

REPORT TO THE CONGRESS



BY THE COMPTROLLER GENERAL
OF THE UNITED STATES



Energy Conservation Competes With Regulatory Objectives For Truckers

Interstate Commerce Commission

Interstate Commerce Commission measures to reduce energy use by truckers could be expanded. Congressional guidance is needed on the relative priority of energy conservation to the sometimes competing, traditional Commission regulatory objectives: protecting existing regulated truckers and insuring adequate service to the public.

The Commission lacks information on the effects of its conservation measures and the potential for further energy-saving measures. Although the Commission has started to obtain some information, more is needed for further decisionmaking.

*Dupe of U93045
709169 102782*



COMPTROLLER GENERAL OF THE UNITED STATES

WASHINGTON, D.C. 20548

B-187797

To the President of the Senate and the
Speaker of the House of Representatives

This report describes how the Interstate Commerce Commission can improve its actions to reduce energy use for trucks. It also discusses problems relating to reducing energy use and how the Commission, within its statutory authority, has attempted to solve these problems.

We made our review pursuant to the Budget and Accounting Act of 1921 (31 U.S.C. 53), and the Accounting and Auditing Act of 1950 (31 U.S.C. 67).

Copies of this report are being sent to the Director, Office of Management and Budget; the Chairman, Interstate Commerce Commission; the Administrator, Federal Energy Administration; and the Secretary of Transportation.

A handwritten signature in black ink, reading "James A. Stacks".

Comptroller General
of the United States

D I G E S T

Interstate Commerce Commission measures to reduce energy use by trucks have been limited, because the Commission is guided by its traditional regulatory objectives: protecting existing regulated truckers and making certain that service is adequate. The Commission does not have enough information on energy conservation measures to use in its decisionmaking.

GAO recommends that the Congress enact legislation which (1) shows whether energy conservation or traditional regulatory objectives are more important and (2) allows the Commission to change its regulations to authorize interstate transportation if it does not otherwise conflict with the national priorities established. (See p. 14.)

GAO recommended in a prior report that the Congress establish, in the Executive Office of the President, a high level council that could coordinate energy issues and goals with other national issues and goals. This council should evaluate the competing issues of energy conservation and the regulatory objectives of the Commission. The council should also advise the Secretary of the proposed Department of Energy of legislative or administrative actions that should be taken to resolve conflicts between these issues and goals. If such a council is not established, the Congress should request the legislative proposals from the Commission, the Federal Energy Administration or the proposed Department of Energy, and the Department of Transportation.

The Commission agreed that its energy conservation actions have been tempered by its overriding concern that nothing be done to deprive the public of high quality surface transportation service. The Commission said, in some instances, more fuel could be saved if its primary regulatory objectives were subordinated. The Commission agreed also that energy

conservation programs for surface transportation will have only limited success until a national policy clearly establishes the relative priority of energy conservation and regulatory objectives.

The Federal Energy Administration agreed that the Commission should promote and implement measures of improved fuel efficiency. Federal Energy Administration recognizes improvements that the Commission has made but also supports GAO's position that congressional guidance on the relative priorities of energy conservation methods is required.

The Department of Transportation said GAO's report deserves the attention and thoughtful consideration of all transportation policy-makers concerned with the relationship of Commission regulation to the efficient operations of the trucking industry. (See p. 13.)

COMMISSION ACTIONS TO
REDUCE MILES DRIVEN

In 1974 the Commission relaxed the rules which required trucks to travel through certain cities, called gateways, even though shorter routes were possible. The Commission, concerned that this would harm competition with other regulated truckers, determined that reducing mileage over 20 percent would probably harm competition.

A trucker, wanting to use a route that would reduce mileage by more than 20 percent, had to apply to the Commission and prove that competitors would not be affected. Others could seek route reductions of 20 percent or less by filing their intent with the Commission. (See p. 6.)

In January 1977 the Commission completed a study which projected, as a result of its action, fiscal year 1976 savings of about

--100 million miles traveled,

--21 million gallons of fuel,

--\$58 million in operating expenses, and

--2.7 million staff-hours.

The 20-percent criterion is especially important because it has since been used for other energy conservation measures.

For example, the Commission previously allowed trucks to use superhighways if their mileage traveled were not more than 15 percent shorter than their prescribed routes. The percentage was increased to 20 in 1975. Similarly, the Commission granted a petition in October 1976 to change the mileage reduction criterion for shipping truck trailers on railcars (piggyback) to be consistent with the gateway criterion. (See pp. 7 and 8.)

TRUCKS TRAVELING EMPTY

Besides reducing total miles, truckers can also conserve energy by reducing miles traveled empty. A Commission study showed that, in 1976, the average percentage of empty truck miles on interstate highways was 20.4, but the study did not disclose why trucks travel empty.

Without this data, further decisionmaking on energy conservation measures is hampered.

