The original documents are located in Box 35, folder "Trucking Industry" of the James M. Cannon Files at the Gerald R. Ford Presidential Library.

#7500330

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THE WHITE HOUSE

WASHINGTON

October 9, 1975

MEMORANDUM FOR: JIM CANNON

FROM: STEVE MCCONAHEY SM

SUBJECT: Teamsters Meeting

Attached is a copy of Rod Hill's memo to the President summarizing our meeting with the Teamster's regarding Motor Carrier regulations.

Attachment

MEMORANDUM FOR: THE PRESIDENT

FROM: ROD HILLS

SUBJECT: Progress Report on Truck Regulatory Reform Legislation

In your review of a Jim Lynn memorandum on whether to submit legislation designed to reform the regulatory system in the trucking industry, you asked that meetings be held with Labor and Management. These meetings were to be held preliminary to any final decision on this legislation.

Two separate sessions were held last week. On Tuesday, September 30, Paul MacAvoy-CEA, John Snow-DOT, and I met for three hours with Mr. Fitzsimmons and four other members of the Teamsters Union. In general, Labor believes that there is a need for some changes in the regulatory structure. However, outright deregulation should be avoided at all costs. Mr. Fitzsimmons was concerned that any regulatory changes take into account the needs of small communities and the maintenance of effective safety enforcement. A copy of the legislation was provided to Mr. Fitzsimmons and we will be receiving their written comments in the next few days.

The second meeting was held on Thursday, October 2. Mr. Herman from Nebraska, Mr. White from California, Mr. Shertz from Delaware, Mr. Bresnahan of the American Trucking Association (ATA) and several other executives attended. There was also agreement in this session that some changes were necessary. Although the regulated industry cannot be expected to support legislative reform, there was a sense that the Administration was not proposing any radical deregulation schemes. The executives were concerned about unsafe, unregulated carriers taking business away from them. However, they also perceived benefits in a more flexible system. They were concerned about inequitable enforcement of safety regulation. Copies of the legislation were provided to the ATA and the executives and we expect comments in a week.

Both the Department of Transportation and the White House staff members working on regulatory reform found the meetings useful and informative. We will be making changes in the legislation to reflect some of the concerns expressed in the meetings. For example, we believe there is merit in dealing with the safety issue in the legislation. I remain convinced that the basic thrust of the legislation represents a constructive approach to the problems of ICC regulation. We will be forwarding a final decision memorandum to you within the next two weeks.

Log #7500330 FYI

THE WHITE HOUSE

WASHINGTON

October 1, 1975

MEMORANDUM FOR: JIM CANNON

FROM: STEVE MCCONAHEY SOM

SUBJECT: Teamster's Meeting

As I reported in my weekly report, a meeting was held on Tuesday, September 30th. I will provide you with a summary.

THE WHITE HOUSE
WASHINGTON

Oct. 16, 1975

MEMORANDUM FOR : JIM CANNON

FROM : JIM CAVANAUGH

I am putting the attached on the master schedule with reporting dates.

Attachment

Jim C

THE WHITE HOUSE

WASHINGTON

INFORMATION

October 15, 1975

MEMORANDUM FOR: JIM CANNON
JIM CAVANAUGH

FROM: STEVE MCCONAHEY

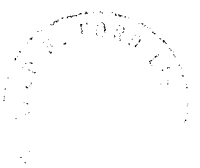
SUBJECT: Motor Carrier Bill

October 28th has been set as the tentative target date for submitting the motor carrier reform legislation to the Congress. I will be assuming the lead for the Domestic Council in the activities that are planned to complete the necessary staff work over the next two weeks. I have indicated to OMB that it is essential for the Domestic Council to be adequately involved and aware of these events in order that we have adequate time for input prior to submission of the bill.

It is my understanding that this piece of legislation has already received White House clearance since it was intended to be submitted several weeks ago. However, due to the sequence of events since that time, and the need for more integration among the three major regulatory reform proposals, it has been agreed that the motor carrier bill will be recycled through the White House staffing and clearing process. Meetings will be held this week to review the energy impact of the proposed legislation and to resolve any outstanding issues. OMB has been assigned the task of completing the impact statement and fact sheets, and is committed to providing the Domestic Council and others with final drafts by close of business Tuesday, October 21st. This time frame will allow a full week for review and final comment by the Domestic Council and others in the White House.

Preliminary indications are that the trucking industry and the Teamsters will greet this proposal with mixed emotions. While they recognize that there is need for some regulatory reform, they are not convinced that what we are proposing will solve existing problems. In fact, the Teamsters indicated that in some cases they feel there is need for stricter enforcement of certain existing regulations, particularly safety.

If you have any concern about the time frame, about the political impact, or about any other aspects of the motor carrier bill, I would hope that we could discuss them as soon as possible. If you have any questions, please call me. I will keep you informed of the progress we are making.



TRUCK DEREGULATION MEETING
Cavanaugh, Leach, McConahey
Wednesday, October 22, 1975
6:15 p.m.

Mr. Cannon's Office

EMBARGOED FOR RELEASE UNTIL 12:00 NOON, EST November 13, 1975

Office of the White House Press Secretary

THE WHITE HOUSE

~~FACT SHEET~~

MOTOR CARRIER REFORM ACT

The President is transmitting to Congress today the Motor Carrier Reform Act. This legislation will benefit the consuming public and the users of motor carrier services by eliminating excessive and outdated regulation affecting trucking firms and bus companies. It will stimulate competition in these industries, increase their freedom to adjust rates and fares to changing economic conditions, eliminate restrictions requiring empty backhauls, underloading, or circuitous routing, and enhance enforcement of safety regulation.

This is the third legislative proposal in the Administration's program to reform transportation regulation. It follows the Railroad Revitalization Act and the Aviation Act of 1975 which have already been submitted to Congress. Together, these three proposals will produce a transportation system more directly responsive to the needs of the public and provide the Nation with the best transportation services at the lowest possible cost.

PRINCIPAL OBJECTIVES OF THE LEGISLATION

1. Encourages a wider range of services and prices. Existing regulation inhibits innovation and limits the choice of prices and services available to shippers and bus passengers. The Act will permit shippers who want high quality service and are willing to pay a premium to do so. Similarly, those who want a lower price and will accept less service will find this option available also.

2. Eliminates antitrust immunities and encourages competitive pricing. Presently, motor carrier rate bureaus are permitted to engage in price-fixing activities which are immune from antitrust prosecution. The proposed legislation will prohibit rate bureau ratemaking activities which stifle competition and discourage innovation.

3. Eliminates outdated and unnecessary economic regulation. The existing regulatory process has built up artificial constraints on efficiency. As a result, trucks and buses tend to be less fully loaded than is desirable. They operate over unnecessarily circuitous routes, waste fuel, and are forced to charge higher prices than might otherwise be necessary. By removing arbitrary economic restraints, the bill will allow trucks to transport a greater variety of goods and both trucks and buses to operate over more direct routes at a lower cost to consumers.

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4. Helps small businessmen to better meet their transportation needs. Because many small businesses cannot afford to operate their own trucks and are too small to contract for special trucking service, small businesses are heavily dependent upon common carriers for pick up and delivery services. By strengthening the common carrier segment of the industry and providing it greater operational flexibility, this legislation will assist small businessmen to obtain more responsive lower-cost truck services.

5. Strengthen the enforcement of motor carrier safety regulation. While the motor carrier industry has a good overall safety record, there are gaps in present safety laws which require correction. This bill modernizes and places increased emphasis on safety regulation for all types of motor carriers.

Section-by-Section Analysis

Section 1 - Findings and Purpose. This section outlines the purposes of the bill. For example, it outlines as goals a more efficient and economical motor carrier industry, greater reliance on competition, and increased pricing and entry flexibility.

Section 2 - Rate Bureaus. The bill eliminates antitrust immunity for anticompetitive ratemaking activities. Over a period of three years, the bill prohibits carrier associations from discussing, agreeing or voting on all rates except joint or interline rates. Rate bureaus will continue to provide useful administrative services, such as publishing tariffs and assisting in determining joint rates and through routes.

Section 3 - Aircraft Exemption. This section enlarges the geographic area in which motor carriers may transport persons or property incident to air transportation without obtaining ICC authorization. This provision extends the area from a 25 to a 100 mile radius around the airport terminal.

Section 4 - Private and Contract Carriers. This section reduces ICC restrictions now imposed on businesses operating their own trucking fleets (private carriers) and on contract carriers. It allows private carriers to transport goods for their affiliates. It also permits contract carriers to become certificated by dedicating equipment to serve individual shippers or by tailoring service to the distinct needs of a shipper. Finally, it prohibits the ICC from limiting contract carriers to a particular type of service or geographic area.

Section 5 - Commercial Zones. The bill directs the ICC to reassess regulations dealing with commercial zone transportation, to eliminate unnecessarily restrictive practices and to improve procedures for making boundary changes within two years after enactment.

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Section 6 - New Plant. The bill exempts service to or from any plant less than 5 years old from ICC certification requirements. This will provide new plants with needed flexibility in meeting their transportation needs and eliminate the costly certification process.

Section 7 - Private Carrier Leases. This section permits private carriers to lease their vehicles and drivers to regulated carriers for short time periods. This will alleviate the inefficient backhaul problem which private carriers now experience and permit common carriers to expand services without buying expensive equipment.

Section 8 - Entry. The bill will provide liberalized entry into the trucking and bus industries. It will shift the focus of entry proceedings away from the present concern for protecting existing carriers to providing the public better service. These simplified procedures will permit the ICC to expedite consideration of applications.

Section 9 - Contract Carriers (Dual Operations). This section permits carriers to hold both common and contract authority provided its contract rates are compensatory.

Section 10 - Rate Suspension. The bill provides a gradual phasing of increased pricing flexibility for motor carriers. These provisions parallel the Railroad Revitalization Act. Carriers will be permitted to adjust rates up or down within specified percentages without fear of ICC suspension (7 percent in year one; 12 percent in year two; 15 percent in year three and 15 percent upward flexibility annually with no limit downward thereafter.) To suspend rates outside this zone, the ICC will be required to find that a proposed rate will result in immediate and irreparable damage. The bill also sets a 7 to 10 month time limit on ICC consideration of rate cases.

Sections 11 and 12 - Compensatory Rates. The bill provides that rates which are compensatory, that is those above a carrier's variable cost, may not be found to be too low. This is provided for both common and contract carriers in Sections 11 and 12 respectively.

Section 13 - Commodity and Route Restrictions. This section directs the ICC to remove certificate restrictions that are wasteful and inefficient and requires a progress report to Congress within one year of enactment. The bill also reduces circuitous routing.

Section 14 - Discrimination. The bill expedites the ratemaking process by limiting the number of parties who may protest a proposed rate. Carriers will no longer be permitted to protest rates by alleging discrimination against shippers. Protests by shippers will be limited to those directly affected by a proposed rate change.

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Section 15 - Backhauls. The bill allows agricultural carriers to haul regulated commodities on return trips without ICC authorization provided specific conditions are met: (1) the backhaul follows the movement of agricultural commodities, (2) the carrier is a small business with three or fewer trucks, (3) the backhaul is in the general direction from which the trip originated, (4) the revenue earned from this provision must not exceed revenue earned from agricultural carriage, and (5) the rate charged may not be lower than the rate of any regulated carrier for the same service.

Section 16 - State Licensing Requirements. The bill directs the Secretary of Transportation to recommend ways to eliminate duplicative and costly State motor carrier regulations.

Section 17 - Safety. The bill provides for more even-handed and responsive enforcement of safety regulation governing motor carriers. Presently, there are many gaps in the safety enforcement statutes. The bill will permit the Secretary of Transportation to impose civil as well as criminal penalties for all carriers and to prohibit operations by carriers who consistently violate safety regulation.

Section 18 - Merger. The bill eliminates ICC authority to grant antitrust immunity to motor carrier mergers and gives the courts exclusive jurisdiction to determine the legality of mergers. It also establishes a new standard for motor carriers mergers similar to that in effect for the banking industry and proposed for airlines.

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EMBARGOED FOR RELEASE
UNTIL 12 NOON E.D.T.

NOVEMBER 13, 1975

Office of the White House Press Secretary

THE WHITE HOUSE

TO THE CONGRESS OF THE UNITED STATES:

Throughout our history, an effective transportation system has played a vital role in promoting the economic growth and development of this Nation. Yet, over the years in response to a variety of economic and political pressures, the Federal Government has become increasingly involved in the management of our transportation industries. We have built up a patchwork of economic regulation which shapes and controls competition in industries which are naturally competitive. As a consequence, these industries have come to rely on regulation to protect them from meaningful competition. It is now clear that this patchwork regulatory structure has not kept pace with changes in the industry and the economy. We have permitted regulation designed in theory to protect the public interest to become in practice the protector of special industry interests.

I have observed a growing public and congressional concern over the need to eliminate outdated regulation and to restore our regulatory system to its original purpose of serving consumers. In response to this concern, I have sent two previous transportation proposals to the Congress. Today I am sending to the Congress the Motor Carrier Reform Act which will modernize the regulation of another major transportation industry.

Like the Railroad Revitalization Act and the Aviation Act of 1975 which are already before the Congress, the basic thrust of this proposed motor carrier legislation is to improve performance of our transportation industry by replacing Government regulation with competition. Together, these three bills will produce a regulatory system that responds to the needs of the consuming public instead of to the interests of the regulated industries.

Under the current regulatory system, carriers, shippers and passengers alike are confronted with a web of Government restrictions and regulations which discourage innovation, promote inefficient transportation service and artificially distort rates and fares. The prices of many consumer products are higher than necessary because Government regulations and restrictions permit price fixing and produce inefficiencies such as empty backhauls and circuitous routing. Too often bus passengers pay higher fares because the Federal Government sanctions efforts by a few firms to block the entry of new companies into the market. Archaic and artificial regulatory constraints also force unnecessary usage of significant quantities of energy and other valuable resources.

This legislation will benefit American consumers in several ways. For example, it will have a direct effect on the traveling public by encouraging a greater variety of bus transportation services at a wider range of prices. Also, it will enable interstate household moving companies

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to be more responsive to customer needs and give the public a choice of services. Individuals who want quick moving service and are willing to pay a premium will be able to do so. Others who prefer to pay less for moving services that are not so immediate will find such alternatives available.

These are two examples of how the bill will benefit consumers directly. Other less visible results will have an even greater impact. For example, the bill will provide trucking firms with more freedom to adjust prices to meet market conditions. It will remove artificial entry barriers and encourage new companies to enter markets and to compete on the basis of innovative services and lower prices. It will allow smaller trucking firms -- owner operations and contract carriers -- to compete more effectively and to grow in response to normal market demand. It will strengthen the common carrier system and enable small businesses to better meet their transportation needs. Such actions will enable some manufacturers to lower the costs of distributing goods and thereby help reduce consumer prices. The removal of uneconomic restrictions on the goods and commodities a truck is permitted to carry and the specific routes it must travel also will help eliminate wasteful energy consumption and avoid empty backhauls which raise prices unnecessarily.

In summary, the bill will reduce or eliminate many of the inefficiencies which have crept into the motor carrier industry during 40 years of regulatory control. Where regulation is acknowledged as necessary to protect the public interest, the bill will streamline and improve such regulation. For instance, the bill eliminates gaps in present safety enforcement statutes to improve the already high overall safety record of the motor carrier industry.

The importance of regulatory reform to improve our transportation system cannot be overemphasized. I urge the Congress to give this measure serious consideration at the earliest possible date.

GERALD R. FORD

THE WHITE HOUSE,
November 13, 1975

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EMBARGOED FOR RELEASE
UNTIL 12:00 NOON (EST)

November 13, 1975

Office of the White House Press Secretary

THE WHITE HOUSE

FACT SHEET

ADMINISTRATION'S REGULATORY REFORM PROGRAM

President Ford has adopted as a principal goal of his Administration the reform of Government regulation. He has ordered a critical review of all Federal regulatory activities to eliminate regulations which are obsolete and inefficient in today's economic environment -- regulations that contribute to higher prices, reduced efficiency, less consumer choice, and fewer imaginative ideas. The goal of the President's program is the development of a rational and efficient regulatory system serving today's needs.

BACKGROUND

Regulatory reform is not a new idea. The need for reform has been recognized by every President since Harry S Truman. However, changing economic conditions have increased public awareness of the need for reform. On August 25, 1975, President Ford said: "We will establish as a national policy of economic life, that Government regulation is not an effective substitute for vigorous American competition in the marketplace." The opportunity for change is greater than ever before. Therefore, the Administration has initiated an unprecedented program of legislative and administrative action:

PRINCIPAL OBJECTIVES OF THE PROGRAM

1. Benefit consumers by encouraging increased competition. Competition fosters innovation, encourages new business, creates new jobs, ensures a wide choice of goods and services and helps to keep prices at reasonable levels. By eliminating arbitrary barriers to entry and increasing pricing flexibility, the Administration hopes to restore competition in the regulated sectors of the economy.

2. Increase understanding of the costs of regulation. Often the real costs of regulatory activities are hidden from public view. Inefficient and outdated regulation costs consumers billions of dollars every year in unnecessarily high prices. The Administration believes that these costs should be subject to the same critical attention devoted to the Federal budget.

3. Improve methods of achieving the objectives of regulation. In many instances, regulation is necessary, particularly in the health and safety areas. However, regulation can impose a considerable cost burden on the consuming public and on business. The Administration is concerned that public protection be achieved in the most efficient manner.

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4. Substitute increased antitrust enforcement for administrative regulation. In the past, regulation has often been a substitute for competition. The Administration is seeking to reverse this pattern and believes that antitrust enforcement has an important role in keeping costs and prices down.

THE ADMINISTRATION'S PROGRAM

Last October, the President initiated the reform program by asking Congress to sponsor jointly a National Commission on Regulatory Reform to study the problems of Government regulation; but so far, no action has been taken by Congress. Accordingly, the Administration is pursuing specific reform initiatives.

- Inflation Impact Analysis. Departments and Agencies are now required to analyze the inflationary impact of major legislative proposals, rules and regulations. This requirement is designed to measure the economic cost of Government regulations.

