difficult to ship to. Less than 10 percent of all small shippers were seeing less competition. In terms of the quality of service provided, only 2 percent said it had deteriorated. We are aware of only a small number of complaints by shippers.

Jobs--Total employment in the trucking services industry has increased by almost 500,000. The Teamsters Union has testified that about 163,000 member jobs have been lost since 1980, but this number represents the number of employees at unionized carriers that went out of business; it doesn't count almost 160,000 new jobs with other union carriers. The perception continues that lower paying, non-union jobs have been substituted for union jobs, but average wages in trucking continue to be higher than average manufacturing wages.

Safety--Critics claim that, as new entrants have flooded the highways and as carrier profits have fallen, "corners are cut" on safety expenditures and truck accidents have increased. The best evidence we have is that fatal crashes involving heavy trucks have remained lower than in 1979-80, and the fatal accident rate per mile traveled has fallen by about 40 percent. There is no

demonstrated evidence of any link between economic regulation and safety. The favorable trend in accident rates results from strong safety programs and more intensive enforcement at the Federal and State levels, such as that made possible by the Motor Carrier Safety Assistance Program.

The bottom line is that we have been able to achieve these impressive benefits of the Motor Carrier Act of 1980 with no deterioration in highway safety.

III. Why we need further deregulation

We need further deregulation for the simple reason that the Motor Carrier Act of 1980 did not go far enough. It left in place too much red tape and too many barriers to achieving the full efficiencies and economic benefits of total deregulation.

State regulation costs \$3 to 8 billion per year -- Forty-two States continue to impose some form of economic regulation on trucking within their borders. Thus, State regulation imposes costs on motor carriers in both direct and indirect fashion. These costs must then be borne by shippers, and ultimately consumers, in the form of higher prices paid to cover higher rates. Direct costs imposed by the regulatory process include those associated with filing tariffs and obtaining operating authority. Indirect costs result from the imposition of regulatory restrictions that hamper operating efficiency, restrict the ability of carriers to respond quickly to shippers' changing needs, and limit the range of service options that can be offered.

State trucking regulation acts like a general sales tax on all commodities that move by truck at any stage in their manufacture and distribution. There are four problems with this

"regulatory tax." First, like all sales taxes, it is heavily regressive, because it falls disproportionately on lower income groups. Second, it is probably far more regressive than most, since it does not exempt food and other necessities such as medical supplies. Third, the "regulatory tax" imposed by a State falls not only on its own consumers, but on all the rest of us who purchase items produced in that State, whether we purchase them in that State or elsewhere. Between \$600 million and \$2.8 billion of the "regulatory tax" imposed by the States falls on consumers in other States, and constitutes a burden on interstate commerce. Fourth, the proceeds of the tax accrue not to the State treasury, but to motor carriers and their employees, whose rates of compensation are artificially inflated by regulation.

In order to escape the unnecessarily high costs of using intrastate hauls, shippers often make transportation and plant location decisions that save their companies money, but have undesirable consequences for the broader economy. These consequences include unnecessarily long shipping distances, more diesel fuel consumed, more air pollution, and more wear and tear on highways. In addition, more firms will choose to haul their own freight in a highly regulated environment than would do so in a more competitive environment, where for-hire carriers' prices more closely reflect the true costs of service and where a broader range of service options exists. This, too, can result in inefficient operations.

Some of the clearest examples of the effects of strict State regulation come from Texas. The Stewart Company (a Dallas consumer electronics and appliance distributor) chose to operate

its own truck fleet in order to save as much as \$90 per refrigerator on deliveries to its dealers in north Texas. The company noted that three of the major appliance manufacturers (Whirlpool, G.E., and KitchenAid) had all moved their warehousing operations to Arkansas, in order to take advantage of superior interstate truck rates and service.

Examples of wide discrepancies between intrastate and interstate rates abound. Proctor & Gamble pays \$2.52 per mile to ship detergent in-State from Houston to Dallas, but only \$1.46 per mile to ship from Tulsa to Dallas. The American Fire Hydrant Company pays \$603 to ship a fire hydrant from Beaumont, Texas to Texarkana, Texas but only \$297 to adjacent Texarkana, Arkansas. Foreign steel, imported through Seattle, is carried to Spokane at a rate of \$14 per ton; however, steel originating in Seattle and shipped to the same location in Spokane would cost \$18.40 per ton to ship, putting local steel at a competitive disadvantage.