Companies, which ship their own goods in their own trucks, find their trucks travel empty miles because Commission regulations generally prohibit them from carrying cargo for others. Therefore, often their trucks are full one way, but return empty.

In March 1974, the Commission considered allowing regulated truckers to lease private trucks and drivers for one-way trips to reduce the number of private trucks' empty trips. The Commission found, however, that it lacked enough data and appointed a task force to study trip leasing. (See pp. 17 to 19.)

INTERCORPORATE TRANSPORTATION

Private truckers might save energy by using intercorporate transportation. This is where companies, such as manufacturers or retailers which are not in the business of transportation but have their own trucks,

would be allowed to transport goods of another corporate-related company. The Commission has determined that its statutory authority generally prevents intercorporate transportation.

In November 1975, the Department of Transportation, the Council on Wage and Price Stability, and 165 others requested the Commission to allow one aspect of intercorporate transportation-- that between a parent and subsidiary company. The request was denied apparently because the amount of cargo usually carried by regulated truckers that would be diverted to private trucks is unknown.

The potential savings from intercorporate transportation are large. In one case, allowing intercorporate transportation might save 2 million gallons of fuel each year. (See pp. 9 to 11.)

RECOMMENDATIONS

The Federal Energy Administration and the Department of Transportation agree with GAO that the Commission should develop enough information to determine how its energy-related decisions will affect competition and service. GAO recommends that the Chairman of the Commission should determine the

--validity of the 20-percent rule,

--continued need for any limitations on truckers' use of piggyback, and

--reasons for empty mileage and its effect on competition and service to the public.

C o n t e n t s

		<u>Page</u>
DIGEST		i
CHAPTER		
1	INTRODUCTION	1
	ICC's energy policy	2
	Scope of review	2
2	ENERGY CONSERVATION PROGRAMS COMPETE WITH OTHER REGULATORY OBJECTIVES	4
	Reducing the mileage truckers travel	4
	Substituting rail mileage for truck mileage	7
	Reducing miles traveled empty by private trucks	9
	Conclusions	11
	Agency comments and our evaluation	13
	Recommendation to the Congress	14
3	POTENTIAL FOR ENERGY CONSERVATION BY TRUCKS IS UNKNOWN	16
	Reducing miles traveled	16
	Amount and causes of trucks travel- ing empty	19
	Conclusions	26
	Agency comments and our evaluation	27
	Recommendations	29
APPENDIX		
I	Letter dated December 22, 1976, from the Chairman, Interstate Commerce Commis- sion to selected congressional Com- mittee Chairmen	30
II	Letter dated April 4, 1977, from the Chairman, Interstate Commerce Commis- sion	38
III	Letter dated April 26, 1977, from the Administrator, Federal Energy Admin- istration	42
IV	Letter dated April 28, 1977, from the Acting Assistant Secretary for Administration, Department of Transportation	45

APPENDIX

Page

V Principal officials of the Interstate
Commerce Commission responsible for
administering activities discussed
in this report

50

ABBREVIATIONS

FEA Federal Energy Administration
GAO General Accounting Office
ICC Interstate Commerce Commission

CHAPTER 1

INTRODUCTION

Energy is an important national issue of which energy conservation is a major part. The Congress and the President are addressing the problem, and certain regulatory agencies are expected to implement actions and policies that contribute to energy conservation.

The Interstate Commerce Commission (ICC), as the regulator of the surface transportation industry, must be concerned with the impact of its regulatory programs on the use of fuel. ICC, on its own and at the request of the Congress and the trucking industry, has taken some actions to promote energy conservation for truckers.

ICC is an independent agency with broad responsibilities for insuring that the United States has an adequate and efficient transportation system under private ownership. ICC's regulatory responsibility affects every mode of transportation except air.

Over 17,000 trucking companies serving the public are subject to ICC economic regulation. Before operating interstate, trucking companies must obtain ICC permission and show that the proposed service is needed. They also must obtain permission to extend service.

Regulated trucking companies may be divided into two classes--common or contract carriers. Common carriers serve the general public and transport, at published rates, a given type of freight between points which they have authority to serve, such as

--regular route service over designated highways on a regular basis or

--irregular route service between designated points or areas on a nonscheduled basis.

To operate interstate, every common carrier must prove to ICC the public's need for the proposed service. Once this is done, the carrier receives an operating authority in the form of a certificate of public convenience and necessity which specifies the locations he may serve, and generally, the commodities he may carry.

Contract carriers operate under continuing contracts with one or more shippers. By assigning vehicles to shippers and through other special services, a contract carrier

provides a service designed to meet the distinct needs of an individual customer. Contract carriers must also obtain ICC permission in the form of a permit before operating interstate.

ICC, by law, does not have authority over all trucks, for example, intrastate movements; interstate trucks carrying certain agricultural products; and truckers engaged in private operations. Private operations include manufacturers and retailers which may have their own trucks, but are not in the transportation for hire business.

