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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This legislation will benefit the consuming public and the users of motor carrier services by eliminating excessive and outdated regulation affecting trucking firms and bus companies.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 Eliminates outdated and unnecessary economic regulation.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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