The regulatory "paper chase"--The economic regulation of trucking imposed by State and Federal law serves no useful purpose. Obtaining operating authority from the ICC or from State agencies produces mountains of red tape. The amount of paperwork required varies with the strictness of regulation imposed by a given jurisdiction. In the instance of Federal regulation, procedures have been somewhat streamlined since the Motor Carrier Act of 1980, but the total amount of paperwork still required is extensive.

In some States, entering the trucking industry or expanding the scope of a carrier's services can be an adversarial procedure of great length and scope. For example, it took United Parcel

Service almost twenty years to acquire authority to conduct intrastate motor carrier operations in the State of Texas. As consumers and as a nation, we pay for this delay and the legal fees it entails.

Each year motor carriers file more than a million tariffs with the ICC, and countless more tariffs are filed with State regulatory agencies. The vast majority of these tariffs are never examined by shippers, who usually get rate information simply by calling carriers or by subscribing to "tariff watching" services.

However, not all carriers are caught in the archaic paperwork maze produced by the tariff filing requirement. Interstate carriers of unprocessed agricultural products have never been regulated by the ICC, because our farmers were wise enough in 1935 to reject the imposition of truck regulation on their products. This exemption from economic regulation (including the requirement to file tariffs) has worked well for over half a century. The ICC's exemption of contract carriers from this requirement has also worked well. Air cargo carriers have not had to file tariffs since 1978, and surface freight forwarders since 1986.

Somewhat ironically, whether a jurisdiction is strict or lenient in its approach to trucking regulation, both shippers and the broader public interest are harmed by the "paper chase." Where regulation is not strict, the residual regulatory requirements generate substantial paperwork burden without significantly influencing market outcomes (which are generated predominantly by the forces of competition.) The costs of administering and complying with paperwork requirements must ultimately be borne by shippers, consumers, and taxpayers. In

jurisdictions that favor strict regulation, the harm is twofold: the paperwork burden itself, plus the harm to shippers, consumers and the overall economy resulting from regulatory interference with marketplace forces that keeps rates artificially high. For example, the Motor Carrier Act unfortunately still permits motor carrier rate bureaus to meet and vote on general rate increases and other matters with immunity from the antitrust laws. There is no valid reason to permit such collective activity to continue at this stage of deregulation, given that the industry is fully capable of performing competitively.

The "shipper undercharge" problem--Although motor contract carriers were exempted from the requirement to file their tariffs with the ICC in 1983, this requirement still applies to all motor common carriers. In today's more competitive environment, this archaic and unbusinesslike duty has created a multi-billion dollar problem for shippers.

Since the Motor Carrier Act of 1980, shippers and carriers have been able to negotiate discounts from the tariffs on file with the ICC for specific traffic. In some cases, the carriers failed to file an amended tariff to reflect the agreed upon discount. Under such circumstances, the discounted rate is not legal, but only because it was never filed with the ICC. This is the "paper chase" at its worst.

Trustees of some bankrupt carriers, attempting to maximize the assets to be distributed to the stockholders and creditors, have sold the carriers' old accounts receivable to rate auditors and collection agencies, who compare the freight charges paid with the actual tariffs on file at the ICC on the date of the shipment.

If the charge is a discounted rate not on file, the auditor sends a bill to the shipper for the balance due, the so-called "undercharge."

If a shipper does not pay, the trustee or auditor may take the shipper to court. In the past, in some cases the courts have asked the ICC for its advice on what is the legal rate. In other cases, the courts have either not consulted with the ICC or have failed to take its advice.

The problem is a serious one. Estimates range from \$100-200 million to \$27 billion in potential claims, depending upon one's definition of reasonable or lawful rates. The problem has grown in scope over the past several years, and now also threatens customers of contract carriers, most of whom also possess common carrier operating authority. In such cases, it is alleged that the underlying transportation was not valid contract carriage and that, consequently, the carrier's (much higher) common carrier rate would apply.

The ICC's policy of reviewing these cases and providing some relief to shippers was overturned in 1990 by the Supreme Court, which held that the Interstate Commerce Act cannot be interpreted to allow the ICC to undermine the "filed rate doctrine" by declaring this an "unreasonable practice." Maislin Industries, U.S. v. Primary Steel, 110 S.Ct. 2759 (1990). The National Industrial Transportation League, the American Trucking Associations, and other concerned groups have proposed several compromise legislative solutions to this problem.

