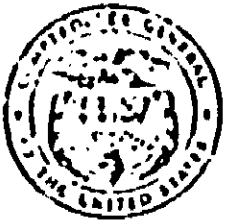


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COMPTROLLER GENERAL OF THE UNITED STATES
WASHINGTON, D.C. 20548

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MAY 6 1980

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The Honorable Howard W. Cannon
Chairman, Committee on Commerce,
Science and Transportation
United States Senate

Dear Mr. Chairman:

This letter is to provide our views on a requirement included in the Motor Carrier Reform Act, introduced February 1, 1980 (S. 2245). Section 13 of the Act would require the Interstate Commerce Commission, the Secretary of Transportation, and the Comptroller General to submit separate reports to the Congress on the probable effect of eliminating antitrust immunity for the discussion of single-line rates and on the need for continued antitrust immunity with respect to joint rates. The reports are to include:

- (1) A description of the preparation taken by
 - (i) the motor carrier industry, and
 - (ii) shippersfor the transition to elimination of such immunity,
- (2) An estimate of the impact of the elimination of such immunity upon
 - (i) rate levels and
 - (ii) rate structures, and
- (3) A description of the impact of the elimination of such immunity upon the Interstate Commerce Commission and its staff.

We recommend that this requirement not be adopted for the following reasons.

Useful Estimates Are Not Feasible

We believe the general subject matter of the required reports can not be effectively addressed because it concerns

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only the individual effect of collective rate-making. Since all the elements of regulation of the trucking industry have complex, interactive and joint effects on industry performance, we believe it is not practical to analyze and discuss the effects of collective rate-making as something separable or distinct from rate regulation, entry regulation, or other factors. What we would wind up reporting would be a recapitulation of what micro-economic theory suggests would happen if joint rate-making were eliminated, which is already known.

Specifically, item (1) asks for an assessment that will be necessarily out-of-date before it is reported. The target for eliminating antitrust immunity is a year after our report would be issued. Consequently, motor carriers and shippers will only have done a small part of the preparation they would do as the deadline drew nearer, and data collected would be questionable because it would have to be based in part on what the respondents planned to do, rather than what they had already done.

Item (2) calls for us to estimate the impact of the elimination of antitrust immunity upon rate levels and rate structures. Again, we do not believe we could reasonably estimate the possible effects of changing only one or two characteristics of current Interstate Commerce Commission regulation. We can only describe what theory predicts will happen. In fact, the various elements of regulation are so intertwined that substantial rate regulation and entry changes may undermine motor carriers' willingness to use rate-bureaus so that the question may be moot.

Item (3) would probably be possible, but the Commission is in a much better position to produce such an estimate than GAO.

Substantial Duplication Would Result

The proposed legislation would require three different agencies to do the same task, a potentially wasteful approach. A preferable alternative would be for one of the organizations to carry out the task in consultation with the other two.

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GAO Will Respond to Committee
Without Legal Requirement

The legal requirement for a General Accounting Office study is unnecessary. Our Office already has sufficient authority to carry out such studies, and alternative methods exist for Congressional committees to obtain needed information with less risk of precluding or disrupting our other work.

As you know, under section 204 of the Legislative Reorganization Act of 1975, as amended, we perform requested reviews for committees having jurisdiction. We believe use of this provision is preferable to a legislative requirement, because it permits us to agree on specific interests and thereby concentrate on the matters of greatest concern. Further, our report timing can be more flexible and may, as a result, be more helpful than a fixed reporting requirement.

Although we think the study required by the act is largely not feasible, we believe there are some analyses possible that could shed some light on the issues the Committee is interested in, and our staff would like to discuss some of these possibilities with the Committee. We want to assure you that we will assist the Committee in whatever way is practical, remembering that estimating the effects of changes in regulation of an industry as complex as trucking is a difficult problem.

We are also sending our comments to Senator Russell B. Long, Chairman, Subcommittee on Surface Transportation, and Senator Bob Packwood, Ranking Minority Member, Committee on Commerce, Science and Transportation.

Sincerely yours,

HILTON RODGERS

Comptroller General
of the United States



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WASHINGTON, D.C. 20548

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Mar 6 1980

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Sincerely yours,

ALLEN T. COLEMAN

Comptroller General
of the United States



COMPTROLLER GENERAL OF THE UNITED STATES
WASHINGTON, D.C. 20548

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May 6 1980

Do not make available to public reading room

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Sincerely yours,

FOR THE DIRECTOR

Comptroller General
of the United States