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THE WHITE HOUSE

PRESS CONFERENCE  
OF

WILLIAM T. COLEMAN, JR.  
SECRETARY OF THE  
DEPARTMENT OF TRANSPORTATION  
EDWARD SCHMULTS  
DEPUTY COUNSEL TO THE PRESIDENT  
AND  
PAUL MacAVOY  
COUNCIL OF ECONOMIC ADVISERS

THE BRIEFING ROOM

9:50 A.M. EST

MR. NESSEN: Let me say a couple of things before we start.

First of all, there is a photo at 10:15 of the President meeting the Danish Prime Minister, and that will no doubt come in the middle of the briefing, so those who want to take pictures of that should meet Bill Roberts at the side door at 10:10.

You should have received already two fact sheets and a message to Congress concerning the President's proposal going up today called the Motor Carrier Reform Act, which is really reform proposals in the regulations concerning the trucking and busing industries.

As you know, the President has previously sent up legislation governing the airline and railroad industries. There will be a more technical and detailed briefing on today's trucking and busing reforms at the Department of Transportation this afternoon at two o'clock.

The President met with Secretary Coleman and the others a few moments ago in the Cabinet Room. He told them he wanted them to work like the devil to get this legislation passed, and he wished them good luck.

He pointed out this is the third reform program in the transportation field, railroads and airlines having gone up previously.

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Bill Coleman pointed out to the President there has been no basic change in trucking and busing regulation since 1935, so this is long overdue. The President's feeling is there may be opposition from special interest groups in this field, but his legislation is aimed at giving the consumers better prices, better competition, and an all around better deal from the trucking and busing industries, and that this will fight inflation in that industry and also will stimulate competition, which will be beneficial to the consumer.

For a more detailed explanation now of what the President is sending forward today, we have first of all Transportation Secretary Coleman. We also have Ed Schmults, who is the new Deputy Counsel to the President. Mr. Schmults replaces Rod Hills as the Co-Chairman of the Domestic Council Review Group, which is dealing with regulatory reform. He is the chairman of that group, along with Paul MacAvoy of the Council of Economic Advisers, and we have all three of those gentlemen here today to answer your questions.

MR. SCHMULTS: Thank you, Ron.

First of all, I am Ed Schmults, Deputy Counsel to the President. Let me say first I am very pleased to be part of the President's regulatory reform program, and I look forward to working with Paul MacAvoy and the others who have been carrying on these efforts.

I think it is very important to keep in mind that although this legislation that we are going to talk about today is extremely important, it is only one part of the President's program which is going to take a fundamental look at regulation and remove those that no longer make any economic sense.

In the meeting with the President, which we just left, he re-emphasized the importance not only of this bill but also the railroad bill and the airline legislation, which are already before the Congress.

One of our highest priorities will be to concentrate our efforts on getting this legislation enacted. We think it is important that we get some concrete results here in the form of laws.

In that regard, we are encouraged by the Congressional response in several areas. Congress is moving ahead on the repeal of the fair trade laws. There are positive signs the Financial Institutions Act is also moving ahead and this act, as you know, will provide for greater competition among financial institutions.

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Finally, I think Secretary Coleman should be commended by all of us for his leadership in dealing with very difficult issues of transportation regulation in a manner that will greatly benefit our long-term national interest.

Bill?

SECRETARY COLEMAN: As has been said, the Motor Carrier Reform Act, which is being sent to the Congress today by President Ford, represents the third in a series of Administration proposals to revise Federal economic regulation of the transportation industry.

I think it is quite significant to note that while there has been much talk and little positive action on this subject in other quarters, President Ford has been hard at work.

The result is that we now have comprehensive legislative suggestions in three vital areas -- railroads, trucks and buses, and aviation. Also, under President Ford's guidance--and I might say prodding--we have begun reforming the regulatory procedures in the department itself.

The transportation industry, unfortunately, has become accustomed to regulatory protection. This protection has limited private initiative while fostering inequities and inefficiencies.

The fact is these industries are inherently competitive and economic regulation inhibits competition. The Motor Carrier Reform Act will benefit the consumer, the shippers and the industry. Consumers will benefit because it will promote economies and provide greater opportunities in price and service.