ICC's ENERGY POLICY

Fuel is, and always has been, a large expense for truckers. In the past, fuel was readily available at low prices. However, according to the American Trucking Associations, between May 1973 and December 1974 the cost of fuel doubled.

The Energy Policy and Conservation Act (Public Law 94-163) became effective December 1975. One purpose of the act is to conserve energy supplies through conservation programs, including the regulation of energy users. The act requires certain Federal agencies, including ICC, to report periodically to the Congress. The first report was to deal with their energy policies and practices started since October 1973. The act required ICC to (1) report on the feasibility of proposed programs to meet a minimum 10-percent savings in energy consumption by carriers ICC regulates, (2) make a study of any law or major regulatory action administered that causes inefficient energy use and its justification, and (3) write a probable energy impact statement with any major regulatory action.

In its December 1976 report to the Congress, ICC stated that there are few reasons for it to regulate the levels of energy consumption that occur in the regulated transportation industry. However, ICC stated its commitment to the cause of energy conservation and devoted the remainder of its report to a brief analysis of some major regulatory actions and other accomplishments in this respect. (See app. I.)

SCOPE OF REVIEW

We made our review at ICC headquarters in Washington, D.C. We reviewed ICC's February, April, and December 1976 energy reports to the Congress, and its policies, procedures, and applicable laws and regulations as they related to

energy conservation. We also reviewed empty mileage studies ICC and others made and held discussions with officials of ICC, the Department of Transportation, and the trucking industry.

CHAPTER 2

ENERGY CONSERVATION PROGRAMS COMPETE

WITH OTHER REGULATORY OBJECTIVES

The Interstate Commerce Commission recognizes the importance of energy conservation, but continues to be guided by its traditional regulatory objectives of protecting regulated truckers and insuring adequate service to the public. These objectives come from the Interstate Commerce Act, 49 U.S.C. §§ 1 et seq. (1970) as amended, which requires that ICC recognize and preserve the inherent advantages of each transportation mode and promote safe, adequate, and efficient service to the public.

Apparently ICC does not take energy conservation measures without considering the impact of the proposed measure on existing regulated truckers. In some cases ICC does not implement changes because it believes competition or service will be affected. As a result its energy conservation measures have been limited in

- reducing the mileage truckers travel,
- substituting rail mileage for truck mileage (piggy-back), and
- reducing miles traveled empty by private trucks.

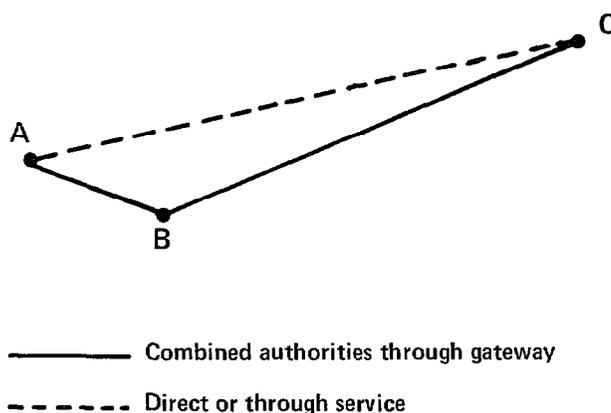
REDUCING THE MILEAGE TRUCKERS TRAVEL

Truckers operate under ICC authorities which prescribe the geographic areas they may serve or the specific routes they must follow. ICC has been accused of promoting fuel waste by forcing truckers to travel circuitous routes. ICC's actions have allowed some changes to reduce or eliminate unnecessary mileage, but the reductions allowed were based on a decision where ICC first determined the point at which it appeared competition would not be considerably affected.

Development of gateways

Historically many truckers joined two or more operating authorities to solicit additional traffic. For example, assume a trucker has authority to operate between points A and B, and from B to C. If the trucker did not have authority

to provide service between A and C, ICC permitted the trucker to provide service from A to C without obtaining authority but only if the trucker traveled through B, the common authority point or "gateway" point. As shown below, a specific gateway could be longer than the direct route, but the trucker did not have authority to serve the direct route. ICC believed it did not make sense, however, to require the trucker to turn freight over to another trucker at the gateway point when the trucker had its own separate authority to provide service between that point and the destination.



Gateways developed as truckers acquired additional authorities by extension applications, purchases, and leases. By combining authorities truckers eliminated the need for proving public need.

In 1952 ICC issued a key decision which outlined its policy on using gateways. In denying a request from a trucker who asked to directly serve an area he was already serving through a gateway, ICC established the standards for eliminating gateways. The trucker's application was denied because eliminating the gateway would have enabled the applicant to offer a new or a different service that would have improved the applicant's competitive position to the detriment of existing carriers.