We have testified a number of times that shippers should be provided relief from the undercharge problem, but that this should

be done in the context of further trucking deregulation. In this context, we favor eliminating the tariff filing requirement for independently-set common carrier rates. In addition, contract carriage agreements would become subject to State commercial law, just like most other business agreements. Thus, whatever a shipper and carrier agree is contract carriage at the time of the contract's negotiation would remain legitimate contract carriage after the transportation had been performed.

While further deregulation would address the shipper undercharge problem prospectively, it would not resolve the problem for pending claims. We believe that legislation declaring that the behavior in question is an "unreasonable practice" would provide the most appropriate relief for pending cases. This is the approach taken by our draft legislation.

The shipper undercharge problem has been going on for over six years, and it doesn't make any more sense today than it did in 1985. It has even generated a new fear -- that of motor carriers being acquired solely in order to put them out of business and collect their potential undercharges.

For several years, the Congress has sought a consensus solution to the undercharge problem, but none has been achieved. We believe the time to act is now, and we believe that the vast majority of shippers and carriers would agree with us.

Jobs and economic growth--Bold action on trucking deregulation will provide more jobs and a much-needed stimulus to the economy. The regulatory reforms of the last 15 years, not just in trucking, but also air cargo deregulation in 1977 and the Staggers Rail Act of 1980, directly and indirectly led to the

creation of thousands of jobs in the trucking service and warehousing industries.

As I said before, under deregulation, fast and reliable trucking service enabled a massive shift away from unproductive, buffer-stock inventories held at every stage of production and sales. Instead, inventories become smaller and highly mobile--on wheels, if you will. Additional drivers were needed to deliver these inventories in smaller quantities only when needed--in some cases more than once a day--rather than larger, set quantities once a week or month.

The result has been a large drop in the ratio of total inventories to Gross National Product, which fell from 14.7 percent in 1981 to 11.0 percent in 1990, a 25 percent improvement. There has also been a corresponding large increase in employment in trucking and warehousing. As I noted above, almost 500,000 new jobs have been created in these industries. While some portion of them might have come in the normal course of growth during the last decade or so, we believe the bulk of them are attributable to deregulation.

As the cost of storing and handling of inventories has fallen with deregulation, the downward shift in the overall costs of production of U.S. goods and services has helped lower consumer prices (or at least reduce the rate of inflation) and has caused an increase in aggregate output. We believe this downward shift has also helped our international competitiveness and led to an increase in U.S. exports and a relative decrease in imports. The resulting increase in domestic output, and the jobs needed to produce it, provides a real stimulus to the economy.

The costs of transportation and logistics in this country are still too high, and the sooner we lower them further by completing the task of trucking deregulation, the sooner we will see yet another increase in jobs and aggregate U.S. output.

President Bush has recently implemented a series of regulatory initiatives designed to reduce the red tape and cost of doing business, and our trucking deregulation legislation is an integral part of his program.

International competitiveness--Remaining economic regulation of trucking hampers the ability of U.S. businesses to be competitive in international and domestic markets. U.S. businesses are subject to world market conditions. Any added costs, including higher trucking costs imposed by economic regulation of transportation, can impede their ability to compete with foreign firms.

Trucking deregulation is already being implemented in Canada and Mexico; it is also scheduled to be implemented in the European Economic Community and European Free Trade Association by the end of 1992. This reduction in regulatory barriers will decrease the cost of goods imported from those areas, relative to the cost of goods made in the United States. A reduction in transport costs abroad, without a corresponding reduction in the U.S., will hurt U.S. competitiveness in both international and domestic markets.

In the U.S. most remaining economic regulation of trucking at the Federal level is merely a "paper chase," but does increase costs. More significantly, however, of the 42 States which still regulate trucking within their borders, 25 regulate strictly,

hampering the ability of motor carriers to operate efficiently and respond quickly to their customers' needs.

Even a small increase in the price of U.S. goods can result in a loss of sales overseas, or a decision by domestic consumers to buy goods produced outside the United States. In today's fast-paced international marketplace, we can no longer afford the luxury of excessive transportation costs.

IV. Pending legislation

Now I want to turn to proposed solutions. It is heartening to see legislative activity in this area. Progress was made last year with the inclusion of the motor carrier uniformity provisions in the landmark ISTEA. I compliment the Committee for that action. Those changes will substantially reduce the administrative burdens on motor carriers due to the different requirements across States for registration and tax reporting. Moreover, as part of the President's 90-day regulatory relief initiative, the ICC recently announced it would accelerate the implementation of a new "bingo stamp" program which was part of these uniformity measures. That announcement included other initiatives to amend or repeal existing regulations that impose unnecessary regulatory burdens or that interfere with the business operations of motor carriers.