Shippers will benefit because they will be permitted broader use of available capacities and have available a greater variety of rates and services. Wasteful backhauls will end. Energy consumption will be reduced.

The industry itself will be helped in the effort to improve service, correct cost inefficiencies resulting from over-restrictive regulation and improving their overall safety records. It will also enhance opportunities for well-managed companies to earn a reasonable return on their investments, thus creating new capital opportunities and employment opportunities.

Let me point out also, while this is primarily a trucking bill, it will assist the traveling public as well by encouraging increased variety in motor bus fares and services.

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It should be emphasized that we are not recommending sudden or disruptive changes. The changes will be phased in gradually with the stability of the industry, and the best interests of its customers very much in mind.

I do not believe that at this time in our free enterprise system we can afford to have naturally competitive forces constrained to the point their efficiency is impaired, innovation is stifled and the public interest is harmed.

Our Nation needs the motor carrier freight and passenger industry operating at peak efficiency. Therefore, I am hopeful Congress will act favorably on the Motor Carrier Act.

Its passage, along with the railroad and aviation reform measures we have proposed, will modernize the economic regulatory process. This will enable the industries concerned to respond more effectively to our Nation's transportation needs.

I wish the American people would realize the basic law in effect now with respect to railroads was adopted in 1887, that with respect to trucks and motor carriers was adopted in 1935, and that with respect to aviation was adopted in 1938.

Obviously, times today are different, the problems are different, and we think we have suggested solutions which will solve today's problems.

Thank you.

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Q Mr. Secretary, how much of an economic savings are you talking about in terms of percentage to shippers and also to travelers?

SECRETARY COLEMAN: Obviously, you can't quantify it in that great detail just how much, whether it is 3 percent or 5 percent. But let me give you one example.

Under present law there is an agricultural exemption which means whenever a farmer ships a product from Kansas to New York it is unregulated, but the person that does that carrying to New York now cannot pick up goods to take back to the farm country. Obviously, therefore, the person that is pricing the cost of the trip has to make a calculation for coming back empty-handed.

Under this proposed legislation he would be able to pick up furniture or some other types of material to bring back to the farm country and I think it doesn't take even an economist to realize that means the price should be much less.

Q Mr. Secretary, if this is to accomplish all that you say it is, why does the American Truckers Association oppose it so violently?

SECRETARY COLEMAN: In the first place, I think in public policy you will find out one of the greatest factors is that word "inertia" -- that people are just in the habit of doing business in one way and they don't wish to have changes made.

I think when the bill goes to the Hill there would be the hearings and that the trucking industry, that part which is enlightened, will support it. On the other hand, in this country if we are going to make public policy only when we have every interest in complete agreement, then we will only have the status quo. That is why President Ford has gone around the country trying to talk sense to people and saying under the new conditions it does have to be changed.

Q You would think, if this will do all you say it will do, the truckers representing 15,000 different trucking firms in the country would back you. Yet they say it will have just the opposite effect -- it will allow big companies to get bigger and will drive small truckers out of business.

They say they don't need less regulation. They say they have 15,000 trucking companies and Mr. Bresnahan, the president of the ATA, said last night the trucking industry needs more competition like Custer needed more Indians.

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MR. MacAVOY: Can I give an economist's response to that?

Q Yes.

MR. MacAVOY: Paul MacAvoy, from the Council of Economic Advisers.

An interagency task force has been working for a number of months trying to assess the effects of this change in regulatory procedures on this industry. We expect that the largest or more significant changes will occur in the less than truckload service, the partial loads of mostly finished goods in the large population centers in the upper Midwest and the eastern part of the United States. These services are now very much encumbered by restrictions on certificates on routings, on the provision of service to individual carriers.

The trucking companies that are now being protected by regulation are the largest regulated common carriers. They seem to have the largest voice when it comes to making public relations statements in this industry.

We also found, however, that there are a large number of smaller carriers, middle-sized companies in the transportation business that would very much expect to be able to increase their market shares, their share of total shipping, if they were free of these encumbrances in the certificates and in the rate setting process.

Our expectation is that only the largest regulated common carriers will not benefit from this regulation. It appears to me that it is fair to say that these are the strongest voice in the trucking association but they may not speak for truckers at large.