In 1961 ICC proposed rules that would have changed its regulations and the certificates authorizing operations over prescribed routes so as to allow motor carriers to operate between any two service points without regard to gateway points. The proposals, however, were opposed by portions of the regulated trucking industry and were not adopted by the ICC. Two of ICC's conclusions were:

1. The proposal would have allowed truckers to provide totally new services without any showing that such services were required by the public convenience and necessity. This would have negated to a large extent ICC's efforts to foster sound economic conditions in transportation as required by the National Transportation Policy declared by the Congress.
2. The means then open to all common carriers, by which they could obtain authority to operate over alternate routes or to eliminate gateways, are adequate to meet the aims of the National Transportation Policy.

1973 gateway eliminations

Early in 1973 a group of truckers asked ICC to re-investigate the possibility of eliminating gateways. They claimed that using circuitous gateways created added highway congestion, fuel consumption, and air and noise pollution. They estimated eliminating gateways might result in annual savings of more than 1 billion vehicle miles, 200 million gallons of fuel, and over \$1 billion in operating expenses. It could also decrease pollutants by more than 100,000 tons. Truckers claimed that ICC did not know the potential environmental, economic, or social effects of eliminating gateways.

In May 1973 ICC responded by initiating a proceeding to study the gateway problem. In February 1974 it still did not have complete data but, because of the energy crisis, took action to eliminate gateways for some truckers. ICC decided in February 1974 that some irregular route truckers could no longer use gateways. In that decision, ICC ruled, except for carriers that transport shipments 300 miles or less, that truckers were prohibited from using gateways if their gateway route mileage exceeded the most direct highway distance between the points to be served by more than 20 percent. These truckers could apply for new operating authorities to provide the direct service they were previously providing through gateways, but they would have to show public need for the services and prove competition would not be affected.

Truckers whose gateway routes did not exceed the most direct routes by more than 20 percent could continue using the gateways or file letters asking for ICC authority to use direct routes. The letters had to describe the gateways to be eliminated and establish that the gateway services were previously being offered by the truckers.

The 20-percent criterion was based on an informal review of 45 to 50 previous gateway cases, but ICC did not record

which cases were reviewed. ICC acknowledged that the criterion was arbitrary; it said:

"We recognize 20 percent to be an arbitrary figure, but it appears to be the point at which circuitous competitiveness among carriers substantially diminishes."

Use of superhighways

Regular route truckers are required to serve specific points and travel over specific routes. As the Nation's system of interstate and defense highways developed, this was changed to allow regular route truckers to use the new highways. In 1969 ICC established its Superhighway and Deviation Rules which allowed truckers to use a superhighway if the highway was within 25 miles of the trucker's authorized route and if use of the superhighway did not reduce mileage by more than 15 percent of the authorized route mileage.

In August 1974, after the Arab oil embargo, ICC was petitioned to increase from 15 percent to 20 percent the mileage reduction allowed for using superhighways to make the criterion consistent with the 20 percent being used to approve gateway eliminations. ICC granted the petition effective July 1975.

SUBSTITUTING RAIL MILEAGE FOR TRUCK MILEAGE

"Piggyback" service, where truck trailers or containers are transported on railcars, is an example of how two competitive transportation modes can cooperate to provide energy efficient transportation service. Numerous studies comparing relative energy efficiencies generally agreed that, on the average, intercity rail shipments are more energy efficient than intercity trucking. Some ICC regulations, however, limit the use of this combined service by regulated truckers because

- regulated truckers cannot use piggyback if mileage traveled is less than 80 percent of the mileage the truck would otherwise have traveled on its authorized highway route and
- regulated truckers cannot travel to a city to use a piggyback service unless they already have an ICC operating authority to serve the city.

Allowable mileage reduction
increased

Originally ICC would not allow piggyback if the amount of miles traveled was less than 85 percent of the authorized highway mileage. Otherwise, ICC believed that truckers using a shorter route could actually be competing in a new market where other truckers might already be efficiently and adequately serving the public.

In response to a petition filed in December 1974, however, ICC in October 1976 permitted truckers to use piggyback if mileage was at least 80 percent of the authorized highway route. The petition was filed to make the mileage reduction criterion consistent with that allowed for gateway eliminations.

In deciding whether to consider this change, ICC stated

"The lower rolling resistance of steel wheels on steel rails as compared to pneumatic tires on pavement surfaces, and the economies of scale associated with longer trains make railroads a more energy-efficient transport mode than trucks by factors of between 2.5 to 1 and 4 to 1 or more for an equivalent ton-mileage of freight. * * * In view of the fact that piggyback service is utilized primarily for intermediate or long distance hauls and the increased use of such service will result in larger trains, the energy efficiencies obtainable from rail transport will be realized close to their full extent."

ICC also believed that the added 5 percent would

"* * * result in substantial savings in fuel and would thus foster the national goal of fuel conservation which is a factor of paramount importance in light of the present national and worldwide energy supply uncertainty and high cost." (Underscoring supplied.)