- Council on Wage and Price Stability. One of President Ford's first official actions was creation of the Council to monitor the economy and to evaluate the economic impact of Government policies and regulations. Now, in its second year, the Council is placing increased emphasis on identification of regulatory practices which create unnecessary cost burdens for consumers.

- Expanded Antitrust Activity. In addition to providing for increased antitrust enforcement resources, the Administration is questioning antitrust immunity now granted to numerous industries. Many of the Administration's legislative proposals will eliminate antitrust exemptions which are unnecessary and restrain competition.

- Independent Regulatory Commissions. The President has met with the Commissioners of the 10 independent Regulatory Agencies to emphasize the importance of regulatory reform. He has asked the Commissioners to: analyze the economic costs and benefits of their actions; reduce regulatory delays; better represent consumer interests; and eliminate outdated regulation.

- Commission on Federal Paperwork. The Commission has been established to study the impact of Government reporting requirements on businesses and individuals. To assure action in the short-run, the Administration is working now to eliminate unnecessary Government paperwork requirements.

- Transportation Regulatory Reform. The Administration has developed specific legislative proposals to reform transportation economic regulation.

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- The Railroad Revitalization Act submitted in May seeks to rebuild a healthy, progressive rail system by eliminating outdated regulatory restrictions. It will enable the railroads to compete better with other forms of transportation.

- The Aviation Act of 1975 was introduced in October and will improve the airline regulatory environment by fostering price competition and by allowing existing airlines to serve new markets and new carriers to enter the industry.

- The Motor Carrier Reform Act will increase competition in the motor carrier industry and provide shippers and consumers with a wider range of services and prices.

- Fair Trade Laws. The Administration strongly supports the repeal of Federal legislation permitting States to have fair trade laws. These laws, which allow manufacturers to dictate the retail price for their products, have been estimated to cost consumers $2 billion per year.

- Financial Institutions Act. The Administration submitted in March the Financial Institutions Act which will enable small savers to earn higher interest on savings accounts and provide more diversified financial services to all customers.

- Securities. President Ford signed the Securities Act Amendments of 1975 in June to promote competition among stockbrokers and to establish a national stock market system.

- Energy. To help assure adequate supplies of energy, the Administration has proposed legislation to deregulate the price of new natural gas and old oil.

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Auto

THE WHITE HOUSE

WASHINGTON

February 13, 1976

MEMORANDUM FOR: JIM CANNON

FROM: JUDITH RICHARDS HOPE JRH

SUBJECT: MVSS 121 (Air Brakes)

I attach the missing Tab A. See final version of standard at p.15a.

As to the mystical source of NHTSA independence, we are checking on the legal end - the political end is that this Administration has high visibility, is closely monitored by liberal members of Congress, and has entrenched staffers who sometimes have safety tunnel-vision and fail to do the kind of cost-benefit analysis which will shortly be mandatory under DOT's new intra-agency regulatory reform procedures.

Attachment

For Most recent Standard see p. 15a

MOTOR VEHICLE SAFETY STANDARD NO. 121

Air Brake Systems—Trucks, Buses and Trailers

(Docket Nos. 70–16, 70–17; Notice No. 2)

S1. Scope. This standard establishes performance and equipment requirements for braking systems on vehicles equipped with air brake systems.

S2. Purpose. The purpose of this standard is to insure safe braking performance under normal and emergency conditions.

S3. Application. [This standard applies to trucks, buses, and trailers equipped with air brake systems. However, it does not apply to a fire fighting vehicle manufactured before March 1, 1976, or a heavy hauler trailer manufactured before September 1, 1976, or to any vehicle manufactured before September 1, 1976, that has a gross axle weight rating (GAWR) for any axle of 24,000 pounds or more, two or more front, steerable axles with a GAWR of 16,000 pounds or more for each axle, or to any vehicle which, in combination with another vehicle, constitutes a part of an "auto transporter" as defined in S4. In addition, the standard does not apply to any vehicle that meets any one of criteria (a) through (d), as follows: (40 F.R. 21031—May 15, 1975. Effective: 6/16/75)]

(a) [An overall vehicle width of 108 inches or more;

(b) An axle that has a GAWR of 29,000 pounds or more;

(c) A speed attainable in two miles of not more than 33 mph; or

(d) (1) A speed attainable in two miles of not more than 45 mph; and

(2) No cargo- or passenger-carrying capacity; and

(3) Either:

(i) All-wheel drive;

(ii) A steerable drive axle driven through gear reduction contained within the wheel; or

(iii) Two or more front steerable axles. (40 F.R. 8953—March 4, 1975. Effective: 3/1/75)]

S4. Definitions.

"Air brake system" means a system that uses air as a medium for transmitting pressure or force from the driver control to the service brake, but does not include a system that uses compressed air or vacuum only to assist the driver in applying muscular force to hydraulic or mechanical components.

["Antilock system" means a portion of a service brake system that automatically controls the degree of rotational wheel slip at one or more road wheels of the vehicle during braking. (37 F.R. 3905—February 24, 1972. Effective: 9/1/74)]

["Auto transporter" means a truck and a trailer designed for use in combination to transport motor vehicles, in that the towing vehicle is designed to carry cargo at a location other than the fifth wheel and to load this cargo only by means of the towed vehicle. (40 F.R. 1426—January 7, 1975. Effective: 1/1/75)]

["Heavy hauler trailer" means a trailer with one or more of the following characteristics:

(1) Its brake lines are designed to adapt to separation or extension of the vehicle frame; or

(2) Its body consists only of a platform whose primary cargo-carrying surface is not more than 40 inches above the ground in an unloaded condition, except that it may include sides that are designed to be easily removable and a permanent "front-end structure" as that term is used in § 393.106 of this title. (39 F.R. 28161—August 5, 1974. Effective: 1/1/75)]

"Skid number" means the frictional resistance of a pavement measured in accordance with American Society for Testing and Materials Method E-274-65T at 40 m.p.h., omitting water delivery as specified in paragraph 7.1 of that method.

["Speed attainable in two miles" means the speed attainable by accelerating at maximum rate from a standing start for two miles on a level surface. (40 F.R. 8953—March 14, 1975. Effective: 3/1/75)]

S5. Requirements. [Each vehicle shall meet the following requirements under the conditions specified in S6. (37 F.R. 3905—February 24, 1972. Effective: 9/1/74)]

S5.1 Required equipment—trucks and buses. Each truck and bus shall have the following equipment:

S5.1.1 Air Compressor. [An air compressor of sufficient capacity to increase air pressure in the supply and service reservoirs from 85 pounds per square inch (p.s.i.) to 100 p.s.i. when the engine is operating at the vehicle manufacturer's maximum recommended rpm within a time, in seconds, determined by the quotient

$$\frac{\text{actual reservoir capacity} \times 25}{\text{required reservoir capacity}}$$

(37 F.R. 3905—February 24, 1972. Effective: 9/1/74)]

S5.1.2 Reservoirs. [One or more service reservoir systems, from which air is delivered to the brake chambers, and either an automatic condensate drain valve for each service reservoir or a supply reservoir between the service reservoir system and the source of air pressure. (37 F.R. 3905—February 24, 1972. Effective: 9/1/74)]

S5.1.2.1 [The combined volume of all service reservoirs and supply reservoirs shall be at least twelve times the combined volume of all service brake chambers at maximum travel of the pistons or diaphragms. (37 F.R. 3905—February 24, 1972. Effective: 9/1/74]

S5.1.2.2 [Each reservoir shall be capable of withstanding an internal hydrostatic pressure of five times the compressor cutout pressure or 500 p.s.i., whichever is greater, for 10 minutes. (37 F.R. 3905—February 24, 1972. Effective: 9/1/74)]

S5.1.2.3 [Each service reservoir system shall be protected against loss of air pressure due to failure or leakage in the system between the service reservoir and the source of air pressure, by check valves or equivalent devices whose proper functioning can be checked without disconnecting any air line or fitting. (37 F.R. 3905—February 24, 1972. Effective: 9/1/74)]

S5.1.2.4 Each reservoir shall have a condensate drain valve that can be manually operated.

[**S5.1.3 Towing vehicle protection system.** If the vehicle is intended to tow another vehicle equipped with air brakes, a system to protect the air pressure in the towing vehicle from the effects of a loss of air pressure in the towed vehicle. (37 F.R. 3905—February 24, 1972. Effective: 9/1/74)]

S5.1.4 Pressure gauge. [A pressure gauge in each service brake system, readily visible to a person seated in the normal driving position, that indicates the service reservoir system air pressure. The accuracy of the gauge shall be within plus or minus 7 percent of the compressor cut-out pressure. (37 F.R. 3905—February 24, 1972. Effective: 9/1/74)]

S5.1.5 Warning signal. [A signal, other than a pressure gauge, that gives a continuous warning to a person in the normal driving position when the ignition is in the "on" or "run" position and the air pressure in the service reservoir system is below 60 p.s.i. The signal shall be either visible within the driver's forward field of view, or both audible and visible. (37 F.R. 12495—June 24, 1972. Effective: 9/1/74)]

S5.1.6 Antilock warning signal. [A signal on each vehicle equipped with an antilock system that gives a continuous warning to a person in the normal driving position when the ignition is in the "on" or "run" position in the event of a total electrical failure of the antilock system. The signal shall be either visible within the driver's forward field of view or both audible, for a duration of at least 10 seconds, and continuously visible. The signal shall operate in the specified manner each time the ignition is returned to the "on" or "run" position. (37 F.R. 12495—June 24, 1972. Effective: 9/1/74)]

S5.1.7 Service brake stop lamp switch. A switch that lights the stop lamps when the service

brake control is statically depressed to a point that produces a pressure of 6 p.s.i. or less in the service brake chambers.

S5.2 Required equipment—trailers. Each trailer shall have the following equipment:

S5.2.1 Reservoirs. One or more reservoirs to which the air is delivered from the towing vehicle.

S5.2.1.1 [A reservoir shall be provided that is capable, when pressurized to 90 p.s.i., of releasing the vehicle's parking brakes at least once and that is unaffected by a loss of air pressure in the service brake system. (37 F.R. 12495—June 24, 1972. Effective: 9/1/74)]

S5.2.1.2 [Total service reservoir volume shall be at least eight times the combined volume of all service brake chambers at maximum travel of the pistons or diaphragms. (37 F.R. 12495—June 24, 1972. Effective: 9/1/74)]

S5.2.1.3 [Each reservoir shall be capable of withstanding an internal hydrostatic pressure of 500 p.s.i. for 10 minutes. (37 F.R. 3905—February 24, 1972. Effective: 9/1/74)]

[S5.2.1.4 Each reservoir shall have a condensate drain valve that can be manually operated. (37 F.R. 3905—February 24, 1972. Effective: 9/1/74)]

[S5.2.1.5 Each service reservoir shall be protected against loss of air pressure due to failure or leakage in the system between the service reservoir and its source of air pressure by check valves or equivalent devices. (37 F.R. 3905—February 24, 1972. Effective: 9/1/74)]

S5.3 [**Service brakes—road tests.** The service brake system on each truck and bus shall, under the conditions of S6.1, meet the requirements of S5.3.1, S5.3.3, and S5.3.4 when tested without adjustments other than those specified in this standard. The service brake system on each trailer shall, under the conditions of S6.1, meet the requirements of S5.3.2, S5.3.3, and S5.3.4 when tested without adjustments other than those specified in this standard. However, the truck and trailer portions of an auto transporter (if both are manufactured after September 1, 1976) shall, in combination, meet the requirements of S5.3.1 as they apply to a single unit truck or bus, in place of the requirements of S5.3.2 as they apply to the trailer portion, and in place of the requirements of S5.3.1 as they apply to the truck portion in the loaded condition. (40 F.R. 1426—January 7, 1975. Effective: 1/1/15)]

S5.3.1 Stopping distance—trucks and buses. [Except as provided in S5.3.1.2 and S5.3.1.3, when stopped six times for each combination of weight, speed, and road condition specified in S5.3.1.1, in the sequence specified in Table I, the vehicle shall stop at least once in not more than the distance specified in Table II, measured from the point at which movement of the service brake control begins, without any part of the vehicle leaving the roadway and without lockup of any wheel at speeds above 10 mph except for

(a) Controlled lockup of wheels allowed by an antilock system, or

(b) Lockup of wheels on nonsteerable axles other than the two rearmost nonliftable, nonsteerable axles on a vehicle with more than two nonsteerable axles. (39 F.R. 17550—May 17, 1974. Effective: 3/1/75)]

TABLE I
STOPPING SEQUENCE

1. Burnish
2. Control trailer service brake stops at 60 mi/h (for truck-tractors tested with a control trailer trailer in accordance with S6.1.10.6).
3. Control trailer emergency brake stops at 60 mi/h (for truck-tractors tested with a control trailer in accordance with S6.1.10.7).
4. Stops with vehicle at gross vehicle weight rating:
   (a) 20 mi/h service brake stops on skid number of 75.
   (b) 60 mi/h service brake stops on skid number of 75.
   (c) 20 mi/h service brake stops on skid number of 30.
   (d) 20 mi/h emergency brake stops on skid number of 75.
   (e) 60 mi/h emergency brake stops on skid number of 75.

5. Parking brake test with vehicle loaded to gross vehicle weight rating.

6. Stops with vehicle at unloaded weight plus 500 lb.:

   (a) 20 mi/h service brake stops on skid number of 75.

   (b) 60 mi/h service brake stops on skid number of 75.

   (c) 20 mi/h service brake stops on skid number of 30.

   (d) 20 mi/h emergency brake stops on skid number of 75.

   (e) 60 mi/h emergency brake stops on skid number of 75.

7. Parking brake test with vehicle at unloaded weight plus 500 lb.

[39 F.R. 17550—May 17, 1974. Effective: 3/1/75)]

[S5.3.1.1 Stop the vehicle from 60 m.p.h. and 20 m.p.h. on a surface with a skid number of 75, and from 20 m.p.h. on a wet surface with a skid number of 30, with the vehicle (a) loaded to its gross vehicle weight rating, and (b) at its unloaded vehicle weight plus 500 pounds (including driver and instrumentation). If the speed attainable in 2 miles is less than 60 m.p.h., the vehicle shall stop from a speed in Table II that is 4 to 8 m.p.h. less than the speed attainable in 2 miles. (37 F.R. 3905—February 24, 1972. Effective: 9/1/74)]

TABLE II.—Stopping Distance in Feet

Vehicle speed in miles per hour	Service Brake stopping distance		Emergency Brake stopping distance	
	Column 1 Skid No. 75	Column 2 Skid No. 30	Column 3 Skid No. 75	Column 4
20	33	54	83	85
25	49		123	131
30	68		170	186
35	90		225	250
40	115		288	325
45	143		358	409
50	174		435	504
55	208		520	608
60	245		613	720

[39 F.R. 804—January 3, 1974. Effective: 9/1/74]

S5.3.1.2 [When stopped in accordance with S5.3.1, with its brakes fully applied, a truck manufactured before September 1, 1976, that has a front steerable non-driving axle with a GAWR of 16,000 pounds or more, or a front steerable drive axle with a GAWR of less than 18,000 pounds, and a truck manufactured before September 1, 1975, that has a front steerable drive axle of any GAWR, need not meet the requirement that it stop in the distance specified in Table II for stops on a surface with a skid number of 75 if the brakes on its front axle conform to the retardation formula and Column 1 values of S5.4.1. The vehicles must nevertheless meet the requirements of staying within the 12-foot lane and those relating to wheel lock-up. (40 F.R. 12797—March 21, 1975. Effective: 3/21/75)]

[S5.3.1.3 When stopped in accordance with S5.3.1, a truck or bus manufactured before September 1, 1975, other than a truck described in S5.3.1.2, shall stop at least once for each speed and weight condition in not more than the distance specified in Table IIa, on a surface with a skid number of 75, instead of meeting the stopping distances specified in Table II for stops on a surface with a skid number of 75. (39 F.R. 39880—November 12, 1974. Effective: 3/1/75)]

TABLE IIa.—Stopping Distance in Feet, Skid No. 75 Surface (Until September 1, 1975)

Vehicle speed in miles per hour	Service Brake stopping distance in feet Column 1	Emergency Brake stopping distance in feet Column 2
20	35	85
25	52	131
30	72	186
35	95	250
40	121	325
45	151	409
50	183	504
55	219	608
60	258	720

[39 F.R. 17550—May 17, 1974. Effective: 3/1/75)]

S5.3.2 Stopping capability—trailers. [When tested at each combination of weight, speed, and

road condition specified in S5.3.2.1, in the sequence specified in Table I, with air pressure of 90 psi in the control line and service reservoir system and with no application of the towing vehicle's brakes, a trailer shall stop without any part of the trailer leaving the roadway and without lockup of any wheel at speeds above 10 mph, except for

(a) Controlled lockup of wheels allowed by an antilock system, or

(b) Lockup of wheels on nonsteerable axles other than the two rearmost nonliftable, nonsteerable axles on a trailer with more than two nonsteerable axles.