Q Mr. Secretary, every proposal the President ever sends up he hopes the Congress will approve but realistically that doesn't happen very often in these years. What realistic appraisal can you give us about the chances for this getting through Congress and what have the leadership of the Congress said about it?

SECRETARY COLEMAN: Well, we sent the bill up. We have notified the leadership that we are sending it up. I don't think we are at that stage.

I would say that after debate this legislation ought to get through. I really think that in the Congress there is a feeling that there has to be change.

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When we sent the rail bill up, we were told that we didn't stand much chance there. It is in the period of mark-up now. The fact is, I think so far -- and I better touch wood -- on the regulatory part of the bill we are still way ahead of the game. I think the same thing is true here. It takes hard work. We are meeting conflicting interests but we do think that we have listened to those interests and we have made the proposal.

So I would say that the chances here are better than 50 percent that they will be changed. That does not mean every word will be adopted. I would suggest to you reporters at some time you reread the history when the Securities Exchange Act was sent up and you will realize what went up and what finally came out, which was good legislation -- there was some change.

We think here basically we are on the right track and we do think the chance of the bill getting through, as the same thing is true for the aviation and the rail bill, are certainly better than 50 percent.

Q What about hearings, Mr. Secretary? Have you been informed hearings will be held on the Hill soon?

SECRETARY COLEMAN: No. The President today instructed me to send a letter to the Chairman of the Committee, both in the House and the Senate, that will have this matter, and ask for early hearings on that.

We have done the same thing with respect to the air bill and we have had the hearings, and we are in the period of mark-up on the rail bill.

Q Mr. Secretary, in preparing the legislation, did you hear from any groups of consumers, any railroad train riders, any bus passengers?

SECRETARY COLEMAN: Yes. In trying to operate the department, we are trying to talk to all types of groups and we do talk to all types of groups. I ask them to come in, or they do come in. I must say at times you have problems because people come in and talk to you and for some reason they go out and hold press conferences and sometimes we get a wrong impression. But I do think the duty of any Cabinet officer is to hear from as many people as possible.

MR. MacAVOY: If I may add to that, in our attempts to assess the results from regulatory reform, we were impressed by the opinions or expectations of shipping firms; that is, companies that have large volumes of material or final goods to ship by common carrier.

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A number of them felt that they would not be -- a number of them expected they will not be in the future in the transportation business themselves if competition in common carriage will improve the quality of service.

We had discussions with retail firms, large retail organizations that have their own trucking companies against their better wishes and, as the transportation service for LTL in particular, less than truckload volumes, improves, then they will go out of the business of having their own trucks.

Now this is an expression of consumers' interest because, with better shipping service, there will be a reduction in the prices or the costs of final goods.

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Q What kinds of retailers are those?

MR. MacAVOY: Clothing, general dry goods retailers, department stores, more often than food retailers, because again the agricultural exemption plays a large role there and that is deregulated to a great extent.

Q So, they have told you they will go out of the business of running their own --

MR. MacAVOY: They really don't want to be in the transportation business, and they are there because the route restrictions, the whole structure of common carrier regulation, has made it necessary for them to go into the business to get the flexibility and quality of service they need.

They are waiting for their own subsidiaries to fade away in the presence of a higher quality common carrier service.

Q Mr. Secretary, are you going to recommend any changes within the next 12 months, reforms along the line of the airline, railroad and trucking industries for the barge line industry?

SECRETARY COLEMAN: I am not here to talk about the water barges today.

Q But would you anticipate the Administration will suggest reforms there similar to the reforms suggested?

SECRETARY COLEMAN: As you know, and I now know, because my deputy tells me, it is substantially unregulated right now. We have other problems in the industry, and you know I have talked about them on other occasions.

Q Have you estimated any impact on small communities?

SECRETARY COLEMAN: I think this would be very, very helpful to small communities. One, to the rural communities I have described how they would be benefitted. Secondly, our complaints that we hear are that in the small communities the common carriers do not truly serve them. Obviously, if they are serving them at a loss, unless they want to cross subsidies, they cut down the quality of the service.

This now means new people will be able to come in and perform that service in a much more efficient manner. So, we think this will have quite a beneficial effect on small communities.

THE PRESS: Thank you, sir.

END (AT 10:10 A.M. EST)