Although ICC had only limited data, it approved the 20-percent limitation on allowable mileage reductions. ICC, however, has started to develop information to determine if a limitation is still needed. (See p. 17.)

Truckers may not use all
piggyback services available

Truckers may carry cargo to a city only if they have operating authority to serve the city. They may not carry cargo to a city for which they do not have authority, even if they only want to go there to transfer their cargo to a piggyback service. For example, assume a trucker is authorized to ship from Chicago, Illinois, to Miami, Florida, but not to any points along the way. If a piggyback service was available in Cincinnati, Ohio, ICC would not allow the trucker to transfer its cargo to the piggyback service unless it also had an operating authority to transport cargo from Chicago to Cincinnati.

REDUCING MILES TRAVELED EMPTY BY
PRIVATE TRUCKS

A company whose primary business is not transportation, such as a manufacturer or retailer, may transport its own goods in its own trucks without ICC operating authority. This is considered private transportation by the Interstate Commerce Act and is exempted from regulation. According to ICC's interpretation of its regulatory authority, however, compensated transportation among companies even related corporations 1/ is not, by statute, private transportation but is considered regulated transportation and requires ICC operating authority.

This restriction on "intercorporate transportation" has been criticized by many concerns, including the Council on Wage and Price Stability and the Department of Transportation. ICC believes, however, that intercorporate transportation would result in a diversion of cargo from regulated truckers to private truckers and that this may have a detrimental effect on the regulated truckers' services and rates for small shippers.

This restriction causes some trucks to travel empty. For example, the petition to allow intercorporate transportation, discussed below, included 1 company with 55 separate corporations which used most forms of transportation services and its own trucks. The company estimated that 28 percent of the miles traveled by its trucks were empty. If

1/Related corporations include transportation done by a parent company for a subsidiary, a subsidiary for a parent or a subsidiary for another subsidiary of the same parent.

parent-subsidiary intercorporate transportation were allowed, the company estimated it could save about 80,000 gallons of fuel annually.

A Department of Transportation study also noted the following case. A company uses its own trucks for northbound shipments from North Carolina to New England, but the trucks return southbound to North Carolina empty. A subsidiary of the company uses its trucks to make southbound trips from New England to Georgia; they also return empty. The Department estimated that, in this case, 165,000 miles are traveled empty annually because of ICC's restriction on intercorporate transportation.

Since the inception of motor carrier regulation in 1935, private truckers and Government agencies have often asked ICC to remove the restriction on intercorporate transportation. The latest action was in November 1975 when ICC received a "Petition for Declaratory Order Regarding Intercorporate Parent-Subsidiary Transportation." The petitioner and 149 shippers, 13 shipping organizations, 2 carrier organizations, and 2 Federal agencies favored intercorporate transportation.

The Department of Transportation and the Council on Wage and Price Stability said that intercorporate transportation would reduce inefficiencies, reduce costs of private transportation, and conserve fuel. Private carriers also presented evidence of potential savings. For example, 1 large corporation with 15 private fleets said it could reduce empty mileage by 50 percent and annually save over 11 million miles and 2 million gallons of fuel. The private truckers contended that their empty mileage savings would have little, if any, effect on regulated truckers.

Other truckers and trucking organizations did not agree, and claimed that allowing intercorporate transportation would (1) divert traffic from regulated truckers and create inefficiencies in their operations, (2) be inconsistent with past ICC and court decisions, and (3) in effect deregulate a large segment of the transportation industry.

ICC denied the petition. In speaking on this denial before one of the respondents--the American Trucking Associations' Private Carrier Conference--one ICC Commissioner said that to have granted the petition

"* * * would have been contemptuous of numerous Federal court decisions, including several by the

Supreme Court. To do so, finally, would have unlawfully ignored the clear and unambiguous language contained in our statutory mandate.

"The hard and simple fact is that there is no statutory basis for piercing the corporate veil in intercorporate hauling situations. * * * For better or for worse, the law on intercorporate hauling has been solidified by many years of litigation. The lines of distinction by now have been finely drawn, and there remains little room for the regulator to create internal change in this area.

"That may seem an unhappy state of affairs for those of you who are not in agreement with what the Congress, the Commission, and the courts have done, but if you are still looking for an exemption for intercorporate private carriage, I doubt that you will find it under the existing statutory framework."

ICC does, however, encourage truckers to use expedited ways to reduce empty mileage. For example, in a pending proceeding (ICC reference: Ex Parte MC-103), ICC is considering a special expedited procedure that encourages regulated truckers to apply for ICC permission to take over transportation operations of private bulk commodity shippers. Under this proposal ICC would decide the truckers' applications under special advance criteria rather than the normal case-by-case basis. Also, although existing carriers can protest these applications, they cannot block approval by merely showing that they already have authority to transport private companies' traffic.