We must continue this progress and provide further regulatory relief. To that end, I would like to comment briefly on the proposals now before the Congress.

TOTAL TRUCKING DEREGULATION: ICC SUNSET First, the Administration offers its own proposal, the "Interstate Commerce

Commission Sunset Act of 1992." Our bill, which we sent to Congress last week, would:

--Completely eliminate what remains of the unnecessary and costly ICC regulation (tariff filing, entry barriers, rate oversight) of interstate trucking, intercity bus service, household goods freight forwarders, and freight brokers, including antitrust immunity for collective ratemaking and other activities, subjecting collective activity to the same antitrust laws that govern other industries.

--End all remaining regulation of domestic water carrier, rail passenger, ferry, and ICC-regulated pipeline industries.

--Solve the shipper undercharge problem by ending tariff filing and, for pending cases, declare it an "unreasonable practice" for a party to bill shippers retroactively for higher rates than those originally agreed to.

--Prohibit States from regulating the rates, routes, and services of interstate motor carriers, including express package service.

--Transfer intact all rail freight regulation, including captive shipper protections and rate oversight, to DOT; end antitrust immunity for rail mergers, agreements to "pool" traffic, and rate agreements, subjecting such collective activity to the same antitrust laws that govern other industries.

--Transfer consumer protection regulations governing household goods movers to the Federal Trade Commission.

--Eliminate all ICC "doing business" rules, such as rules governing leases between owner-operators and carriers, so that leases are dictated by business reasons and not protection for certain types of carriers.

--Eliminate or transfer the regulatory functions of the Interstate Commerce Commission and sunset it, effective October 1, 1992.

The bill would not change current safety requirements for truckers or existing financial responsibility requirements such as insurance or bonding. Safety is my number one priority as

Secretary, and we will continue to strengthen our safety enforcement efforts. As I stated before, safe trucking derives from effective safety regulation and strong safety enforcement, not unnecessary economic regulation. It always has and always will.

With these changes, carriers and operators would avoid the costly and unnecessary "paper chase" they now must face at the ICC. Truckers could carry whatever commodities they wish, over routes they select, at rates which are agreeable to them and their customers. Because truckers would no longer be able to get together and set prices collusively, shippers and consumers would reap the benefits of fully competitive pricing.

As I noted before, the reforms of the Motor Carrier Act of 1980 have been a tremendous success, saving U.S. business--and consumers--an estimated \$15 billion annually in transportation costs alone. The ICC sunset bill would build on those reforms. There is still a great deal of trucking regulation at both the Federal and State levels. As I noted above, our preliminary estimates are that State regulation alone is costing the country \$3-8 billion per year. Eliminating this regulation will enable U.S. industries to compete more efficiently here at home, as well as abroad. If the Congress does not act favorably on this bill, we strongly urge that it promptly enact those provisions that would complete the economic deregulation of the trucking industry.

REFORM ICC AND STATE REGULATION: H.R. 4406 Representative Packard has taken a different approach in his bill. While we would eliminate Federal and State trucking regulation completely, his bill would reform it. While we prefer our approach, there are

substantial benefits to H.R. 4406, because it would significantly reduce both Federal and State regulation. It would streamline entry requirements; provide authority for the ICC to exempt types of truck transportation from regulation if it is not necessary (this authority already exists for rail); exempt independently-established rates from tariff filing (only rates agreed upon collectively would be filed with the ICC); and force States which continue to regulate trucking to do so according to ICC standards of regulation (again, this is modeled on rail regulation). Each of these provisions represents significant progress over existing regulatory regimes.

However, we strongly believe that our approach to reducing the burden of State regulation is preferable to the more complicated model of the rail industry. We propose to prohibit States from regulating the rates, routes, or services of interstate motor carriers when they are operating solely within a State or as part of interstate commerce.

Second, we believe that the bill's "average discount" approach to resolution of shipper undercharge claims provides insufficient relief to shippers caught by the anomaly of the Maislin decision. It would also be cumbersome to administer. H.R. 4406 would give shippers the option of resolving pending claims on an "average discount" basis, which provides full relief only to those shippers whose negotiated discount was "average" or less for the year in which the shipment was transported. Shippers offered deeper discounts in the past would receive only partial relief now.