(39 F.R. 804—January 3, 1974. Effective: 9/1/74)]

S5.3.2.1 [Stop the vehicle from 60 m.p.h. and 20 m.p.h. on a surface with skid number of 75, and from 20 m.p.h. on a wet surface with a skid number of 30, with the vehicle (a) loaded to its gross vehicle weight rating, and (b) at its unloaded vehicle weight plus 500 pounds (including instrumentation). (37 F.R. 3905—February 24, 1972. Effective: 9/1/74)]

S5.3.3 Brake actuation time. [With an initial service reservoir system air pressure of 100 psi, the air pressure in each brake chamber shall, in the case of trucks and buses, reach 60 psi in not more than 0.35 seconds measured from the first movement of the service brake control and, in the case of trailers, reach 60 psi in not more than 0.25 seconds measured from the first movement of the service brake control. A vehicle designed to tow a vehicle equipped with air brakes shall be capable of meeting the above actuation time requirement with a 50-cubic-inch test reservoir connected to the control line coupling. A trailer shall meet the above actuation time requirement with its brake system connected to the test rig shown in Figure 1. (39 F.R. 17550—May 17, 1974. Effective: 1/1/75 and 3/1/75)]

S5.3.4 Brake release time. [With an initial brake chamber air pressure of 95 psi, the air pressure in each brake chamber shall, in the case of trucks and buses, fall to 5 psi in not more than 0.50 seconds measured from the first movement of the service brake control and, in the case of trailers, fall to 5 psi in not more than 0.60 seconds measured from the first movement of the service brake control. A vehicle designed to tow another vehicle equipped with air brakes shall be capable of meeting the above release time requirement with a 50-cubic-inch test reservoir connected to the control line coupling. A trailer shall meet the above release time requirement with its brake system connected to the test rig shown in Figure 1. (39 F.R. 17550—May 17, 1974. Effective: 1/1/75 and 3/1/75)]

[S5.4 Service brake system—dynamometer tests. When tested without prior road testing, under the conditions of S6.2, each brake assembly shall meet the requirements of S5.4.1, S5.4.2, and S5.4.3 when tested in sequence and without adjustments other than those specified in the standard. For purposes of the requirements of S5.4.2 and S5.4.3, an average deceleration rate is the change in velocity divided by the deceleration time measured from the onset of deceleration. (37 F.R. 12495—June 24, 1972. Effective: 9/1/74)]

S5.4.1. Brake retardation force. [The sum of the retardation forces exerted by the brakes on each vehicle designed to be towed by another vehicle equipped with air brakes shall be such that the quotient

$$\frac{\text{sum of the brake retardation forces}}{\text{sum of GAWR's}}$$

relative to brake chamber air pressure, shall have values not less than those shown in Column 1 of Table III, except that the values in the case of each such vehicle manufactured before September 1, 1976, shall be those shown in Column 2 of Table III. Retardation force shall be determined as follows:

FIGURE 1

TRAILER TEST RIG

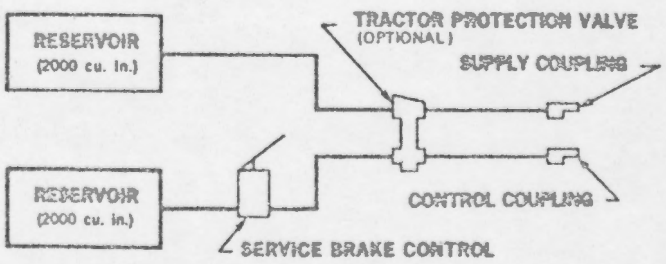


TABLE III
BRAKE RETARDATION FORCE

BRAKE RETARDATION FORCE GAWR		BRAKE CHAMBER PRESSURE, p.s.i.
Column 1	Column 2	Column 3
0.100	0.06	20
0.175	0.13	30
0.250	0.20	40
0.325	0.27	50
0.400	0.34	60
0.475	0.41	70
0.550	0.47	80

(40 F.R. 1426—January 7, 1975. Effective: 1/1/75)]

[S5.4.1.1 After burnishing the brake pursuant to S6.2.6, retain the brake assembly on the inertia dynamometer. With an initial brake temperature between 125°F. and 200°F., conduct a stop from 50 m.p.h., maintaining brake chamber air pressure at a constant 20 p.s.i. Measure the average torque exerted by the brake from the time the specified air pressure is reached until the brake stops and divide by the static loaded tire radius specified by the tire manufacturer to determine the retardation force. Repeat the procedure six times, increasing the brake chamber air pressure by 10. After each stop, rotate the brake drum or disc until the temperature of the brake falls to between 125°F. and 200°F. (37 F.R. 3905—February 24, 1972. Effective: 9/1/74)]

[S5.4.2 Brake power. When mounted on an inertia dynamometer, each brake shall be capable of making 10 consecutive decelerations at an average rate of 9 f.p.s.p.s. from 50 m.p.h. to 15 m.p.h., at equal intervals of 72 seconds, and shall be capable of decelerating to a stop from 20 m.p.h. at an average deceleration rate of 14 f.p.s.p.s. one minute after the 10th deceleration. The series of decelerations shall be conducted as follows: (37 F.R. 3905—February 24, 1972. Effective: 9/1/74)]

[S5.4.2.1 With an initial brake temperature between 150°F. and 200°F. for the first brake application, and the drum or disc rotating at a speed equivalent to 50 m.p.h., apply the brake and decelerate at an average deceleration rate of 9 f.p.s.p.s. to 15 m.p.h. Upon reaching 15 m.p.h., accelerate to 50 m.p.h. and apply the brake for a second time 72 seconds after the start of the first application. Repeat the cycle until 10 decelerations have been made. The service line air pressure shall not exceed 90 p.s.i. during any deceleration. (37 F.R. 3905—February 24, 1972. Effective: 9/1/74)]

[S5.4.2.2 One minute after the end of the last deceleration required by S5.4.2.1 and with the drum or disc rotating at a speed of 20 m.p.h., decelerate to a stop at an average deceleration rate of 14 f.p.s.p.s. The service brake line air pressure shall not exceed 108 p.s.i. (37 F.R. 3905—February 24, 1972. Effective: 9/1/74)]

S5.4.3 Brake recovery. [Starting 2 minutes after completing the tests required by S5.4.2, the brake shall be capable of making 20 consecutive stops from 30 mph at an average deceleration rate of 12 ft/s/s, at equal intervals of 1 minute measured from the start of each brake application. The service line air pressure needed to attain a rate of 12 ft/s/s shall be not more than 75 lb/in², and not less than 20 lb/in² for a brake not subject to the control of an antilock system, or 12 lb/in² for a brake subject to the control of an antilock system. (39 F.R. 17550—May 17, 1974. Effective: 1/1/75 and 3/1/75)]

S5.5 Antilock system.

[S5.5.1 Antilock system failure. On a vehicle equipped with an antilock system, electrical failure of any part of the antilock system shall not increase the actuation and release times of the service brakes. (37 F.R. 3905—February 24, 1972. Effective: 9/1/74)]

[S5.5.2 Antilock system power—trailers. On a trailer equipped with an antilock system that requires electrical power for operation, the power shall be obtained from the stop lamp circuit. Additional circuits may also be used to obtain redundant sources of electrical power. (37 F.R. 3905—February 24, 1972. Effective: 9/1/74)]

S5.6 Parking brake system. [Each vehicle other than a trailer converter dolly shall have a parking brake system that under the conditions of S6.1 meets the requirements of S5.6.1 or S5.6.2, at the manufacturer's option, and the re-

quirements of S5.6.3 and S5.6.4. (39 F.R. 804—January 3, 1974. Effective: 9/1/74)]

[**S5.6.1 Static retardation force.** With all other brakes rendered inoperative, the static retardation force produced by the application of the parking brakes on an axle other than a steerable front axle during a static drawbar pull in a forward or rearward direction shall be such that the quotient

$$\frac{\text{static retardation force}}{\text{GAWR}}$$

is not less than 0.28. (37 F.R. 3905—February 24, 1972. Effective: 9/1/74)]

[**S5.6.2 Grade holding.** With all parking brakes applied, the vehicle shall remain stationary facing uphill and facing downhill on a smooth, dry Portland cement concrete roadway with a 20% grade, both (a) when loaded to its gross vehicle weight rating, and (b) at its unloaded vehicle weight plus 500 pounds (including driver and instrumentation). (37 F.R. 3905—February 24, 1972. Effective: 9/1/74)]

[**S5.6.3 Application and holding.** The parking brakes shall be applied by an energy source that is not affected by loss of air pressure or brake fluid pressure in the service brake system. Once applied, the parking brakes shall be held in the applied position solely by mechanical means. (37 F.R. 3905—February 24, 1972. Effective: 9/1/74)]

[**S5.6.4 Parking brake control—trucks and buses.** The parking brake control shall be separate from the service brake control. It shall be operable by a person seated in the normal driving position. The control shall be identified in a manner that specifies the method of control operation. The parking brake control shall control the parking brakes of the vehicle and of any air braked vehicle that it is designed to tow. (37 F.R. 3905—February 24, 1972. Effective: 9/1/74)]

[**S5.7 Emergency braking capability—trucks and buses.** Each truck and bus shall have a braking system with emergency braking capability that meets the requirements of S5.7.1 or, at the manufacturer's option, the requirements of S5.7.2. (37 F.R. 3905—February 24, 1972. Effective: 9/1/74)]

[**S5.7.1 Parking brake system with automatic application.** Each vehicle shall have a parking brake system acting on each axle, except steerable front axles, that conforms to S5.6 and that meets the following requirements: (37 F.R. 3905—February 24, 1972. Effective: 9/1/74)]

[**S5.7.1.1 Automatic application.** The parking brakes shall be automatically applied and the supply line to any towed vehicle vented to atmospheric pressure when the air pressure in all service reservoirs is less than the automatic application pressure level. The automatic application pressure level shall be between 20 and 45 p.s.i. (37 F.R. 3905—February 24, 1972. Effective: 9/1/74)]

[**S5.7.1.2 Automatic braking performance.** With the parking brake automatically applied, a vehicle shall either be capable of meeting the requirements of S5.7.2.3, with distances measured from the point of automatic application, or shall have a static retardation force not greater than have a static retardation force quotient not greater than 0.40 for any axle, determined in accordance with S5.6.1. (40 F.R. 12797—March 21, 1975. Effective: 3/21/75)]

[**S5.7.1.3 Release after automatic application.** After automatic application, the parking brakes shall be releasable at least once by means of a parking control. The parking brakes shall be releasable only if they can be automatically reapplied and exert the force required by S5.6 immediately after release. (37 F.R. 3905—February 24, 1972. Effective: 9/1/74)]

[**S5.7.1.4 Manual operation.** The parking brakes shall be manually operable and releasable when the air pressure in the service reservoir system is sufficient to keep the parking brakes from automatically applying. (37 F.R. 12495—June 24, 1972. Effective: 9/1/74)]

[**S5.7.2 Modulated emergency braking system.** Each vehicle that does not have a parking brake system that is automatically applied in the event of air pressure loss shall have a parking brake system conforming to S5.6 that is capable of manual application at any reservoir system pressure level, and shall have an emergency braking system that meets the following requirements: (37 F.R. 3905—February 24, 1972. Effective: 9/1/74)]

[S5.7.2.1 **Emergency braking control.** The emergency braking system shall be controlled by the service brake control or the parking brake control. The control for the emergency braking system shall control the brakes on any towed vehicle equipped with air brakes. (37 F.R. 3905—February 24, 1972. Effective: 9/1/74)]

[S5.7.2.2 **Emergency braking system failure.** In the event of a failure of a valve, manifold, brake fluid housing, or brake chamber housing that is common to the service brake and emergency braking systems, loss of air shall not cause the parking brake to be inoperable. (37 F.R. 3905—February 24, 1972. Effective: 9/1/74)]

S5.7.2.3 **Emergency braking stopping distance.** [Except as specified in S5.7.2.3.1 and S5.7.2.3.2, when stopped six times for each combination of weight and speed specified in S5.3.1.1 on a road surface with a skid number of 75, with a single failure in the service brake system of a part designed to contain compressed air or brake fluid (except failure of a common valve, manifold, brake fluid housing, or brake chamber housing), the vehicle shall stop at least once in not more than the distance specified in column 3 of Table II, measured from the point at which movement of the brake control begins, without any part of the vehicle leaving the roadway, except that a truck-tractor tested at its unloaded vehicle weight plus 500 pounds shall stop at least once in not more than the distance specified in Column 4 of Table II. (39 F.R. 17550—May 17, 1974. Effective: 1/1/75 and 3/1/75)]

S5.7.2.3.1 [A truck manufactured before September 1, 1976, that has a front steerable nondriving axle with a GAWR of 16,000 pounds or more, or a front steerable drive axle with a GAWR of less than 18,000 pounds, and a truck manufactured before September 1, 1975, that has a front steerable drive axle of any GAWR, must stop in accordance with S5.7.2.3 without any part of the vehicle leaving the roadway, but need not stop in the distances specified. (39 F.R. 39880—November 12, 1974. Effective: 3/1/75)]

[S5.7.2.3.2 When stopped in accordance with S5.7.2.3, a truck or bus manufactured before September 1, 1975, other than a truck described in S5.7.2.3.1, shall stop at least once for each speed and weight condition on a surface with a skid number of 75 in not more than the distance specified in Table IIa instead of meeting the stopping distances specified in Table II for stops on a surface with a skid number of 75. (39 F.R. 39880—November 12, 1974. Effective: 3/1/75)]

S5.8 **Emergency braking capability—trailers.** [Each trailer other than a trailer converter dolly shall have a parking brake system that conforms to S5.6 and that applies with the force specified in S5.6.1 or S5.6.2 when the air pressure in the supply line is at atmospheric pressure. A trailer converter dolly shall have, at the manufacturer's option, (a) a parking brake system that conforms to S5.6 and that applies with the force specified in S5.6.1 or S5.6.2 when the air pressure in the supply line is at atmospheric pressure, or (b) an emergency system that automatically controls the service brakes when the service reservoir is at any pressure above 20 lb/in² and the supply line is at atmospheric pressure. (39 F.R. 804—January 3, 1974. Effective: 9/1/74)]

S6. **Conditions.** The requirements of S5 shall be met under the following conditions. Where a range of conditions is specified, the vehicle must be capable of meeting the requirements at all points within the range.

S6.1 **Road test conditions.**

S6.1.1 [Except as otherwise specified the vehicle is loaded to its gross vehicle weight rating, distributed proportionally to its gross axle weight ratings. (39 F.R. 804—January 3, 1974. Effective: 9/1/74)]

S6.1.2 [The inflation pressure is as specified by the vehicle manufacturer for the gross vehicle weight rating. (37 F.R. 3905—February 24, 1972. Effective: 9/1/74)]

S6.1.3 [Unless otherwise specified, the transmission selector control is in neutral or the clutch is disengaged during all decelerations and during static parking brake tests. (37 F.R. 3905—February 24, 1972. Effective: 9/1/74)]

S6.1.4 All vehicle openings (doors, windows, hood, trunk, cargo doors, etc.) are in a closed position except as required for instrumentation purposes.

S6.1.5 The ambient temperature is between 32° F. and 100° F.

S6.1.6 The wind velocity is zero.

S6.1.7 [Stopping tests are conducted on a 12-foot wide level roadway having a skid number of 75, unless otherwise specified. The vehicle is aligned in the center of the roadway at the beginning of a stop. (37 F.R. 3905—February 24, 1972. Effective: 9/1/74)]

S6.1.8 [The brakes on a vehicle manufactured before September 1, 1976, are burnished before testing, at the manufacturer's option, in accordance with S6.1.8.1 or S6.1.8.2. The brakes on a vehicle manufactured on or after September 1, 1976, are burnished before testing in accordance with S6.1.8.1. However, for vehicles with parking brake systems not utilizing the service brake friction elements, burnish the friction elements of such systems prior to the parking brake test according to the manufacturer's recommendations. (39 F.R. 17550—May 17, 1974. Effective: 1/1/75 and 3/1/75)]

S6.1.8.1 [With the transmission in the highest gear appropriate for the series given in Table IV make 500 brake applications at a deceleration rate of 10 ft/s/s, or at the vehicle's maximum deceleration rate, if not less than 10 ft/s/s, in the sequence specified in Table IV. After each brake application, accelerate to the speed specified and maintain that speed until making the next brake application at a point 1 mile from the initial point of the previous brake application. If a vehicle cannot attain the specified speed in 1 mile, continue to accelerate until the specified speed is reached or until the vehicle has traveled 1.5 miles from the initial point of the previous brake application. If during any of the brake applications specified in Table IV, the hottest brake reaches 500° F., make the remainder of the 500 applications from that snub condition except that a higher or lower snub condition shall be used as necessary to maintain an after-stop temperature of 500° F.±50° F. Any automatic pressure limiting valve is in use to limit pressure as designed, except that any automatic front axle pressure limiting valve is bypassed if the temperature of the hottest brake on a rear axle exceeds the temperature of the hottest brake on a front axle by more than 125° F. A bypassed valve is reconnected if the temperature of the hottest brake on a front axle exceeds the temperature of the hottest brake on a rear axle by 100° F. After burnishing, adjust the brakes as recommended by the vehicle manufacturer. (39 F.R. 39880—November 12, 1974. Effective: 3/1/75)]

TABLE IV

Series	Snubs	Snub conditions (highest speed specified)
1	175	40 to 20 mph.
2	25	45 to 20 mph.
3	25	50 to 20 mph.
4	25	55 to 20 mph.
5	250	60 to 20 mph.

[39 F.R. 804—January 3, 1974. Effective: 9/1/74]

[S6.1.8.2 With the transmission in the highest gear range appropriate for 40 mph, make 400 brake applications from 40 mph to 20 mph at 10 ft/s/s. After each brake application accelerate to 40 mph and maintain that speed until making the next application at a point 1.5 miles from the point of the previous brake application. After burnishing, adjust the brakes as recommended by the vehicle manufacturer. (39 F.R. 804—January 3, 1974. Effective: 9/1/74)]

[S6.1.9 Static parking brake tests for a semitrailer are conducted with the front end supported by an unbraked dolly. The weight of the dolly is included as part of the trailer load. (37 F.R. 3905—February 24, 1972. Effective: 9/1/74)]

[S6.1.10 In a test other than a static parking brake test, a truck-tractor manufactured before September 1, 1976, is tested at its gross vehicle weight rating by loading it without a trailer or, at the manufacturer's option, by coupling it to a flatbed semitrailer (hereafter, control trailer) as specified in S6.1.10.1 to S6.1.10.7. In a test other than a static parking brake test, a truck-tractor manufactured on or after September 1, 1976, is tested at its gross vehicle weight rating by coupling it to a control trailer as specified in S6.1.10.1 to S6.1.10.7.

S6.1.10.1 The control trailer conforms to this standard.

S6.1.10.2 The center of gravity of the loaded control trailer is on the trailer's longitudinal centerline at a height of 66±3 in. above the ground.

S6.1.10.3 For a truck-tractor with a rear axle gross axle weight rating of 26,000 lb or less, the control trailer has a single axle with a gross axle weight rating of 18,000 lb and a length, measured from the transverse centerline of the axle to the centerline of the kingpin, of 258±6 in.