In April 1976, ICC approved another expedited application procedure for truckers seeking to transport waste products. Under this procedure qualified truckers, including private truckers, who file a special letter application could receive in only 20 days a special certificate to transport recyclable commodities. ICC said the special procedure was necessary because existing truckers could not serve this special transportation need.

CONCLUSIONS

The Arab oil embargo of 1973 emphasized the Nation's dependence on oil and the need for a fully coordinated and comprehensive energy program which stresses energy conservation.

One purpose of the 1975 Energy Policy and Conservation Act was to provide for energy conservation through regulation of energy users. The act required ICC to report periodically to the Congress on specific ICC policies and practices for energy conservation. However, it did not provide ICC with a clear-cut statement of the relationship of energy conservation to other regulatory objectives.

In keeping with the spirit of energy conservation, however, ICC relaxed some regulatory requirements in order to conserve energy, such as eliminating the use of some gateways, allowing greater use of superhighways, and allowing greater freedom to use piggyback. ICC's decision on gateways--that an over 20-percent reduction in mileage may adversely affect competition--was applied to its superhighways and piggyback actions. The validity of the 20-percent rule was never reviewed.

We believe that in each of these cases, ICC's actions and the related benefits may have been limited because ICC has been guided by its traditional regulatory objectives of protecting regulated truckers and insuring adequate service to the public. In the case of intercorporate transportation, ICC interpreted its statutory authority as generally precluding it from allowing intercorporate transportation.

In our opinion, energy conservation programs in the surface transportation area will continue to achieve only limited success until legislation is enacted which clearly establishes the relative priority of energy conservation and the sometimes competing regulatory objectives.

In our report to the Congress on "Energy Policy Decisionmaking, Organization and National Energy Goals" (EMD-77-31, Mar. 24, 1977), we discussed the need for a high level coordinating body in the Executive Office of the President to reconcile competing goals and priorities. Providing a strong, visible interface at the highest level to air differences of opinion and to arrive at a consensus on the reconciliation of these goals with energy goals seems to be a high order of priority on the Nation's agenda. We believe that this high level body could address the issue of conflicting energy conservation objectives and other regulatory objectives for truckers. The findings of this body could serve as the basis for the legislation which is needed to provide ICC with guidance in making tradeoffs between energy conservation and ICC's other regulatory objectives.

AGENCY COMMENTS AND OUR EVALUATION

ICC agreed that its energy conservation actions have been tempered by its overriding concern that nothing be done to deprive the public of high quality surface transportation service. ICC said, in some instances, more dramatic fuel savings could be achieved if it were to subordinate its primary regulatory objective to that end. Therefore, it agreed that energy conservation programs in the surface transportation area will continue to achieve only limited success until a national policy is enacted which clearly establishes the relative priority of energy conservation and competing regulatory objectives.

The Federal Energy Administration (FEA) agreed that ICC should expand its programs to promote and implement measures of fuel efficiency. It also supported our position that congressional guidance on the relative priorities of energy conservation methods is required.

FEA said the report did not specifically define what areas of regulation should be changed. We point out that ICC believes legislation is required before it can allow intercorporate transportation, and our recommendation is directed toward providing ICC with this authority.

FEA also said that important issues, such as the cross-modal impact of modifications of existing regulatory policies on the more energy efficient freight transportation modes should be considered before the Congress requests agencies to provide legislative proposals.

We agree that cross-modal impacts are important, but the basic issue on which legislation is needed is the competition between energy conservation and other regulatory objectives. Resolving this problem would provide the impetus for ICC to consider rulemaking to implement energy conservation measures. Then cross-modal impacts would be considered in the specific regulation changes.

FEA's recent study on "Potential Fuel Conservation Measures By Motor Carriers In The Intercity Freight Market" (April 25, 1977, prepared by Charles River Associates) appears to complement our report by identifying the potential energy savings of several suggested regulation changes. FEA's report was too voluminous for us to analyze and include in this report but it did appropriately conclude that

"Existing evidence indicates that certain changes in federal regulation of truck transportation will

have beneficial energy consequences. However, energy savings should be considered as only one of the benefits to be derived from the recommended changes, and regulatory policy must incorporate other policy objectives as well."

FEA also said that (1) other studies indicate that piggyback shipments have other limitations in addition to ICC regulations that have reduced utilization and (2) regulations and fuel efficiencies vary with specific segments of the trucking industry, therefore, our use of the word "truckers" should be more clearly defined.

Concerning piggyback, the scope of this review was limited to the effects of ICC regulation. We are studying all factors which inhibit greater use of this intermodal service. Concerning our use of "truckers," our scope deals primarily with policies that affect many segments of the trucking industry. We recognize that fuel efficiencies vary, but such determinations are beyond the scope of this review and should be considered when specific regulation changes are formulated.