We believe our proposal would not only provide more equitable relief but would also not place an additional administrative burden on the ICC. It is based on the ICC's reasonable rate doctrine. For pending undercharge claims, DOT's bill would make it an unreasonable practice to collect an undercharge where a court finds that a motor carrier and shipper had negotiated a rate for transportation, that the shipper relied on that rate, that the rate was not properly filed with the Commission, and the carrier had billed and collected the charge as negotiated. It also makes that rate the lawful rate, notwithstanding the fact that it was not the filed rate. A three year statute of limitations is provided for consideration of such undercharge actions.

ELIMINATING STATE REGULATION: H.R. 4335 We support Representative Hastert's bill, which is a subset of our own proposal. Its only fault is that the bill is only a "subset", that it doesn't go far enough towards complete reform. Like ours, it would directly prohibit States from regulating the intrastate rates, routes, or services of interstate motor carriers. States would also be prohibited from interfering with the intrastate leasing of drivers and motor vehicles by interstate carriers. This latter provision would allow shippers the flexibility to hire the motor carrier that best meets their business needs, including a truck driver who owns his or her own truck.

AIR-PACKAGE EXPRESS EXEMPTION: H.R. 3221 This more narrowly drawn proposal by Representatives Clement and Upton is apparently intended to exempt from State regulation those carriers, such as Federal Express and United Parcel Service, that provide an integrated, nationwide system of freight transportation where both

the air and ground segments are provided under "common ownership." It extends through legislation the exemption applied to Federal Express by the 9th Circuit Court of Appeals when Federal Express challenged State control of its services in California. We agree that State regulation of the entry, rates, and services of truckers who are part of the intermodal operation of an air-package express operator is a costly burden and should be eliminated. Our concern with this deregulatory approach is that it is designed to help only a relatively few carriers and would leave other operators at a competitive disadvantage--how large a disadvantage is unknown--simply because of the manner in which they operate. While we can understand that the supporters of this bill want to proceed cautiously and take an incremental approach to change, we prefer a more comprehensive approach, which would prohibit States from regulating all interstate motor carriers.

PRIVATE CARRIER REFORMS: H.R. 4334 Absent action on any of the more comprehensive bills noted above, we would support Representative Geren's modest bill to exempt private carriers from certain burdensome State economic regulations. It would enable them to engage in compensated intercorporate hauling (for-hire transportation performed for a "parent" or "sister" corporation); lease vehicles and drivers from a single source (including owner-operators); lease vehicles and drivers from other private carriers for single trips; and acquire intrastate operating authority under the same ground rules as other types of carriers. Private carriers are already saving fuel and other costs using these freedoms at the Federal level. They are certainly warranted at the State level as well.

While the more comprehensive reforms noted above in the bills offered by DOT, Mr. Packard, and Mr. Hastert would obviate the need for H.R. 4334, this bill, standing alone, would simply "level the playing" field at the State level for private carriers vis-a-vis other motor carriers.

TARIFF MORATORIUM AND STUDY: H.R. 4392 In providing for a twelve-month moratorium on ICC tariff filing by motor carriers along with a concurrent study of its effects, the bill unnecessarily delays the benefits that could accrue to carriers by eliminating the archaic and costly tariff filing requirement as soon as possible. Most carriers and shippers do not rely on the ICC based system to obtain current information about rates and services. As would be expected in any business, carriers and shippers instead rely on direct contact and negotiations. We already have evidence from the agriculture sector and from contract carriage--both of which are exempt from tariff filing. While H.R. 4392 is very limited in scope and does not address many of the key problems of regulation, in the absence of congressional action on broader reforms, it may provide some additional evidence of the benefits of tariff elimination.

CONCLUSION

In sum, Mr. Chairman, the Administration believes that economic deregulation of trucking would have significant economic benefits and would enhance the productivity of the motor carrier industry and of the industries that rely on trucking services. Removing the unnecessary, burdensome and anticompetitive regulatory provisions now in place at ICC and in many States will

increase competition and improve efficiency, and result in lower prices for consumers and enhanced international competitiveness for U.S. businesses.

In the case of eliminating State regulation, I know from my intergovernmental experience at the White House how reluctant the Administration is to take such action, but I am convinced that the benefits to be gained from eliminating such regulatory controls are so substantial that such action is justified.

Finally, I realize that time is short in this session and that the political agenda will move to center stage. However, I am a firm believer in the principle that good policy makes for good politics. I am excited about prospects for trucking reform, and I want to work with the Committee as it develops its legislative proposal.

I thank you again for holding these important hearings. My colleagues and I would be happy to answer any questions you and the Members of the Committee may have.