S6.1.10.4 For a truck-tractor with a total rear axle gross axle weight rating of more than 26,000 lb the control trailer has a tandem axle with a combined gross axle weight rating of 32,000 lb and a length, measured from the transverse centerline between the axles to the centerline of the kingpin, of 390±6 in.

S6.1.10.5 The control trailer is loaded so that its axle is loaded to its gross axle weight rating and the tractor is loaded to its gross vehicle weight rating, with the tractor's fifth wheel adjusted so that the load on each axle measured at the tire-ground interface is most nearly proportional to the axles' respective gross axle weight ratings.

S6.1.10.6 [Test equipment specification. The control trailer's service brakes are capable of stopping the combination from the maximum speed at which the tractor is tested, under the conditions of S6.1, without assistance from the tractor brakes, in the distance found by multiplying the service brake stopping distance specified in Table II by the ratio:

$$\frac{\text{weight on all axles of combination}}{\text{weight on trailer axles}}$$

with the tractor's fifth wheel adjusted as specified in S6.1.10.5, the trailer service reservoirs pressurized to 100 lb/in², and the trailer loaded so that its axle is at gross axle weight rating and its kingpin is at empty vehicle weight. The stopping distance is measured from the point at which movement of the valve controlling the trailer brakes begins. The service brake chambers on the trailer reach 60 lb/in² in not less than 0.20 second and not more than 0.30 second, measured from the instant at which movement of the valve controlling the trailer brakes begins. (39 F.R. 17550—May 17, 1974. Effective: 1/1/75 and 3/1/75)]

S6.1.10.7 [Test equipment specification. The control trailer's emergency brakes are capable of stopping the combination under the conditions of S6.1 from the maximum speed at which the tractor is tested, without assistance from the tractor's brakes, in the distance found by multiplying the emergency brake stopping distance in column 3 of Table II by the ratio:

$$\frac{\text{weight on all axles of combination}}{\text{weight on trailer axles}}$$

with the combination loaded in accordance with S6.1.10.5. Stopping distance is measured from the point at which movement of the valve controlling the trailer brakes begins. In the case of control trailers that utilize parking brakes for emergency stopping capability, the pressure in the trailer's spring parking brake chambers falls from 95 lb/in² to 5 lb/in² in not less than 0.50 second and not more than 0.60 second, measured from the instant at which movement of the valve controlling the trailer's spring parking brakes begins. (39 F.R. 17550—May 17, 1974. Effective: 1/1/75 and 3/1/75)]

[S6.1.11 Special drive conditions. A vehicle equipped with an interlocking axle system or a front wheel drive system that is engaged and disengaged by the driver is tested with the system disengaged. (39 F.R. 804—January 3, 1974. Effective: 9/1/74)]

[S6.1.12 Liftable axles. A vehicle with a liftable axle is tested at gross vehicle weight rating with the liftable axle down and at unloaded vehicle weight with the liftable axle up. (39 F.R. 804—January 3, 1974. Effective: 9/1/74)]

[S6.1.13 After September 1, 1975, the trailer test rig shown in Figure 1 is capable of increasing the pressure in a 50 cubic inch reservoir from atmospheric to 60 lb/in² in 0.06 second, measured from the first movement of the service brake control to apply service brake pressure and of releasing pressure in such a reservoir from 95 to 5 lb/in² in 0.22 second measured from the first movement of the service brake control to release service brake pressure. (39 F.R. 17550—May 17, 1974. Effective: 1/1/75 and 3/1/75)]

S6.2 Dynamometer test conditions.

S6.2.1 The dynamometer inertia for each wheel is equivalent to the load on the wheel with the axle loaded to its gross axle weight rating.

S6.2.2 [The ambient temperature is between 75°F. and 100°F. (37 F.R. 3905—February 24, 1972. (Effective: 9/1/74)]

S6.2.3 [Air at ambient temperature is directed uniformly and continuously over the brake drum or disc at a velocity of 2,200 feet per minute. (37 F.R. 3905—February 24, 1972. Effective: 9/1/74)]

S6.2.4 [The temperature of each brake is measured by a single plug type thermocouple installed in the center of the lining surface of the most heavily loaded shoe or pad as shown in Figure II. The thermocouple is outside any center groove. (37 F.R. 3905—February 24, 1972. Effective: 9/1/74)]

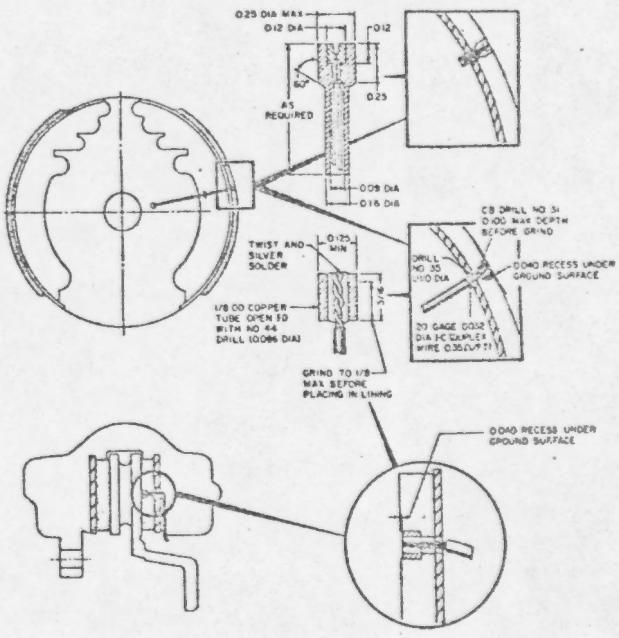
S6.2.5 [The rate of brake drum or disc rotation on a dynamometer corresponding to the rate of rotation on a vehicle at a given speed is calculated by assuming a tire radius equal to the static loaded radius specified by the tire manufacturer. (37 F.R. 3905—February 24, 1974. Effective: 9/1/74)]

S6.2.6 [Brakes are burnished before testing as follows: Place the brake assembly on an inertia dynamometer and adjust the brake as recommended by the brake manufacturer. Make 200 stops from 40 mph at a deceleration of 10 fpsps, with an initial brake temperature on each stop of not less than 315°F. and not more than 385°F. Make 200 additional stops from 40 mph at a deceleration of 10 fpsps with an initial brake temperature on each stop of not less than 450°F. and not more than 550°F. After burnishing, the brakes are adjusted as recommended by the brake manufacturer. (37 F.R. 3905—February 24, 1972. Effective: 9/1/74)]

S6.2.7 [The brake temperature is increased to a specified level by conducting one or more stops from 40 mph at a deceleration of 10 fpsps. The brake temperature is decreased to a specified level by rotating the drum or disc at a constant 30 mph. (37 F.R. 3905—February 24, 1972. Effective: 9/1/74)]

FIGURE 2

THERMOCOUPLE INSTALLATION



36 F.R. 3817
February 27, 1971

NOTE: These amendments will not be effective until September 1, 1976, but are being published at this time for the convenience of the subscriber.

S5.7 [Emergency brake system—trucks and buses. Each vehicle shall be equipped with an emergency brake system which, under the conditions of S6.1, conforms to the requirements of S5.7.1 through S5.7.4. The emergency brake system may be a part of the service brake system or incorporate portions of the service brake and parking brake systems. (40 F.R. 2989—January 17, 1975. Effective: 9/1/76)]

S5.7.1 [Emergency brake system performance. When stopped six times for each combination of weight and speed specified in S5.3.1.1 on a road surface with a skid number of 75, with a single failure in the service brake system of a part designed to contain compressed air or brake fluid (except failure of a common valve, manifold brake fluid housing, or brake chamber housing), the vehicle shall stop at least once in not more than the distance specified in Column 3 of Table II, measured from the point at which movement of the service brake control begins, without any part of the vehicle leaving the roadway, except that a truck-tractor tested at its unloaded vehicle weight plus 500 pounds shall stop at least once in not more than the distance specified in Column 4 of Table II. (40 F.R. 2989—January 17, 1975. Effective: 9/1/76)]

S5.7.2 [Emergency brake system operation. The emergency brake system shall be applied and released, and be capable of modulation, by means of the service brake control. (40 F.R. 2989—January 17, 1975. Effective: 9/1/76)]

[S5.7.3. Emergency brake system application and release. With all air reservoirs charged to 100 psi, and with a failure as specified in S5.7.1, the emergency brake system shall, by means of the service brake control, be capable of not less than two applications and releases, as determined by brake chamber air pressure of 60 psi or more during the pressure phase of operation, and brake chamber air pressure of not more than 1 psi during the pressure release phase of operation. (40 F.R. 2989—January 17, 1975. Effective: 9/1/76)]

[S5.7.4 Towing vehicle emergency brake requirements. In addition to meeting the other requirements of S5.7, a vehicle designed to tow another vehicle equipped with air brakes shall—

(a) In the case of a truck-tractor in the unloaded condition and a single unit truck which is capable of towing an air-brake equipped vehicle and is loaded to gross vehicle weight rating, be capable of meeting the requirements of S5.7.1 by operation of the service brake control only, when the single failure in the service brake system consists of the trailer air control line or the trailer air supply line and air control line from the towing vehicle being vented to the atmosphere in accordance with S6.1.14;

(b) In the case of a truck-tractor loaded to gross vehicle weight rating, be capable of meeting S5.7.1 by operation of the service brake control only, when the single failure in the service brake system consists of the air control line from the towing vehicle being vented to the atmosphere in accordance with S6.1.14; and

(c) Be capable of modulating the air in the supply or control line to the trailer by means of the service brake control with a single failure as specified in S5.7.1. (40 F.R. 2989—January 17, 1975. Effective: 9/1/76)]

[S6.1.14 In testing the emergency braking system of towing vehicles under S5.7.4(a) and S5.7.4(b) the hose(s) is vented to the atmosphere at any time not less than 1 second and not more than 1 minute before the emergency stop begins, while the vehicle is moving at the speed from which the stop is to be made and any manual control for the towing vehicle protection system is in the position to supply air and brake control signals to the vehicle being towed. No brake application is made from the time the line(s) is vented until the emergency stop begins and no manual operation of the parking brake system or towing vehicle protection system occurs from the time the line(s) is vented until the stop is completed. (40 F.R. 2989—January 17, 1975. Effective: 9/1/76)]

[Docket No. 75-16; Notice 02]

PART 571—FEDERAL MOTOR VEHICLE SAFETY STANDARDS

Air Brake Systems

This notice amends Standard No. 121, *Air Brake Systems*, 49 CFR 571.121, to establish new service brake system stopping distances until January 1, 1978, and increase brake actuation and release times on trucks, buses, and trailers. This notice also excludes from the standard trailers with an unloaded vehicle weight that is not less than 95 percent of the gross vehicle weight rating (GVWR), and any other vehicle with an unloaded vehicle weight that is not less than 95 percent of the GVWR and which has a maximum speed of 45 mph.

The NHTSA proposed reduction of Standard No. 121's stopping distance requirements (40 FR 24915, June 11, 1975), because data submitted by manufacturers of air-braked vehicles and air brake components indicated that variability of performance of certain braking and related components could in some vehicles necessitate more aggressive brake packages than are desirable to achieve the stopping distances contemplated in development of the standard. The agency also proposed increases in permissible brake actuation times to promote optimum cycling of the antilock systems used by most manufacturers in meeting the stopping distances. At the same time, the agency denied the petitions of the American Trucking Associations (ATA) and Consolidated Freightways (Consolidated) for extension of the required stopping distances as necessary to eliminate the necessity of high-torque brakes and antilock systems, and for suspension in whole or part of the standard's requirements. The denials were based on NHTSA's view that increased directional stability is critical to improvement of brake system performance on heavy vehicles, particularly articulated vehicles, that share the highway with passenger cars and other light vehicles.

Vehicle manufacturers and component suppliers supported without exception the increase in stopping distances. Additional discussions and data submitted by some manufacturers indicate that substantial effort is being made to identify and control all of the variables which affect compliance of airbraked vehicles with Standard No. 121. Most manufacturers recommended that the proposed extended distances be made permanent, but the NHTSA concludes that insufficient data exist at this time on which to base such a decision. Accordingly, the stopping distances are modified as proposed for a period that ends January 1, 1978. The NHTSA does not, therefore, accept the recommendations of Freightliner and Mack for longer distances, or the Freightliner recommendation for testing at 55 mph.

The proposed language has been modified to specify correctly the NHTSA's intent to extend service brake stopping distances on a skid number 75 surface for all vehicles under S5.3.1.2 and S5.3.1.3. Also, the additional sentence proposed for S5.3.1.3 was essentially redundant in view of the modifications to Table IIa, and that sentence has been deleted.

Manufacturers also supported the proposed increase in permissible brake actuation timing from 0.35 to 0.40 seconds for trucks and buses, from 0.25 to 0.35 seconds for trailer converter dollies, and from 0.25 to 0.30 seconds for trailers other than trailer converter dollies. The ATA recommended establishment of a minimum as well as maximum limit. While this suggestion may have merit, the NHTSA does not have sufficient time at this point to fully consider the suggestion, and will therefore treat it as a petition for rulemaking.

Bendix suggested that the increased actuation be permitted only for an interim period, but the NHTSA has evidence of degraded performance generated by the present timing which justifies a permanent change. Bendix is requested to submit any data for consideration that support its view that superior systems will exist by January 1, 1978, that provide both a faster and smoother response.

Freightliner Corporation repeated its view that actuation and release times are design-restrictive without corresponding safety benefit. While the NHTSA is willing to consider Freightliner's view for future action, it is noted that the ATA suggestion of minimum and maximum limits conflicts directly with Freightliner's point of view. In any case, elimination of these requirements was not contemplated by the scope of the proposal and will not be undertaken at this time.

Several manufacturers indicated that the petitions for longer actuation times implied the need for an increase in brake release times as well. White Motor Corporation supplied data substantiating the view that optimization of increased brake actuation times depends in part on design freedom to increase the release time in the necessary valving. Although increased release times were not proposed by the June notice, an increase in release times comparable to actuation times was contemplated by the intent of the modifications to permit somewhat slower valve action. To accomplish the intended revision, the NHTSA concludes that it is in the public interest to modify both the actuation and release time of S5.3.3 and S5.3.4 by an increase in permissible timing of 0.05 seconds. Fruehauf's suggested increase in trailer timing to 0.35 will be further considered, but the NHTSA does not believe it necessary to act on this level of increase without benefit of comments by interested persons.

The ATA, Consolidated, the Milk Industry Foundation, and Hackney Brothers submitted arguments that the stopping distance and brake timing modifications were insufficient to solve fundamental cost and reliability problems attributed by them to Standard No. 121. The ATA cited recall campaigns of antilock systems as evidence that the presence of high-torque front brakes on some trucks creates safety problems in the event of antilock malfunction. The ATA also asserted that "no lockup" performance on trailers contributes insignificantly to highway safety, and asked that antilock, if mandated, be required only on a vehicle's drive axles.

Consolidated relied on a manufacturer's statements of vehicle instability with the 121 brake systems as a ground for suspension of the standard. The company also cited cost estimates for the standard, and requested that they be substantially reduced by dropping the "no lockup" requirement entirely, or requiring it only on the vehicle's drive axles, and by extending stopping distances to eliminate the requirement for front axle 121-type brakes.

The NHTSA has undertaken an extensive evaluation of the standard's effect on truck braking characteristics. One element of that evaluation is testing by the NHTSA's Safety Research Laboratory of pre-121 and 121-equipped truck tractors. One series of tests (on a dry surface with a skid number somewhat higher than 75) included a stop from 60.8 mph in 231.2 feet by a 121-equipped International Harvester tractor (with front axle antilock disconnected and a full brake application) and a 121-equipped trailer in which the front wheel brakes never locked up. This experience indicates that 121-type front brake packages need not be so aggressive as to create a safety hazard in the event of an antilock malfunction which escapes the notice of the driver.

The NHTSA's monitoring of the standard's implementation also supports

NHTSA's position that the malfunctions experienced in initial antilock production and installation are an inevitable consequence of the introduction of a new system in high production. Those malfunctions that have been determined to be safety-related and that could result in unsafe highway operation have been recalled for remedy by the manufacturers concerned.

The NHTSA has evaluated Consolidated's revised cost objections to the standard. The information submitted does not modify the NHTSA's earlier conclusions. Accordingly, the NHTSA reaffirms its decisions not to revise or revoke the standard as requested by the ATA, Consolidated, the Milk Industry Foundation, or Hackney Brothers.

Consolidated characterized its comments as both a petition for reconsideration and, in the alternative, as a petition to modify the standard. A petition for reconsideration may under 49 CFR 553.35 be submitted in response to a "rule" issued by the agency, but the denial of a petition is not itself a "rule" within the meaning of that section. Therefore Consolidated's "petition for reconsideration" is invalid. Considered in the alternative as a petition for rulemaking to modify the standard, the NHTSA denies the petition for the reasons noted.

Other comments to the docket requested changes to the standard which the NHTSA will consider further but cannot dispose of at this time. The revisions in this notice must be issued prior to September 1, 1975, so that manufacturers are not required to meet the 245-foot stopping distance which becomes effective September 1, 1975. The issues, in addition to others noted earlier, that will be further considered are: (1) Freightliner's request for deletion of the dynamometer requirements for the front axle; (2) PACCAR's request for modification of dynamometer requirements on the drive axles; and (3) several manufacturers' requests for a decreased grade in the parking brake requirement. The NHTSA does not agree with Freightliner that the test surface and control trailer specifications are insufficiently objective, or that the wet surface and emergency brake stopping distances need to be increased. Testing by the NHTSA Safety Research Laboratory does not indicate a need to increase these distances. The agency will, of course, continue to evaluate any new data that indicate more objective specifications can be reasonably implemented, or that longer distances are advisable.

The third proposal for modification of the standard was revision of the standard's applicability to exclude trailers with a GVWR of 10,000 pounds or less, trailers with an unloaded vehicle weight that is not less than 95 percent of its GVWR, and any other vehicle that has a maximum speed of 45 mph, an unloaded vehicle weight that is not less than 95 percent of its GVWR, and no passenger-carrying capacity.

No comments opposed the exclusion of trailers whose unloaded vehicle weight is not less than 95 percent of the GVWR, and the standard is accordingly amended to exclude this vehicle group.