The Department of Transportation said our report deserves the attention and thoughtful consideration of all transportation policymakers concerned with the relationship of ICC regulation to the efficient operations of the trucking industry.

RECOMMENDATION TO THE CONGRESS

GAO recommends that the Congress enact legislation which (1) shows whether energy conservation or traditional regulatory objectives are more important and (2) allows ICC to change its regulations to authorize intercorporate transportation if it does not otherwise conflict with the national priorities established.

In our prior report we recommended that the Congress statutorily provide for a high level council to coordinate energy issues and goals with other national issues and goals. If established, this council should evaluate, among other things, the competing issues of energy conservation and the regulatory objectives of ICC. The council should also advise the Secretary of the proposed Department of Energy of legislative or administrative actions that should be taken to resolve conflicting energy issues and goals and other national issues and goals.

In the event such a council is not established, the Congress should request ICC, FEA or the new Department of Energy, if established, and the Department of Transportation to submit the proposed legislation.

As suggested by FEA, the potential cross-modal impact of any changes to regulation policies should be considered by the agencies when developing specific legislative proposals.

CHAPTER 3

POTENTIAL FOR ENERGY CONSERVATION

BY TRUCKS IS UNKNOWN

While the conflict between competing priorities of energy conservation and the traditional regulatory objectives has tended to reduce the impact of the Interstate Commerce Commission's energy conservation efforts, ICC has had only sketchy and inconclusive information upon which to base its regulatory decisions. Because of this lack of data, ICC does not know what effect its actions to reduce mileage traveled by trucks have had on energy conservation, or fully understand why trucks travel empty. Such data is needed if ICC is to determine the impact of any changes it may make in reducing energy use by the trucking industry. ICC officials told us they plan to consider obtaining the information needed, but it may be expensive to gather and analyze.

REDUCING MILES TRAVELED

ICC found that eliminating the use of some gateways, which allowed the use of shorter routes, resulted in considerable energy, time, and cost savings. ICC, however, does not know what effect the 20-percent rule, established under its gateway decision, has had on other energy conservation measures in other areas where it was used.

In two areas where ICC believes energy conservation may be possible, greater use of piggyback and use of trip leasing, ICC has implemented only limited conservation measures because it lacks data on which to take action.

Use of shorter routes

ICC allowed truckers to reduce the mileage they were traveling by letting them eliminate gateways and use super-highways as long as mileage saved was not more than 20 percent.

In February 1976 ICC began a study to determine the fuel, time, and cost savings resulting from gateway eliminations. ICC selected a sample of truckers and asked them to provide the information.

In January 1977 ICC published the results of its study. Based on a sample of 144 truckers, ICC projected overall savings during fiscal year 1976 of about 100 million

vehicle miles, 21 million gallons of fuel, \$58 million in operating costs, and 2.7 million staff-hours. ICC stated that the resultant savings, while substantial, were far less than that asserted as possible by truckers and others.

The study did not address whether there was an effect on competition, but ICC officials told us they had not been told of any resulting problems. ICC does not know, however, what effect the use of the 20-percent rule has had in the other areas or what the effect would have been on competition if some figure other than 20 percent were used.

Shipping truck trailers on railcars

Shipping truck trailers on railcars, i.e., piggyback, can conserve energy by reducing the amount of mileage traveled and by substituting more energy efficient railroad mileage for some truck mileage. ICC has started a study to determine if it should continue to limit the amount of mileage a regulated trucker can save by using piggyback.

In October 1976 when ICC granted a petition to change the allowable mileage reduction from 15 to 20 percent (to make it consistent with the gateway elimination criterion), it also started, on its own motion, a rulemaking proceeding (Ex Parte No. 230, Sub-No. 4, Investigation to Consider Further Modification of the Piggyback Service Regulations) to determine whether there was an economic justification for any mileage limitation on the use of piggyback and, if so, what the limitation should be in the light of current economic conditions. This rulemaking, however, does not address the restriction on the use of piggyback service when a trucker does not have an operating authority to serve the city where the piggyback service is offered.

In response to this rulemaking, the Council on Wage and Price Stability urged ICC to eliminate all restrictions on truckers' use of piggyback. The Council said removing the present constraints would, in many cases, allow more direct shipments and result in fuel savings, improved service, reduced highway congestion, maintenance costs and air pollution, and ultimately lower shipping rates.

Leasing of trucks

Regulated truckers can lease trucks and drivers from private truckers as long as the lease is for at least 30 days. Such leasing allows regulated truckers to supplement their own supply of trucks to offset peak work periods and seasonal

fluctuations. During the energy crisis, ICC established a proceeding to consider whether allowing leases for single trips rather than only for 30 days or more could be used as an energy conservation measure. As discussed earlier non-transportation companies can carry their own goods but, in many instances, their trucks return empty. ICC believed that if regulated truckers could lease the private trucks for certain trips, the private trucks would be able to carry cargo instead of returning empty.