The State of California objected to exclusion of light trailers (GVWR of 10,000 pounds or less) on several grounds. Their comments point out that a light trailer built for low density loads can be dangerously overloaded. The State also cited the case with which higher GVWR trailers could be derated in order to take advantage of the exclusion for lighter vehicles. California also noted the increased complexity of enforcement of the standard with added exclusions of this type. Altec Industries, which petitioned for the exclusion, argued that the exclusion should be broadened to 15,000 pounds GVWR. On balance, the NHTSA agrees with California that the exclusion might create more safety problems than safety benefits. In view of this conclusion, the agency has decided not to revise the standard's applicability in this respect.

The NHTSA also proposed exclusion of vehicles with the following characteristics: a speed attainable in 2 miles of not more than 45 mph, an unloaded vehicle weight that is not less than 95 percent of the vehicle GVWR, and no passenger-carrying capacity. Manufacturers of those vehicles generally supported the proposal but expressed confusion over each of the criteria. The largest question arose over the meaning of what constitutes the "unloaded vehicle weight'. Crane Carrier, FMC Corporation, The Heavy Specialized Carriers Conference (HSCC), and Koehring pointed to the significant difference between the GVWR and the actual traveling weight of crane carrier models, considering special equipment which may or may not be included with the vehicle as optional or be permitted on the vehicle in transit.

The NHTSA has expressed the unloaded vehicle weight criterion in terms defined in § 571.3 of its regulations (49 CFR § 571.3) in a way which avoids these problems raised by the manufacturers. As defined, "unloaded vehicle weight" will normally be the GVWR of a vehicle minus its rated cargo load and its assigned occupant weight (at least 150 pounds). The rated cargo load would not include the weight of portions of a vehicle which are essential to its specialized function whether or not they are removed in accordance with State regulation for transit purposes. To arrive at "unloaded vehicle weight", a manufacturer must only refer to the GVWR he has assigned to his vehicle, and subtract from it the rated cargo load he has assigned plus 150 pounds for each occupant position. These calculations are totally separate from the presence of particular optional equipment or necessary components which may or may not be removed for highway travel.

Manufacturers and the HSCC also asked whether occupant positions for crew members such as flagman or crane operator could be provided without constituting "passenger-carrying capacity". The NHTSA uses the word passenger in this context to mean a person who does not help to operate the vehicle or its equipment, *i.e.*, who is not part of an operating crew. Positions for the crew necessary to operate a vehicle's specialized equipment would not disqualify a vehicle under the passenger-carrying criterion.

Manufacturers recommended that the speed limitation of 45 mph be raised to 50 mph to allow unrestricted travel on all highway systems. The NHTSA remains convinced that this equipment with a high center of gravity and limited braking poses a safety problem when traveling at near highway speed in the flow of traffic. With the national speed limit at 55 mph, it is considered prudent to limit the speed of air-braked vehicles without 121 brake systems to a maximum attainable speed of 45 mph. For the benefit of the HSCC, it is noted that the definition of maximum attainable speed specifies a level surface for the basis of speed determination.

With regard to these vehicles, American-Coleman Company has requested that all vehicles equipped with a front steerable drive axle of 8,000 pounds GAWR or more be excluded from the requirements of Standard No. 121. The NHTSA has already fully considered this request, and in a series of notices (30 FR 40168, November 14, 1974; 40 FR 4153, January 28, 1975; 40 FR 8953, March 4, 1975), explained its reasons for not proposing such an exclusion. American-Coleman's petition is repetitious of its earlier petition and contains no new data for consideration. Accordingly, it is denied.

In consideration of the foregoing, Standard No. 121 (49 CFR 571.121) is amended as follows:

§ 571.121 [Amended]

1. The last sentence of S3 is amended to read:

In addition, the standard does not apply to any trailer whose unloaded vehicle weight is not less than 95 percent of its GVWR, or any vehicle that meets any one of criteria (a) through (d), as follows:

(a) An overall vehicle width of 108 inches or more;

(b) An axle that has a GAWR of 29,000 pounds or more;

(c) A speed attainable in 2 miles of not more than 33 mph; or

(d) (1) A speed attainable in 2 miles of not more than 45 mph; and

(2) An unloaded vehicle weight that is not less than 95 percent of the vehicle GVWR; and

(3) No passenger-carrying capacity.

2. S5.3.1.3 is amended to read:

S5.3.1.3 When stopped in accordance with S5.3.1, a truck or bus manufactured before January 1, 1978, except as described in S5.3.1.2 and certified under its provisions, shall stop at least once for each speed and weight condition in not

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more than the distance specified in Table IIa, on a surface with a skid number of 75, instead of meeting the stopping distances specified in Table II for stops on a surface with a skid number of 75.

3. S5.3.3 is amended to read:

S5.3.3 *Brake actuation time.* With an initial service reservoir system air pressure of 100 psi, the air pressure in each brake chamber shall, when measured from the first movement of the service brake control, reach 60 psi in not more than 0.40 seconds in the case of trucks and buses, 0.35 seconds in the case of trailer converter dollies, and 0.30 seconds in the case of trailers other than trailer converter dollies. A vehicle designed to tow a vehicle equipped with air brakes shall be capable of meeting the above actuation time requirement with a 50-cubic-inch test reservoir connected to the control line coupling. A trailer, including a trailer converter dolly, shall meet the above actuation time requirement with its brake system connected to the test rig shown in Figure 1.

4. S5.3.4 is amended to read:

S5.3.4 *Brake release time.* With an initial service brake chamber air pressure of 95 psi, the air pressure in each brake chamber shall, when measured from the first movement of the service brake control, fall to 5 psi in not more than 0.55 seconds in the case of trucks and buses, and fall to 5 psi in not more than 0.65 seconds in the case of trailers, including trailer converter dollies. A vehicle designed to tow another vehicle equipped with air brakes shall be capable of meeting the above release time requirement with a 50-cubic-inch test reservoir connected to the control line coupling. A trailer, including a trailer converter dolly, shall meet the above release time requirements with its brake system connected to the test rig shown in Figure 1.

5. Table IIa is amended to read:

TABLE IIA.—*Stopping distance in feet, skid No. 75 surface*

Vehicle speed in miles per hour	Service brake stopping distance unloaded, col. 1 (until Jan. 1, 1978)	Service brake stopping distance at GVWR, col. 2 (until Jan. 1, 1978)	Emergency brake stopping distance in feet, col. 3 (until Sept. 1, 1975)
20	35	35	85
25	52	52	131
30	72	73	186
35	95	98	250
40	121	127	325
45	151	159	400
50	183	194	504
55	219	234	608
60	258	277	720

Effective date: August 27, 1975. Because these amendments do not impose additional requirements on any person and because they must replace provisions effective September 1, 1975, it is found for good cause shown to be in the public interest that they become effective sooner than 30 days following publication in the FEDERAL REGISTER.

(Sec. 103, 119, Pub. L. 89-563, 80 Stat. 718 (15 U.S.C. 1392, 1407); delegation of authority at 49 CFR 1.51).

Issued on August 25, 1975.

ROBERT L. CARTER,
Acting Administrator.

[FR Doc.75-22808 Filed 8-25-75;11:03 am]

-1502-

cc: Hope

Trucking

THE DEPUTY SECRETARY OF TRANSPORTATION
WASHINGTON, D.C. 20590

June 11, 1976

MEMORANDUM FOR: JAMES CANNON
EDWARD C. SCHMULTS

SUBJECT: Follow-up to the President's Meeting with Truckers

As a follow-up to our meeting at the White House with the President, Governor Holshouser and the representatives of the trucking industry, I sent letters to Lee R. Sollenbarger of Transcon and Anthony Bozich of IML. Copies of these letters are enclosed.

In addition, as you know, John Snow met with several of the trucking industry representatives in an adjourned meeting later in the afternoon. Also enclosed is a memorandum reporting on that meeting.

We have also reviewed again the pamphlet prepared to answer questions concerning the Motor Carrier Reform Act, and we have several additions and amendments in response to some of the points raised by the industry representatives at the meeting with the President. I will send you copies of the revised pamphlet as soon as they are available, which should be before the end of the month.

John W. Barnum

Enclosure

THE DEPUTY SECRETARY OF TRANSPORTATION
WASHINGTON, D.C. 20590

June 4, 1976

Mr. Anthony T. Bozich
President
IML
Salt Lake City, Utah

Dear Mr. Bozich:

Enclosed is a copy of the study to which I referred at the White House meeting last week ("Motor Common Carrier Freight Rate Study for Nine Western States", Federation of Rocky Mountain States Inc., May 1975).

The meeting at the White House provided an opportunity for a frank and for me very useful discussion. We continue to believe that by eliminating a number of antiquated rules and regulations which restrict management discretion, the performance of the industry would be enhanced. The Administration's proposed motor carrier reform legislation is designed to achieve this objective.

I realize you have serious reservations about our proposed legislation. I was particularly struck by the suggestion that the motor carrier industry would operate better in a completely unregulated economic environment than it would in the mixture of continued regulation and reform contained in the Administration's proposal. I would hope that we will have an opportunity to continue our discussion of the motor carrier regulatory reform issues.

Sincerely,

John W. Barnum

Enclosure

THE DEPUTY SECRETARY OF TRANSPORTATION
WASHINGTON, D.C. 20590

June 4, 1976

Mr. Lee R. Sollenbarger
Chairman, Transcon Lines
P.O. Box 92220
Los Angeles, California 90009

Dear Mr. Sollenbarger:

As I indicated to you at the White House last Thursday while we were waiting for the meeting with the President to begin, I would like to respond to some of the comments attributed to you in the Journal of Commerce on May 19 criticizing a speech in which I had discussed the generally good performance of the exempt sector of the trucking industry. According to the article, you cited the current experience in Florida as an example of the breakdown of exempt service stating that unregulated trucking is not providing "prompt", "dependable" or "efficient" service there.

I believe that my statement that farmers receive prompt and reliable service from unregulated truckers on their farm goods, while service to rural areas by regulated carriers on manufactured goods is spotty, is well supported by the facts. Let me review some of the evidence with you.

1. In the mid-1950's fresh and frozen poultry and frozen fruits and vegetables were changed from regulated to exempt commodities. The USDA conducted a "before" and "after" study of rates and service which showed that rates dropped by 33 percent on poultry and 19 percent on fruits and vegetables. Service improved dramatically. The exempt service became far more flexible and responsive to the individual needs of shippers. Trucks were readily available and there was greater willingness to haul less than full loads, to schedule deliveries by appointment, to make multiple stops for pick-ups or deliveries, and to serve small, out-of-the-way places. (Interstate Trucking of Frozen Fruits and Vegetables Under the Agricultural Exemption, by James R. Snitzler and Robert J. Byrne, Agricultural Marketing Services, USDA, Washington, D.C. MRR-316. March 1959. Interstate Trucking of Fresh and Frozen Poultry Under the Agricultural Exemption, by James R. Snitzler and Robert J. Byrne, Agricultural Marketing Services, USDA, Washington, D.C. MRR-224. March 1958.)

2. In 1975 the USDA surveyed livestock shippers who use unregulated motor carrier service. Ninety-five percent expressed satisfaction with the service. (Livestock Trucking Services: Quality, Adequacy, and Shipment Patterns, by L.A. Hoffman, P.P. Boles and T.Q. Hutchinson, The Economic Research Service, USDA, Washington, D.C. Agricultural Economic Report No. 312, October 1975.) By contrast, the State regulatory commissions in Utah, Wyoming and Idaho surveyed small town shippers and receivers about the service they received from regulated interstate motor carriers of regulated goods. Fifty-five percent of the respondents rated this service unfavorable. (Motor Common Carrier Freight Rate Study for Nine Western States, Federation of Rocky Mountain States Inc., May 1975.) (This is the study to which I referred at the meeting with the President.)

3. Because shippers tend to switch to private carriage when they are dissatisfied with for-hire carriage, comparisons of the use of private carriage for hauling regulated versus exempt traffic are also useful. The 1975 USDA study cited above found that only one-fifth of livestock shippers used private carriage; 66 percent of the respondents to the Rocky Mountain questionnaire reported that they used private carriage. The USDA studies of poultry and frozen fruits and vegetables of 1958 and 1959 cited above found that private carriage was used extensively when these products were regulated and decreased substantially when they became exempt.

4. DOT interviews with retail shippers and receivers revealed numerous specific instances of unsatisfactory regulated motor carrier service. As I also mentioned at the meeting, a plumbing supplier in New Orleans says that it frequently takes three weeks to get a shipment from Dallas. There are too few carriers with the required operating authority to ensure prompt service.

5. An Iowa State University study of regulated motor carrier service in rural Iowa found that regulated service is of uncertain quality and that smaller Iowa communities are highly dependent on private trucking for regulated goods movement. (Integrated Analysis of Small Cities, Intercity Transportation to Facilitate the Achievement of Regional Urban Goals. Report No. DOT-TST-75-13, Office of University Research, Engineering Research Institute, Iowa State University.)

6. The ICC recently reported that most perishables are handled by exempt motor carriers and that very few complaints had been received by shippers concerning their motor carrier service on perishables. (Common Carrier Newsletter, May 10, 1976.)

Let me now address your statement that the recent Florida experience indicates the unreliability of exempt trucking. It does appear to be the case that occasionally there are short-term periods of insufficient equipment available in particular areas served by agricultural carriers. This is to be expected in times of peak demand, but I think the more important point is that such an imbalance is very quickly self-correcting in an unregulated environment. The shortage of equipment causes the rates to rise somewhat and that attracts the additional capacity needed. This process is now underway in Florida and reports we have indicate that the situation is correcting itself. As I am sure you know, part of the problem in Florida was caused by an unexpectedly large harvest and the unusual coincidence of two crops, citrus and potatoes, coming in at the same time. In addition, the problem was compounded by a failure of the railroad rates properly to reflect the peak demand. Nevertheless, a Florida Department of Agriculture official states that there have not been any major reports of crop losses due to unavailability of transportation equipment.

The idea that the regulated carriers have been called upon to "bail out" the exempt carriers in Florida does not appear to be supported by the facts. There is simply more South-bound regulated traffic into Florida than North-bound regulated traffic out of Florida. Thus the regulated carriers in Florida compete for exempt commodities to balance out their loads. They haul the exempt commodities, particularly fresh fruits and vegetables, back to the northern markets in order to improve their equipment utilization and net income. In competing for exempt traffic, the regulated carriers have a decided advantage because the northern-bound movement is their backhaul, while being the front haul (and often the only real revenue-producing haul) for the exempt carriers. The exempt carriers in Florida have complained bitterly to us about the inequity involved in their inability to carry regulated goods while the regulated carriers are free to compete for their traffic and, as they say, "skim the cream."

I hope the preceding comments are useful to you in interpreting my remarks in Chicago and I would be most interested in receiving your critique of this evidence if you find it unpersuasive. We are not saying that the exempt sector of the industry operates perfectly or that the regulated trucking industry is a failure. The regulated industry has provided excellent transportation to many shippers; our point is simply that it doesn't perform as well as it could. We believe that, by eliminating a number of antiquated rules and regulations which restrict management

discretion and by placing greater reliance on competitive market forces, the performance of the industry would be enhanced.

The meeting with the President last week provided an opportunity for a frank and for me very useful discussion. I was particularly interested in the suggestion that the motor carrier industry would operate better if there were no economic regulation whatsoever, rather than the mixture of regulation and reform which we have proposed for a transition period. I regret that I was not able to join the adjourned meeting that afternoon but I would very much like to resume our exchange of facts and views at the convenience of you and your associates.

Sincerely,

John W. Barnum

Form DOT F 1320.1 (1-67)

UNITED STATES GOVERNMENT

Memorandum

DEPARTMENT OF TRANSPORTATION
OFFICE OF THE SECRETARY

DATE: June 10, 1976

In reply refer to:

SUBJECT: Follow-up Meeting with Truckers

FROM : Deputy Under Secretary

TO : The Deputy Secretary

Following the meeting in the White House with the President, Governor Holshouser and representatives of the trucking industry, a follow-up meeting was held in my office with Robert H. Shertz, Vice Chairman, RLC Corporation, John L. Tormey, Chairman, Roadway Express Inc. and Richard Hinchcliff, Managing Director, Technical Services Division, ATA. The purpose of this follow-up meeting was to review with the trucking industry people the studies which the Department had undertaken and the other evidence underlying our motor carrier regulatory reform effort.

Mr. Tormey challenged us to provide him with any evidence that problems existed with the performance of the trucking industry asking for documentation of the problems, the source of the complaint, and the evidence verifying the complaint. There followed an extensive discussion of the research which we had undertaken on the motor carrier industry and the problems associated with its regulation.

As evidence of the problems with regulation, we cited the results of our shipper surveys which show that shippers desire a different level of price and service options than are being made available. Many shippers desire better service and are willing to pay higher prices, while the transportation requirements of other shippers lead them to prefer a lower quality service with corresponding lower prices. We reviewed with the trucking industry people evidence showing that shippers turn to private carriage because of dissatisfaction with regulated carriage.

We also provided numerous examples of the wastes and inefficiencies associated with present regulation which our research has documented -- e.g., circuity, empty backhauling, absense of backhaul authorities, excessive empty mileage, inability of shippers to get the service they desire, etc. After reviewing the evidence regarding the deficiencies with the present regulatory system and the resulting adverse effects on the performance of the carrier industry, the discussion turned to a review of the alleged adverse consequences of lessened economic regulation.

Carrier representatives made the usual arguments against reduced economic regulation -- chaos, loss of service to small communities, cream skimming, monopolization, and price discrimination. We addressed each of these issues in turn and reviewed the evidence on each point.

This phase of the discussion involved an extensive review of our analyses of cost structure of the trucking industry, the performance of the exempt agricultural carriers, and the service to rural communities issue.

In the course of our discussions, we provided the industry people with copies of numerous studies which the Department has undertaken as well as a copy of the attached list of available studies. Needless to say, we did not convert the trucking industry people to our cause, but at least I think they left with a sense that the Department had done a great deal of analyses in support of its views, and that the motor carrier regulatory reform bill was not simply the product of theoretical, academic speculation.

John W. Snow

Enclosure

ITEMS AVAILABLE FOR PUBLIC DISTRIBUTION

"RCCC Board Terms Private Trucking 'Fastest Growing Competitive Threat'" by Robert M. Butler, Traffic World, page 21,

Table 19c "Number of Certificates with Restricted One-Way Hauls" (Through December 31, 1964) [Source: Interstate Commerce Commission, Bureau of Economics, Profile of Property Industry Subject to I.C.C. Regulation, July 1965, p. 43] page 50.

Tabular Results from Department of Transportation Retail Shipper Survey

Numbers of Competing Carriers on Selected Routes (Draft)

Memo to John Snow from Tom Domencich dated April 9, 1976, Subject: Market Structure in the Intercity Bus Industry

[Attached] "Resource Allocation in Intercity Passenger Transportation," Theodore E. Keeler, Ph.D. dissertation, MIT, August 1971.

An Answer to ATA's Pamphlet on Rate Bureaus

An Answer to the ATA's Pamphlet on What the Experts Are Saying

An Answer to ATA's Pamphlet on Competition in Transportation

An Answer to ATA's Pamphlet on Empty Backhauls

An Answer to ATA's Pamphlet on the Cost of Transportation

The Energy Use Implications of the Rail and Truck Regulatory Reform Bills, Sobotka & Company, Inc., Montpelier, Vermont; Stamford, Connecticut.

Commercial Zones and Terminal Areas - Notice of Proposed Rulemaking, Ex Parte No. MC-37 (Sub. No. 26), Comments of the U.S. Department of Transportation before the Interstate Commerce Commission, Washington, D.C., October 14, 1975.

Economic Analysis and Regulatory Implications of Motor Common Carrier Service to Predominantly Small Communities, Submitted by R. L. Banks & Associates, Inc., 900 17th Street, N.W., Washington, D.C. 20006, a draft report to the U.S. Department of Transportation, pursuant to DOT-OS-50096.

The Price Sensitivity of Shippers' Mode of Transport Selection and the Inter-Modal Allocation of Freight Traffic by Kenneth Duncan Boyer, Ph.D. dissertation, University of Michigan, 1975.

Letter to John Snow from James T. B. Tripp, Counsel, Environmental Defense Fund, dated March 4, 1976, with attachments.

"Communications: Price Discrimination by Regulated Motor Carriers," by Josephine E. Olson, The American Economic Review, June 1972, pages 395 - 402.

"Regulation of Motor Freight Transportation: A Quantitative Evaluation of Policy," by James Sloss, Bell Journal of Economics and Management Science, Autumn 1970, Volume 1, No. 2, pages 327 - 366.

Interstate Trucking of Fresh and Frozen Poultry under Agricultural Exemption, U.S. Department of Agriculture, Marketing Research Division, Marketing Research Report No. 224, March 1958.

Interstate Trucking of Frozen Fruits and Vegetables under Agricultural Exemption, U.S. Department of Agriculture, Marketing Research Division, Marketing Research Report No. 316, March 1959.

Supplement to Interstate Trucking of Frozen Fruits and Vegetables under Agricultural Exemption, U.S. Department of Agriculture, Supplement to Marketing Research Report No. 316, July 1961.

Livestock Trucking Services: Quality, Adequacy, and Shipment Patterns, U.S. Department of Agriculture, Economic Research Service, Agricultural Economic Report No. 312, October 1975.

Stability of Motor Carriers Operating Under the Agricultural Exemption, by Walter Miklius and Kenneth L. Casavant, prepared for U.S. Department of Agriculture under Research Agreement No. 12-17-04-8-917-X, August 1975.

Motor Common Carrier Freight Rate Study for Nine Western States, Final Report, prepared for Federation of Rocky Mountain States, Inc. in co-operation with U.S. Department of Transportation, DOT-OS-40071, May 1975.

Case Studies of Private Motor Carriage, Final Report, by Robert M. Sutton, Donald W. Weitz and Ronald S. Potter, prepared for U.S. Department of Transportation, Report No. DOT-OS-30017, November 1973.

Safety Road Checks, Motor Carriers of Property, January through June 1973, U.S. Department of Transportation, Federal Highway Administration, June 1974.

1973 Accidents of Motor Carriers of Property, U.S. Department of Transportation, Federal Highway Administration, July 1975.

Private Carriage Motivation and Impact of Rural Location PS-50367, Drake Sheahan/Stewart Dougall Inc., prepared for U.S. Department of Transportation, Report No. 2273, March 28, 1975.

The Cost Structure of the Trucking Industry, by Richard Klem, U.S. Department of Transportation (draft).

"Effects of Regulation on Truck Utilization," by Edward Miller, Transportation Journal, Fall 1973, Volume 13, Number 1, pages 5 - 14. Also, Table, "Percent Carrying Loads by Truck and Body Types and Class of Operation," [Source: Federal Highway Administration Annual Truck Weight Study].

Testimony from October 2, 1975 hearing on Motor Carrier Operating Authorities, pages 685 - 686.

Evaluation of Potential Changes to Federal Economic Regulations Governing Private Carriage, Drake Sheahan/Stewart Dougall Inc., prepared for U.S. Department of Transportation, Industry Analysis Division, Report No. DOT-OS-40113, December 6, 1974.

Truckers

EXECUTIVE OFFICE OF THE PRESIDENT
COUNCIL ON WAGE AND PRICE STABILITY
726 JACKSON PLACE, N.W.
WASHINGTON, D.C. 20506

July 13, 1976

MEMORANDUM TO: EXECUTIVE COMMITTEE OF THE ECONOMIC POLICY BOARD, AND MEMBERS OF THE COUNCIL ON WAGE AND PRICE STABILITY

FROM: WILLIAM LILLEY III WL III

SUBJECT: MAJOR COLLECTIVE BARGAINING SETTLEMENTS IN 1976

Attached are several papers prepared by the CWPS staff analyzing the 1976 Master Freight Agreement between the International Brotherhood of Teamsters (IBT) and the Trucking Employers, Inc. (TEI) and the 1976 electrical equipment agreement between the General Electric Company and a coalition of unions in the electrical equipment industry.

There are three papers presented for your review:

Attachment A -- Analysis of the 1976 Master Freight Agreement

Attachment B -- Cover letter to CWPS on the GE agreement

Attachment C -- Analysis of the GE Agreement

A draft cover letter to CWPS summarizing the Master Freight Agreement will be handed out at a meeting of the Executive Committee of the Economic Policy Board on Thursday, July 15.

Attachments

ATTACHMENT A

DRAFT

AN ANALYSIS OF THE MASTER FREIGHT AGREEMENT

Background

In its background paper for major collective bargaining negotiations in 1976, the Council discussed briefly the structure and history of bargaining in the trucking industry and described trends in teamster wages and benefits and in industry revenues and costs over the last decade. The National Master Freight Agreement covers approximately 400,000 members of the International Brotherhood of Teamsters, and about 40,000 additional Teamsters in the Chicago area who bargain separately generally follow its economic terms. Economic issues such as pay and benefit increases are negotiated in national talks, with other contract items agreed upon in regional and local supplements. The Master Freight Agreement also has an impact on at least three other groups of workers: (1) about 250,000 Teamster members in trucking who work under local agreements; (2) approximately another 250,000 nonunion workers in the trucking industry; and (3) workers in retail food and other industries because of Teamster members working in those industries. Since the agreement also affects the cost of motor freight for industry in general, it is clearly of great significance to the economy.

Over the ten-year period from February 1966 through February 1976 average hourly earnings of all drivers and platform men in the industry (according to BLS figures) increased by 104 percent, while the Consumer Price Index during the same period rose about 74 percent. From February 1973 to February 1976, however, the CPI rose 29.9 percent while average hourly earnings increased 22.2 percent. The following chart compares the ten-year change in average hourly earnings in trucking with the changes in contract construction and in all manufacturing:

Average Hourly Earnings, by Industry

	2/66	2/76	$ Change	% Change
Trucking and truck terminals	$3.13	$6.38	$3.25	104
Contract Construction	3.81	7.47	3.66	96
All manufacturing	2.67	5.04	2.37	89

The trucking industry suffered a substantial decline in traffic during the recession in 1973-75, and profit margins were squeezed as revenues fell more sharply than operating costs. The decline also contributed to a substantial reduction of 100,000 in industry employment

from 1973 to 1975. The industry has been improving with the recovery of the national economy, and this improvement has probably also been manifested in increased labor productivity (measured by output per employee due to lack of data on hours). No data on trucking industry productivity are available beyond 1973; unpublished government data indicate a slowdown in the rate of productivity growth in 1973.

1970 and 1973 Settlements

The Master Freight Agreement reached on April 1, 1970 provided for three hourly wage increases of 90 cents, 50 cents, and 45 cents, or a total of $1.85 per hour over a 39-month period ending June 30, 1973. The percentage increases were 21.3 percent in the first year and 43.8 percent over the 39-month period -- for an annual average increase of 11.8 percent over the life of the contract. Employer contributions to pension and health and welfare benefit trust funds were increased from $19.50 per week per worker to $27.50 per week per worker over the 39 months. Combining wage and trust fund contribution increases into a package, the total negotiated increase over the 39-month life of the contract was 43.5 percent -- or nearly 12 percent per year.

The 1970 contract also provided for cost-of-living increases of one cent per hour for every 0.3 point rise in the Consumer Price Index in the second and third years of the agreement, with an annual maximum or "cap" of 8 cents per hour. Under this provision workers were granted an additional 16 cents per hour in wage increases, bringing the total 39-month package to 47.0 percent or an annual average rate of increase of 12.6 percent over the life of the contract.

The 1973 negotiations took place under markedly different circumstances -- with wage and price controls in effect and the Cost of Living Council administering a 5.5 percent guideline for wage increases (with exceptions permitted for specified reasons). Three wage increases of 35 cents, 30 cents, and 30 cents were negotiated for a 33-month period from July 1, 1973 through March 31, 1976. After the 16 cents in cost-of-living increases from the prior contract were rolled into the base wage rate, the percentage increases were 5.8 percent in the first year and 15.7 percent over the 33-month life of the contract -- an average annual increase of 5.4 percent. Contributions to benefit trust funds increased from $27.50 per week to $43.50 per week.* The total negotiated

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*This substantial increase in benefit contributions was possible during the controls period for three reasons: (1) there was an additional allowance for benefit increases beyond the 5.5 percent wage guideline; (2) there was no limitation on benefit increases until benefits equalled a certain percentage of total compensation; (3) only the portion of the increased contributions resulting from new or additional benefits was "chargeable," while the portion needed to maintain existing benefits at higher cost was not.

package of wage and benefit trust contribution increases was 20.0 percent over 33 months -- an annual average increase of about 6.9 percent. The agreement retained the cost-of-living clause, but raised the annual cap in the second and third years from 8 cents to 11 cents. This clause generated an additional 22 cents in wage increases, bringing the total package for 33 months to 23.2 percent or 7.9 percent per annum -- compared to 12.6 percent per annum in the prior agreement.

Terms of the 1976 Settlement

As 1976 negotiations began, Teamsters working under the Master Freight Agreement were among the highest paid hourly workers in the economy, with hourly wages exceeded only by workers in a few industries such as construction, auto assembly, steel blast furnaces, Class I railroads, and coal mining. After a brief three-day strike the International Brotherhood of Teamsters (IBT) and Trucking Employers, Inc. (TEI) agreed on a new Master Freight Agreement to run for 36 months, from April 1, 1976 through March 31, 1979. Our analysis of the terms of the settlement will proceed through five steps: (1) determining the size of negotiated annual wage increases; (2) calculating the additional impact of cost-of-living adjustments assuming various rates of inflation; (3) combining wage and cost-of-living increases with increases in employer payments to trust funds for health and welfare and pension benefits to arrive at an overall calculation for increases in this "package" of wages and calculable benefits; (4) estimating the cost of "other" fringe benefit improvements that cannot be calculated so precisely; and (5) summing the cost of these "other" benefits and the estimated effect of "roll-up" in the cost of existing benefits to arrive at an estimate of the increase in total compensation.

Wage Increases

Hourly Rates:	April 1, 1976	- 65 cents/hour
	April 1, 1977	- 50 cents/hour
	April 1, 1978	- 50 cents/hour
	Total	- $1.65/hour
Mileage Rates:*	April 1, 1976	- 1 cent/mile
	April 1, 1977	- 1-1/4 cents/mile
	April 1, 1978	- 1-1/4 cents/mile
	Total	- 3-1/2 cents/mile

Wage Increases (continued)

*About one quarter of the workers covered by the Master Freight Agreement are over-the-road drivers who are paid for driving time on a mileage rather than an hourly basis; these drivers do, however, receive the negotiated hourly rate for nondriving time. Total mileage rate increases under the 1970 and 1973 contracts were 2.925 cents and 2.4 cents respectively.

Using a calculated average base wage rate of $7.17 per hour the hourly rate increases are 9.1 percent in the first year, 6.4 percent in the second year, and 6.0 percent in the third year. The total negotiated wage increase over the life of the contract is 23.0 percent, or an annual rate of increase of 7.2 percent. By comparison, the negotiated average annual rates of increase over the life of the 1970 and 1973 agreements were 11.8 percent and 5.4 percent respectively. Using an average mileage rate of 18 cents per mile calculated from the prior contract by the IBT, the 3-1/2 cents per mile increase amounts to 19.4 percent over three years, or an average annual rate of 6.1 percent. This is a smaller increase than for hourly pay, but since over-the-road drivers are paid mostly on the basis of miles driven rather than hours worked, their total pay could increase at a faster or slower rate than the mileage allowance. The 55 miles per hour speed limit may have reduced the earnings of these drivers somewhat, since they are not allowed to drive more than a certain number of hours per week; the extent of any such reduction has not been measured.

Cost-of-Living

The new agreement continues to provide for cost-of-living adjustments keyed to rises in the Consumer Price Index, but the cap was removed from the provision. The formula provides for adjustments to be made as follows:

April 1, 1977 - One cent for every 0.4 point rise in the 1957-59 base Consumer Price Index from January 1976 through January 1977.

April 1, 1978 - One cent for every 0.3 point rise in the 1967 base Consumer Price Index from January 1977 through January 1978.

The impact of this "uncapped" cost-of-living clause on the ultimate size of the trucking settlement will of course depend on how rapidly consumer prices rise during the life of the contract. The cost-of-living adjustment

payable on April 1, 1977 is to be calculated on the basis of one cent for every 0.4 point rise in the 1957-59 CPI; taking 1957-59 = 100 as the base period, the January index number was 193. The formula would produce the following range of adjustments, depending on the pace of inflation, during the next year:

Projected Second-Year Wage Increase Under Alternative Inflation Rate Assumptions

% Increase in CPI	Cents/Hour COLA	+ Cents/Hour Negotiated Increase	= Cents/Hour Total Wage Increase
5	24	50	74
6	29	50	79
7	34	50	84

As shown above, the second year wage increase would range from 74 cents to 84 cents if the CPI increases at a rate within the 5-7 percent range. The cost-of-living adjustment payable on April 1, 1978 is to be calculated on the basis of one cent for every 0.3 point rise in the 1967 CPI; taking 1967 = 100 as the base year, the index number was 166.7. The third year wage increase could vary within the following range depending on the pace of inflation over the next two years:

Projected 3rd Year Wage Increase Under Alternative Inflation Rate Assumptions

% Increase in CPI	Cents/Hour COLA	+ Cents/Hour Negotiated Increase	= Cents/Hour Total Wage Increase
5	29	50	79
6	35	50	85
7	42	50	92

The third year wage increase would vary from 79 cents to 92 cents if the CPI increase is within the 5-7 percent range.* Adding the increases for all three years results in the following range:

*Of course rates of increases in the CPI outside this range would produce larger or smaller total wage increases.

Total Life-of-Contract Wage Increases Under
Alternative Rates of Inflation

% Increase in CPI	Base Wage	Increases in Wages ¢/Hr.	%	%/Year
5	7.17	2.18	30.4	9.3
6	7.17	2.29	31.9	9.7
7	7.17	2.41	33.6	10.2

Recalling that the average increase in wages exclusive of cost-of-living adjustments is 7.2 percent, the table above indicates that the uncapped cost-of-living clause can be expected to add from 2.1-3.0 percentage points per year to the average annual negotiated wage increase. Retention of the 11 cents cap on cost-of-living adjustments would have added 0.9 percent if the cap were reached, making the cost of "uncapping" the clause somewhere between 1.2 and 2.1 percentage points per year (assuming 5-7 percent inflation during the next two years).

Pension and Health and Welfare Trust Funds

Employer contributions to trust funds for pension and health and welfare benefits are also increased under the terms of the new agreement. The increases are as follows:

	Health & Welfare	Pensions
April 1, 1976	$3/week	$3/week
April 1, 1977	$3/week	$3/week
April 1, 1978	$2/week	$3/week
Total	$8/week	$9/week

The combined level of payments into the two funds prior to the new contract was $43.50 per week; the first year increase of $6 per week (or 15 cents per hour based on a 40-hour week) is 13.8 percent, and the $17 per week (or 43 cents per hour) increase for three years is 39.1 percent, or 11.6 percent per year. When these increases in trust fund contributions are added to the negotiated wage increases and estimated cost-of-living adjustments already analyzed the combined first-year package is as follows:

First-Year Increase in Wages and
Trust Fund Benefit Contributions

	Base	Dollar Change	Percent Change
Hourly Wage Rate	$7.17	$0.65	9.1
Hourly Benefit Contributions	1.09	0.15	13.8
Hourly Total	8.26	0.80	9.7

Over the life of the contract wages and benefit contributions will increase between 31.6 and 34.2 percent if CPI increases stay within the 5-7 percent range:

Life-of-Contract Increases in Wages and
Contributions to Benefit Trust Funds

	Percent Increase in CPI		
	5%	6%	7%
Hourly Wage Increases	$1.65	$1.65	$1.65
Cost-of-Living Adjustments	.53	.64	.76
Hourly Increases in Trust Fund Contributions	.43	.43	.43
Total Hourly Increase	$2.61	$2.72	$2.84
Increase as Percent of Base	31.6	33.0	34.4
Average Annual Percent Increase	9.6	10.0	10.4

The average annual increase in total negotiated wage gains, estimated cost-of-living adjustments, and increased contributions to pension and to health and welfare trust funds would range from 9.6 percent to 10.4 percent over the life of the contract -- not very different from the 9.3-10.2 percent range for wage and cost-of-living increases alone (assuming 5-7 percent inflation in both cases).

It should be mentioned that increased contributions to trust funds for pension and health and welfare benefits do not necessarily mean that workers are receiving additional benefits such as improved health care plans or higher monthly pensions; increased contributions are often required to pay the higher cost of maintaining existing benefits. The cost of health care has been rising rapidly in recent years, so that health and welfare benefits constitute a growing share of total employment costs. In the case of the Master Freight Agreement, where the parties bargain over employer payments into jointly administered trust funds rather than over

actual benefit provisions, it is estimated by the IBT and TEI that the $8 per week increase in contributions to health and welfare trusts over the life of the agreement could be absorbed entirely by rising health care costs. The IBT calculations assume that health care costs will increase at a 10 percent annual rate; under this assumption $7 per week of the increase would be required to maintain existing benefits with $1 per week available for new benefits.

It is also calculated by the IBT that the funding and vesting requirements of the Employee Retirement Income Security Act of 1974 (ERISA) will absorb at least $8 per week of the $9 per week increase in employer contributions to the pension trust over the three-year tenure of the agreement. The pension reform law establishes more stringent funding level requirements than are commonly observed, and provides for earlier vesting of benefit rights. These changes in funding and vesting requirements are of value to workers, since they provide greater assurance that benefits earned will be received; nevertheless, there will be little or no money available for increasing the actual level of benefits.

Other Benefit Provisions

There are several other provisions in the contract that will benefit workers and cost employers additional money, and they are summarized below:

(1) Pension and health and welfare payments for casual and extra employees
(2) sick leave
(3) lodging
(4) holiday pay for road drivers
(5) air conditioning of truck tractors

(1) Employers must now pay casuals and extras* 50 cents per hour, (up to $4.00 per day) to provide their own health and welfare insurance coverage if the applicable Supplemental Agreement (of which there are 43) does not provide for payments to the Health and Welfare trust. Unless otherwise provided in the Supplemental Agreement employers must also pay up to $6.00 per day into the Pension Fund on behalf of such employees. Since there are 43 Supplemental Agreements with varying provisions on casuals and extras -- and since employment of such workers tends to be

*Casual and extra employees are hired to augment the regular work force during busy periods or vacation season. They are not on the seniority list. TEI estimates that they compose between 10 percent and 20 percent of the work force.

irregular -- there is no reliable basis on which to estimate the potential cost of this provision.

(2) Effective during the second and third years of the Master Agreement, all Supplemental Agreements must provide for three days of sick leave each year, to be paid for if unused. The three days are also to be provided as additional days in Agreements that already allow for sick leave. Thus, during the second and third years of the contract employers must pay for three additional days not worked; using average wage rates of $7.82 per hour for the second year and $8.32 per hour for the third year and assuming a full work year of 2,080 hours, the additional cost of this provision comes to 9 cents per hour in the second year and about 10 cents per hour in the third year.

(3) Effective 90 days after ratification of the Agreement, over-the-road drivers are to be lodged in single rooms except in emergencies (and except in existing dormitories under specified circumstances). There are roughly 100,000 road drivers covered by the Agreement, and they spend a substantial part of their time on overnight hauls. According to TEI, though, many of these drivers are already lodged in single room accommodations since there are few of the old double room dormitory accommodations remaining. There are no solid estimates of how often this provision might be applicable, and so its additional cost cannot be calculated.

(4) Over-the-road drivers who work on holidays are to be paid for four hours at straight time rates in addition to holiday pay. About 25 percent of the drivers under the Master Agreement are over-the-road drivers, and TEI estimates that the average over-the-road driver will be on the road 2-3 holidays a year. Using the average wage rate of $7.17 per hour and a 2,080 hour work year, the cost of this provision averaged over the entire Master Freight bargaining unit of 400,000 is probably not more than two cents per hour.

(5) Newly manufactured* over-the-road tractors added to the road fleet after April 1, 1977 and assigned to road operations on a regular basis are to be air conditioned. The cost of this provision is difficult to estimate. Sleeper cabs used on long-haul operations are already air conditioned, so that the provision will apply only to single man cabs of which there are an estimated 75,000 in operation. According to TEI truck tractors have a useful life of three years. This means that the provision would apply to about 25,000 new tractors in both the second and third years of the contract. The installation cost of air conditioning is estimated to be $700 per tractor, and a rough estimate of annual maintenance

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*The contract also requires the parties to investigate the feasibility of retrofitting existing tractors with air conditioning by April 1, 1980; TEI does not believe it is feasible, but does not feel this will be an issue -- since existing tractors are likely to be phased out by that time.

costs is $250. Spreading the amortized cost of installation and the annual cost of maintenance over the entire bargaining unit, we estimate the additional hourly cost of this provision to be 1.5 cents per hour in the second year of the contract and 2.0 cents per hour in the third year. It is worth noting that the contract does provide for the establishment of joint committees in the various regional conferences to consider waiving the installation requirement for climatic or other reasons; for this reason the total cost of this provision could be lower than that calculated above. Any savings, however, could be offset by lower fuel economy due to air conditioning units.

The cumulative hourly cost of these other provisions -- to the extent that they can be estimated -- is thus about 2 cents in the first year, 12.5 cents in the second year and 14 cents in the third year:

Provision	Cost		
	1st Year	2nd Year	3rd Year
Extra Holiday Pay	2¢	2¢	2¢
Sick Leave	-	9¢	10¢
Air Conditioned Tractors	___	1.5¢	2¢
Total	2¢	12.5¢	14¢

Roll-up

One additional cost item sometimes overlooked in determining the cost of a collective bargaining contract is "roll-up" -- the added cost of providing existing fringe benefits such as vacations and holidays which increase in cost with increases in the hourly wage rate. For example, a 10 percent increase in wages also increases the cost of holiday pay to an employer by 10 percent since he must pay the higher wage rate for holidays as well as for workdays. Using a TEI figure of 80 cents per hour as a base for these benefits other than pension and health and welfare contributions and given the annual rate of increase in wages, the added cost of providing these benefits is as follows:

1st year - 8¢/hour
2nd year - 9¢/hour
3rd year - 10¢/hour

Using a total compensation base of $9.06 per hour* (7.17 wages + 1.09 trust fund contributions + 80 cents other fringe benefits) the total size of

*This does not include the cost of legally mandated payments for such items as Social Security, Workman's Compensation, etc.

the wage and benefit increase in each year and over the life of the contract is shown below:

Changes in Components of Total Compensation

Life-of-the-Contract
(assuming 6 percent annual increase in CPI)

	1st Year	2nd Year	3rd Year	Total
Wages	$.65	$.50	$.50	$1.65
COLA	-	.29	.35	.64
Trusts	.15	.15	.13	.43
Other Benefits*	.02	.09	.01	.12
Roll-up	.08	.09	.10	.27
Total Increase	$.90	$1.12	$1.09	$3.11
Base Compensation	9.06	9.95	11.06	9.06
Percent Increase in Compensation	9.9%	11.3%	9.9%	34.3%
Average Annual Percent Increase				10.4%

*Excludes estimated cost of air conditioning truck cabs.

The calculations above exclude the estimated cost of air conditioning truck cabs, because this kind of cost is not generally included in the base compensation rate used to calculate percentage increases. Nevertheless, this cost is an additional cost of employment emerging from the agreement, and cannot be overlooked in considering the cost of the agreement. If it were included in the calculations it would add 3.5 cents to the overall totals -- raising the total three-year cost increase to 34.7 percent (assuming a 6 percent inflation rate).

The total increase in compensation (excluding the air conditioning provision) over the life of the contract, as shown in the table above, is 10.4 percent per year (with the largest increase in the second year) -- compared to a 9.7 percent annual increase in wages alone.

It is interesting to compare the negotiated increases in wages and benefits (excluding estimated cost-of-living adjustments) with similar figures reported by BLS for 1975 settlements covering 5,000 or more workers. The first year increase of 9.9 percent in the Master Freight Agreement falls in the bottom two-fifths of the distribution -- meaning

that more than 60 percent of the first year increases negotiated in 1975 were higher -- and is less than the average 1975 first-year adjustment of 11.2 percent. There is, of course, a dispersion around any average, as indicated by the fact that 12 percent of workers in these large bargaining units received increases in 1975 of less than 6 percent, while 22 percent of them received more than a 16 percent increase. Over the life-of-the-contract the estimated Master Freight Agreement average annual negotiated increase of 8.4 percent exceeds the 1975 average adjustment of 7.8 percent for settlements covering 5,000 or more workers.

The Impact on Costs and Prices

In order to trace the potential impact of the new Master Freight Agreement on costs and prices, it is important to explain briefly the relationship among total employee compensation, labor productivity, labor costs, profits, and prices.

Increases in total employee compensation -- which amount to paying workers more for the same level of effort -- raise an employer's labor costs. Increases in labor productivity -- which provide an employer with more output for the same level of effort -- lower the employer's labor cost. The net impact of a collective bargaining agreement on costs, therefore, depends upon the relationship between compensation changes and productivity changes that result from the agreement. If productivity and compensation rise at the same rate, unit labor costs remain unchanged, while if productivity increases at a slower pace, unit labor costs rise.*

The impact of higher labor costs, of course, depends upon the importance of labor costs as a portion of the firm's total costs.

Rising labor costs relative to capital costs may prompt employers to attempt to economize on their labor inputs, while rising prices for the good or service produced with the labor and capital may encourage consumers to substitute other goods and services. What this means for workers in a given industry is that in the long run there is a tradeoff at some point between gains in total compensation and the potential loss of employment security. The threat of large gains in compensation to employment security is obviously weaker, however, if there are not substitutes for the particular goods or services that are rising in price, e.g., air or rail transport is not an alternative to truck transport for very short hauls. Large gains in compensation can also encourage firms in industries that are heavy users of trucking services to develop their own fleets, substituting private for common carriage. A study by the Regular Common Carrier Conference of the American Trucking Associations estimates that 40 percent

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*Unit labor costs do not rise by precisely the difference between increases in compensation and productivity because of different bases of calculation, but the variation is very slight.

of available tonnage already moves in private carriage.

The effects of a collective bargaining settlement discussed so far are internal to the particular industry within which the settlement occurs. In order to assess the impact of a settlement on the national economy, it is necessary to take the analysis one step further to consider the impact of total compensation increases, and accompanying cost and price increases, in a particular industry on wage and benefit settlements and price increases in other industries.

In this regard a collective bargaining agreement can have two kinds of effects on the economy. First, if prices in one industry increase as a result of a new settlement, costs in other industries which buy the good or service in question will rise. This is a direct effect which occurs when a collective bargaining agreement affects the price of a good or service which is not a final consumer product, but rather an intermediate good used by other industries.

Second, compensation increases, or the price increases that may result from them, can have a demonstration effect on wages and prices in other industries. This is a more indirect effect, involving attempts to maintain or restore wage or price level relationships among different industries that are deemed customary or appropriate by the groups involved.

Impact of the Master Freight Agreement

The 1976 Master Freight Agreement can be viewed against this backdrop. As indicated above, total compensation per hour is increased by about 9.9 percent in the first year of the agreement. This increase in labor costs to employers, however, can be partially offset by increases in labor productivity. There are no hard data on labor productivity in trucking beyond 1973. If we assume that productivity is likely to increase by about 3 percent in the national economy, and productivity growth in trucking approximates this national average rate of increase, then the first year wage and benefit increase of 9.9 percent would raise unit labor costs by almost 7 percent. Since labor costs account for about 60 percent of total costs in the trucking industry, the 1976 Master Freight Agreement would raise total unit costs by slightly more than 4 percent under this assumption about productivity. The table below shows that the rise in unit labor costs resulting from this agreement would vary from about 7-9 percent as labor productivity increases vary from 1-3 percent.

Increases in Employee Compensation, Productivity, and Unit Costs, First Year of 1976 Master Freight Agreement (April 1, 1976 - March 31, 1977)

Rate of Increase in Total Compensation	Estimated Increase in Labor Productivity	Increase in Unit Labor Costs	Increase in Total Costs Due to Labor Cost Increases
9.9	1.0	8.9	5.3
9.9	2.0	7.9	4.7
9.9	3.0	6.9	4.1

Total costs per unit can be expected to rise from 4-5 percent in the first year of the agreement as a direct result of the negotiated increase in wages and benefits. In addition, it is likely that fuel, maintenance and other costs may also increase as much as 7-9 percent, so that total cost increases in trucking during the first year of the Master Freight Agreement may be approximately as large as the estimated unit labor cost increases.

The 9.9 percent total compensation increase in the first year is unlikely to be a significant factor contributing to an acceleration in the rate of inflation. First, this rate of increase is certainly within the range of the expected average rate of change in compensation for employees in major bargaining units in 1976. Hence, it is unlikely to exert pressure which would "pull up" the average noticeably. Second, productivity gains are likely to be healthy this year due in large part to the strong recovery in economy activity. Third, the 6 percent rate increase approved by the Interstate Commerce Commission in April 1976* is in line with the rate of increase in consumer prices expected by most economic forecasters for 1976. Therefore, while the first-year terms of the agreement will not contribute to a slowing of inflation below the expected rate of about 6 percent, neither are they likely to contribute to a rise above that rate.

The Council has received data from the U.S. Bureau of Labor Statistics that indicate the impact of a 6 percent increase in truck freight rates on prices in various industries as well as on the overall rate of inflation. The input-output model from which these data emerge has several limitations or qualifications that are important to note: (1) the model assumes that an increase in freight rates is due to proportional increases in all factor costs, and not just labor costs; (2) it is based on 1970 relative factor inputs; (3) it assumes unregulated freight rates will rise by as much as regulated rates. Given these assumptions, the data show that the 6 percent

*The 6 percent increase in trucking rates approved by the Interstate Commerce Commission is an average of rates approved for the various regional motor carrier rate bureaus.

average rate increase just approved by the ICC will raise the GNP deflator by a little less than 0.2 percentage points. The impact varies considerably across industries, from less than 0.03 percent in finance, insurance, and retail trade to 0.31 percent in food products, 0.25 percent in non-residential construction, 0.23 percent in agricultural chemicals, and 0.15 in household appliances. Since the model does not allow for any substitution effects, such as the ones mentioned earlier, these estimates are likely to overstate somewhat the actual impact of the trucking rate increase on prices.

Analyzing the impact of the agreement in subsequent years is more problematical because the rate of increase in total compensation is affected by the rate of increase in prices through the operation of the cost-of-living escalator contained in the agreement.* If we assume that the CPI will increase by 6 percent during the first year of the agreement, the total employment cost increase in the Spring of 1977 will exceed 11 percent. If productivity grows by 3 percent, unit labor costs will rise by almost 8-1/2 percent, which increase in turn will raise total costs by almost 5-1/2 percent exclusive of any increases in fuel or maintenance costs. If these cost increases are fully "passed through" to users of trucking via rate increases approved by the ICC, trucking rates would also increase by roughly 5-1/2 percent next year; if fuel and maintenance costs increase as rapidly as unit labor costs (8-1/2 percent) then trucking rates would also rise by 8-1/2 percent. Furthermore, a 3 percent rise in labor productivity appears less likely in 1977 than in 1976 because the cyclical gains in productivity typical of the early stage of a recovery are likely to diminish somewhat as firms build up their work forces rather than continue to strive for more output from a pared down work force. If productivity should rise by only 2 percent in the second year of the agreement, unit labor costs would rise by about 9-1/2 percent instead of 8-1/2 percent.

Given the order of magnitude of the maximum direct effects on prices of a given trucking rate increase, as shown by the BLS results, it is unlikely that even 8-9 percent increases in trucking rates, per se, would appreciably pull up the overall rate of inflation. It is important to emphasize, however, that an inflation rate in the range of 6 percent in the first year of the agreement will cause the agreement to be "backloaded" in the sense that the second and third year increases in wages will ultimately exceed the negotiated first-year increase. The backloading results from adding uncapped cost-of-living adjustments to second and third year negotiated 6 percent wage increases which, taken alone, are likely to exceed productivity gains in those years. This backloading in the agreement could be a factor which

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*This analysis is further complicated by the fact that the rate of increase in prices in subsequent years is influenced in part by collective bargaining settlements, i.e., there is two-way causation between wages and prices.

builds an unacceptably high rate of inflation into our economy. If inflation were to average 3-4 percent per year during the early part of the agreement, of course, the agreement would not turn out to be backloaded. An inflation rate of 6 percent in the first year, however, would yield a second year increase in total compensation of more than 11 percent. To the extent that such a "backloaded" settlement is copied in other major settlements over the next year, it could exert upward pressure on the average rate of inflation in 1977-1978.

ATTACHMENT B

DRAFT

EXECUTIVE OFFICE OF THE PRESIDENT
COUNCIL ON WAGE AND PRICE STABILITY
726 JACKSON PLACE, N.W.
WASHINGTON, D.C. 20506

TO MEMBERS AND ADVISER MEMBERS OF THE COUNCIL ON WAGE AND PRICE STABILITY

On June 27, 1976, the General Electric Company signed a collective bargaining agreement with a coalition of unions headed by the International Union of Electrical Workers (IUE) and the United Electrical Workers (UE). On July 11 the agreement between this coalition of unions and the Westinghouse Corporation expired. While a new agreement has not yet been reached at Westinghouse, most of the workers involved are continuing to work under the previous agreement, and at this writing it is likely that the major economic terms of the General Electric settlement will be adopted at Westinghouse.

The IUE represents about 92,000 workers at General Electric and Westinghouse and the UE about 23,000 workers; another 52,000 workers belong to several other unions, most of which negotiate at the plant level while following the major economic terms agreed on by the IUE and UE in the national talks. In total, about 167,000 workers are affected by these agreements, a little less than 4 percent of the workers in major collective bargaining units who are negotiating new agreements in 1976.

The Council staff has prepared a report which analyzes the cost of the various provisions contained in this agreement. Our calculations, based on a 6 percent inflation rate as a working assumption, indicate that the first year increase in wages, including a cost of living adjustment scheduled for November 1976, is 75 cents per hour on a base of $5.05 per hour, or 14.9 percent. The corresponding second and third year wage increases will be 45 cents or 7.8 percent and 45 cents or 7.2 percent. Over the life of the agreement wages would increase by $1.65 or 32.7 percent, an average annual increase of 9.9 percent. Of course, higher or lower inflation rates over the life of the agreement would cause the increase in wages to be higher or lower than these figures.

The Council report also analyzes the impact of this agreement on labor costs and prices, and it discusses possible demonstration effects on other collective bargaining negotiations.

ATTACHMENT C

An Analysis of the General Electric Settlement

Background

In its background paper for major collective bargaining negotiations in 1976, the Council discussed briefly the structure and history of bargaining in the electrical industry and described trends in worker wages and benefits and industry revenues and profits over the last decade. Electrical negotiations are held between the two industry leaders - General Electric and Westinghouse - and a coalition of unions headed by the International Union of Electrical Workers (IUE) and the United Electrical Workers (UE). The General Electric agreement expires two weeks before the contract at Westinghouse, and this has tended to make GE the pattern setter for Westinghouse. The IUE represents about 70,000 workers at GE, and the UE about 17,000; 27,000 other workers belong to various other unions, most of which negotiate at the plant level while following the major economic terms agreed on by the IUE and UE in the national talks. At Westinghouse *about 53,500 workers are under the terms of the agreement. The combined total of 167,500 workers at GE and Westinghouse represents roughly 4% of the workers covered by major collective bargaining agreements negotiated in 1976.

Over the ten year period from March 1966 through March 1976 average hourly earnings of workers in the Electrical Equipment and Supplies industry (according to BLS figures) increased by 84% -- 10% more than the increase in the Consumer Price Index over the same period. From March 1973 through

*As of this writing tentative agreement had been reached at Westinghouse on economic terms substantially identical to those agreed on at GE, although the parties continued to negotiate over other contract provisions.

March 1976, however, the CPI rose 29% as compared to a 27% gain in average hourly earnings. The following table compares the changes in average hourly earnings for electrical equipment and supplies with those for all manufacturing:

Average Hourly Earnings

	3/66	3/76	$ Change	% Change
Electrical equipment and supplies	$2.61	$4.80	$2.19	84%
All Manufacturing	$2.68	$5.07	$2.39	89%

General Electrical produces products for more than one industry, e.g. heavy electrical equipment and consumer appliances. All markets suffered from reduced demand during the 1973-75 recession, and GE's profitability declined markedly. The consumer markets have improved more noticeably than heavy equipment markets during the present recovery, but margins remain below those of 1973. Productivity declined in 1974, the last year for which BLS data are available; it has probably improved during the economic recovery, but not enough to keep unit labor costs from continuing to rise.

1970 and 1973 settlements

The 1970 electrical contract called for increases of 20¢ in the first year and 15¢ in each of the second and third years, and contained a cost-of-living clause that provided for a 1¢ increase for each 0.3 point rise in the Consumer Price Index up to a maximum of 8¢ per year. Percentage increases were 8.2% in the first year and 21.6% over the life of the agreement.

The 1973 agreement provided for a first year increase of 30¢, (including COLA) and second and third year increases of 16¢. The cost of living clause

remained, with the maximum or "cap" raised to 14¢ in the second year and 12¢ in the third year. Wages increased an additional 26¢ in the last two years under this capped formula. The first year increase came to 7.2%, and the over-the-life increase to 88¢ or 21.1%.

Terms of the 1976 Agreement

The new contract provides for the following wage increases over the next three years:

First year - 60¢/hour plus a skill adjustment of 5-25¢ for skilled workers (affecting 52,500 of 114,000 workers). The skill adjustment averages 6¢/hour for the bargaining unit;

Second year- 4% with a 25¢ minimum;

Third year - 4% with a 25¢ minimum.

The average hourly wage rate for all unionized G.E. employees is $5.05 - and since 4 percent of $5.05 is 20 cents, or less than the 25¢ minimum, the average worker will get the 25¢ minimum in the second and third years. Thus, the actual negotiated percentage wage increases are as follows:

	Base Wage	Negotiated Increase	Percent Increase
1st Year	$5.05	66¢*	13.1%
2nd Year	5.71	25¢	4.4%
3rd Year	5.96	25¢	4.2%
Total Increase		$1.16	23.0%
Average Annual Increase			7.2%

*Includes 6¢ average skill adjustment

Cost-of-Living

Under the new agreement the "cap" is removed from the cost-of-living clause, and the formula changed to provide for a 1¢ increase for each 0.3 percent* rise in the Consumer Price Index up to 7%; no additional adjustments are made for a CPI increase between 7 and 9%, but the same formula is triggered again by any rise above 9%. The table below calculates the cost-of-living adjustments that would result from various rates of inflation under this formula of 1¢ for each 0.3 percent rise in the CPI:

	Percent Increases in CPI				
	4%	5%	6%	7%	8%
COLA	13¢	16¢	20¢	23¢	23¢

Because of the 7-9% "corridor" in the clause, the cost-of-living adjustment is no larger for an 8% inflation rate than it is for a 7% rate - 23¢ in both instances. If we assume a 6% rate of inflation over the next three years, the combined effect of negotiated wage increases and cost-of-living adjustments will be as follows:

Projected Wage Increases Assuming 6% Inflation

	Base Wage	Negotiated**	+	COLA**	=	Total	%
1st Year Increase	$5.05	66¢		9¢		75¢	14.9%
2nd Year Increase	$5.80	25¢		20¢		45¢	7.8%
3rd Year Increase	6.25	25¢		20¢		45¢	7.2%
Life-of-Contract Increase	5.05	$1.16		49¢		$1.65	32.7%
Average Annual Increase							9.9%

*Most cost-of-living clauses provide a 1¢ increase for each 0.3 or 0.4 point rise in the CPI. The use of percent rather than point in the formula results in smaller increases, since the CPI index number for all items is more than 100.

**The 66¢ first-year increase includes 11¢ of COLA in advance of the November adjustment; thus the 20¢ cost-of-living adjustment due then is reduced to 9¢.

The first-year wage increase including COLA is approximately 15%, and the overall three year increase is almost 33% - an average annual increase of about 9.9% assuming a 6% rate of inflation. In contrast to the 1976 Master Freight Agreement analyzed earlier in another report,* this settlement is heavily front-loaded - with the largest increase coming in the first year.

Benefits

The new contract also provides for improvements in a number of benefit provisions, including vacations, pensions, and health and welfare

Employees with more than 30 years of service are now entitled to an additional week of vacation each year. The cost of this provision cannot be estimated without knowing the composition of the work force, but it is not likely to be very substantial unless GE has an exceptionally large proportion of senior workers.

The income extension aid provision has been improved to guarantee workers who are laid off up to 60% of their normal pay - with the Company paying the difference between the 60% guarantee and unemployment compensation benefits received from the state. These supplemental benefits are payable for as many weeks as an employee has years of active service with the Company. Since there is no SUB fund for these benefits, no costs are incurred until payments are actually made. It is difficult to estimate how costly this provision might prove, but if the economic recovery continues it should not add much to labor costs in the foreseeable future.

Sickness and accident insurance benefits will be increased from a maximum

* The first, second, and third year increases in wages (including COLA at a 6% rate of inflation) in the Master Freight Agreement are 65¢ or 9.1%, 79¢ or 10.1%, and 85¢ or 9.9%; the overall three year increase is $2.29 or about 32%. See An Analysis of the Master Freight Agreement.

of $150 per week to a maximum of $175 effective January 1, 1977, and minimum life insurance coverage is raised for lower wage employees. The cost of these changes plus other minor revisions in health care coverage cannot be estimated accurately at this time.

Pension benefits are also increased under the new agreement, from a range of $6.50 - $9.50 per month per year of service to $8 - $12 per month per year of service. Cost estimates for these pension improvements are not currently available. In summary, though, the agreement appears to concentrate chiefly on wage and cost-of-living gains, and appears to contain relatively smaller benefit improvements.

The following table summarizes the wage and cost-of-living increases in the 1970, 1973, and 1976 settlements:

Combined Wage and COLA Increases

		1st Year		Life-of-Contract	
	Base	¢/hr.	%	¢/hr.	%
1970	$3.43	28¢	8.2%	74¢	21.6%
1973	4.17	30	7.2	88	21.1
1976*	5.05	75	14.9	$1.65	32.7

*assuming a 6% inflation rate.

Impact on Costs and Prices

The impact of the settlement on unit labor costs will depend on productivity performance during the next year. The latest productivity data for the industry cover 1974. If we assume that productivity is increasing at about a 3-4% annual rate in the economy (the rate was 4.6% in the first quarter, but has probably slowed since then), and that productivity is growing

in the electrical industry at about the same rate, then a first year compensation increase of about 14%* would raise unit labor costs by 10-11%. Labor costs account for roughly half of total costs in the industry, so that the settlement would raise total unit costs by 5% or more over the next year.

Total costs can also be expected to rise as a result of other factors such as higher steel prices, and such increases in costs will put pressure on product prices if profit margins are to be maintained. In this regard it is interesting to note that GE has just announced selective price increases of up to 3% to become effective August 2 on many of its major appliances. Since major appliances are an important item in the Consumer Price Index, increases in their prices have effects on both the rate of inflation and on the level of economic activity through their influence on consumer buying decisions. Thus, the substantial first-year wage increase - intended largely to help workers "catch-up" with past inflation - could contribute as well to future inflation. This is less likely in the second and third years of the contract, when increases in total compensation will almost certainly be several percentage points smaller (unless the economy returns to double digit inflation and cost-of-living increases become much larger than expected). This "front-loaded" agreement - in contrast with the "back-loaded" Master Freight Agreement analyzed in an earlier paper - will have its greatest impact on the economy in 1976-77.

*Since benefit increases appear to be smaller than wage increases the overall increase in total compensation could be somewhat smaller than the wage increase. The 14% figure is smaller than the 14.9% shown earlier because, for calculating unit labor cost impact, the 9¢ COLA due in November must be time-weighted over the year -- and is thus about 5¢.

Impact on Other Wage Settlements

The electrical settlement would not ordinarily have any influence on bargaining in the rubber industry for two reasons: the rubber contracts expire two months earlier; and there is no traditional wage relationship between the two industries. This year, however, the Rubberworkers have been on strike against the Big Four tiremakers since April 21, and remain off the job at the time of this writing. The Rubberworkers two chief demands are for a large first-year "catch-up" wage increase and an unlimited cost-of-living clause similar to that in the automobile industry. The electrical unions did win a substantial first-year wage increase, and an uncapped cost-of-living clause (although not the more liberal formula in the auto industry clause); thus, the General Electric settlement could have some influence on the rubber negotiations.

The other major industry yet to bargain this year is the automobile industry, but the issues there are different; autoworkers have had substantial cost-of-living protection under their existing agreement, and are expected to focus their demands on such issues as job security and supplemental benefits for laid-off workers, rather than on "catch-up" wage increases. It seems unlikely, therefore, that the auto negotiations will be influenced much by the electrical settlement.

file

Transp.

THE WHITE HOUSE

WASHINGTON

October 28, 1976

Dick:

Dear ~~Mr. Herman:~~

Thank you for sending me a copy of the Herman Bros., Inc. petition for rulemaking filed with the Interstate Commerce Commission to permit regulated motor carriers to supplant certain private motor carriage.

It is my understanding that your proposal is being reviewed at the Department of Transportation and that DOT intends to submit its comments to the Commission on or before November 22. As you know, the Administration has been very concerned about the problems that your petition addresses.

Sincerely,

James M. Cannon
Assistant to the President
for Domestic Affairs

Mr. R. L. "Dick" Herman
President
Herman Bros., Inc.
2565 St. Marys Avenue
Post Office Box 189
Omaha, Nebraska 68105

THE WHITE HOUSE
WASHINGTON

December 8, 1976

JMC

You should note the attached memos from J. Hope. The first indicates that she requested DOT not to publish in the Federal Register a notice re: the administration's truck bill. You may already know about this, and our "request" may be appropriate. Obviously, we still need to be careful about giving directions to Department heads -- especially via associate directors.

I also wonder about the memo to Coleman re: Westside Highway. The same concerns arise, but here it is in writing. I am also not sure that we should be encouraging Coleman (at least implicity) to get involved in the Environmental Impact Statement process.

Do you want to respond to Judy.

A.

Not necessary

Transportation

THE WHITE HOUSE

WASHINGTON

1976 DEC 8 AM 8 39

December 7, 1976

MEMORANDUM FOR: JIM CANNON

THROUGH: ART QUERN

FROM: JUDITH RICHARDS HOPE

SUBJECT: Motor Carrier Regulatory Reform

Pursuant to our conversations of last week I've talked with both Secretary Coleman and with Bob Binder, the Assistant Secretary for Policy and Planning at the Department of Transportation. I requested them not to publish a notice of a hearing on the administration's truck bill until hearing further from me. I suggested to them that this was a matter which was currently under discussion here at the White House, and that the President had not yet made a final decision on his 1975 legislation. DOT will not publish any notice of hearings in the federal register until hearing further from us.

Please advise me if you wish further information transmitted on this matter.

THE WHITE HOUSE

WASHINGTON

December 7, 1976

MEMORANDUM FOR: THE SECRETARY OF TRANSPORTATION

William T. Coleman, Jr.

SUBJECT: The Westside Highway in New York

Pursuant to our conversation on Friday, December 3, I am enclosing for your information a copy of the committment which the President made in New York regarding the Westside Highway. We appreciate your efforts to expedite the Environmental Impact Statement process in connection with the important reconstruction of this major transportation artery.

Judith Richards Hope
Associate Director
Domestic Council

Attachment

cc: Jim Cannon

If I might, I would like to add a very special comment, Nelson, not only for what you have done as Vice President, not only for what you have done for my candidacy and what you are doing in this campaign, but what you have done for our country all of your public life. Nobody will ever surpass the dedication, devotion that has been demonstrated on behalf of his country over the years by our Vice President. And I think not only you here tonight, but the people in the great Empire State and all of us in the other 49 States are deeply grateful for this wonderful public servant, whom I have gotten to know and love and trust, and who I think is super.

Now I would like to express my gratitude to your great State chairman, Dick Rosenbaum, who has a subtle way of suggesting that maybe certain things ought to happen—look at him blush. [*Laughter*] Well, we will do our best, Dick, to repay you for the first-class job you did in Kansas City.

Needless to say, I have been gratified and deeply impressed by what I have heard and seen here in New York today. I am no judge of how big the crowds are or how enthusiastic the people are because I have never had the privilege of being a candidate in New York State before. But I can tell warmth in the eyes of people, and I can tell by the way they look and feel and speak and yell and get together, we had a great day in Brooklyn today, and I want to thank everybody for it.

As Nelson said, the people of New York City are sorting out some of the most difficult financial problems any city in this country has ever faced. I know it has not been easy for New York City to pull through these financial problems.

During our travels through Brooklyn, Flatbush, I had an opportunity to talk to Senator Javits and Senator Buckley, and I told them as follows: As New York City continues to meet its responsibilities—and I commend them and congratulate them—I strongly favor the continuation of Federal cash flow assistance. It is good for the city, and it is good for the country.

I also added another little comment. I told them I support the rebuilding of the West Side Highway. About 35 or 40 years ago, I was courting a very nice girl, and I used to come down from New Haven and I used to ride and drive on that highway then. It was old and broken down then, and it should have been replaced a long time ago. As soon as the environmental impact statement is ready, we will go ahead. And the second—now this is the good news—I think we sort of put a fire under them. They expect to have that all done in the next 30 days, and you will get the go-ahead signal.

But let me take just a few minutes. When I was here on the Fourth of July to see the Tall Ships, more beautiful sails came to this city, I think, than ever in the history of any city or any nation. There was promise, conviction, and hometown pride. It was clearly demonstrated by anybody who came to the city on that occasion. And that new spirit—as we flew over in the helicopter or in our aircraft—that new spirit was demonstrated. It was hard earned, and it was well deserved, and I congratulate you all.

Now, it has been 8 weeks since Kansas City. We have come a long, long way, baby. [*Laughter*] We have the facts, we have the issues, we've got the momentum, and we have 3 more weeks to go to win a great victory for the American people.

I said in Kansas City that we wouldn't concede a single State, we wouldn't concede a single vote; we would campaign from the snowy banks of Minnesota to the sandy plains of Georgia. And we have, and we are going to win on November 2.

I have a firm commitment from Dick Rosenbaum and Nelson and Jack Javits and Jim Buckley that we are going to carry New York with its 41 electoral votes. I have made a firm commitment to Jim Buckley: We are going to help him get reelected to the United States Senate from the State of New York.

It would be very helpful in the next 2 years if we could have a good number of additional Republican Members of the House of Representatives who would stand tall and strong when the tough issues come down, people like Jack Wideler and the others, so do your best in that regard.

I also told you in Kansas City that I was ready and eager to debate Mr. Carter face-to-face on the real issues. I still am—[*laughter*]—if I can pin him down. We have heard a lot of doubletalk from Mr. Carter, a lot of make-believe mathematics, a lot of fuzzy and contradictory policy proposals. I still don't know where Mr. Carter stands on most issues, and I don't think he does.

One thing is pretty clear: Mr. Carter wants to be President, whatever he has to say to get there. I can sympathize. I understand it when he says he will have to take a few years to study national and international problems and get all of the facts. Let's give Mr. Carter a few more years to prepare himself—[*laughter*]—but not on the taxpayer's money.

You know what I will do, because you know what I have done for the past 26 months. You know where we were then and you know where we are today—peace, recovering from a recession, rebuilding pride in America in its 200th anniversary. You know what I have done as President, despite the partisan obstructionism of a Congress stacked 2-to-1 against me.

We heard before the convention that our party was sick, our party was dying. Now we hear the voters are overcome with apathy and really don't care who wins. I don't believe that. I just don't believe that. The American people do care, they have a clear choice, and our job is to get them to the polls to register their choice for our country.