ICC believed its proposed changes would reduce empty-return trips; provide an additional supply of vehicles for regulated carriers; and reduce fuel consumption and noise pollution, and the number of vehicles on the highways.

ICC also recognized that the proposed modifications could create problems, for example: (1) truckers with small fleets of vehicles could cause overcapacity in the market through extensive leasing and (2) private carriers could take the most desirable traffic from regulated carriers.

ICC believed, however, that overall its proposed regulations would provide relief during the fuel shortage while protecting the public from the pitfalls of undisciplined leasing.

ICC received numerous responses to the proceeding. Opponents argued that liberalizing the trip leasing rules would have bad effects. They claimed that the proposed rules may not save fuel because empty return trips would be shifted from private truckers to regulated truckers. As a result, regulated truckers would have more empty returns; the market would be glutted with truckers competing for return loads; and havoc and rate wars would occur.

Proponents of trip leasing stated that private truckers suffer from a serious problem of empty returns, and trip leasing would help to reduce this problem. Also many private truckers started their trucking operations only because they could not find regulated truckers who would serve their needs. Therefore, because they were almost forced into creating their own transportation, they believed they were justified in obtaining leasing business to balance out their operations.

In May 1976 ICC terminated the rulemaking proceeding, saying that there was insufficient data to make an informed judgment on the proposed rules. ICC said to make a decision it needed, for regulated and nonregulated truckers, more

reliable information on: empty mileage; existing capacities; the direction and mileage the equipment is operated loaded and empty; traffic flows; and operating methods and equipment characteristics.

As a result in June 1976 ICC appointed a task force to study trip leasing. The task force planned to include the data obtained by ICC on the extent of trucks that travel empty. (See pp. 20 to 22.) We believe, however, that this data has limited use in the trip leasing study.

AMOUNT AND CAUSES OF TRUCKS TRAVELING EMPTY

There have been varying estimates on the amount of trucks that travel empty. In January 1976 ICC, because of inconsistencies in previous studies, started a 1-year study to determine the extent that trucks travel empty. The actual causes of trucks traveling empty are still unknown, but ICC's study attempts to generally determine them. ICC officials told us they are considering more detailed follow-on studies.

Previous estimates

Two previous studies provide data relevant to empty truck movements--an annual Department of Transportation Truck-Weight Study and an ICC study of 1970-72 data.

Truck-weight study

The States conduct a truck-weight study for the Department of Transportation annually. It is made for 1 day during the summer, generally during daylight hours, at about 750 State weighing stations and includes a random sample of about 250,000 trucks. The 1973 data showed that 26 percent of regulated trucks and 33 percent of nonregulated trucks were empty.

There are several potential problems with this study. It is conducted for only 1 day during summer daylight hours; therefore, shipments that may vary according to the season or time of day are not disclosed. Furthermore, no reasons are obtained for empty trucks and not enough detailed information on the trucks' operational characteristics is collected. Therefore, the study cannot be used to determine causes of empty mileage or evaluate the impact of regulatory policies.

ICC study

The ICC study of empty truck miles was made using 1970-72 data that was collected primarily for cost studies,

and was based upon trips made by general freight common carriers whose annual operating revenues exceeded \$300,000.

ICC concluded that some regulated trucks were empty 7 percent of the time. The study, however, was criticized by several organizations because it

- referred only to trucks that were completely empty;
- was based on a nonrepresentative sample of the trucking industry (included only general freight common carriers);
- excluded specialized trucks, such as auto carriers and petroleum trucks which usually return empty; and
- failed to show the causes of empty mileage.

ICC's statistical survey of empty mileage

In January 1977 ICC completed a 1-year nationwide statistical survey of empty mileage (the Motor Carrier Empty/Loaded Survey). The survey included only trucks or tractor/trailers with three or more axles which travel on the Interstate Highway System. ICC field agents, with the cooperation of State personnel, conducted over 13,000 road checks at 221 check points within the 48 contiguous States.

ICC found that for 1976 the average percentage of empty truck miles was 20.4 (average ranged a great deal, however, for different classes, i.e., regulated, private, etc., and types of trucks, i.e., van, tank, etc.).

Category	Percent of empty truck miles	
	Average	Range (note a)
Regulated (ICC authority)	16.2	14.8 to 17.7
Exempt	21.2	18.6 to 23.8
Private	27.3	26.0 to 28.6
Interstate	17.6	16.4 to 18.8
Intrastate	32.9	29.8 to 35.9
Owner operator (long-term lease)	18.1	15.5 to 20.6
Owner operator (short-term lease)	7.6	3.9 to 11.2
Nonowner operator	21.5	20.6 to 22.3
Van	18.1	16.7 to 19.5
Refrigerated van	14.8	12.9 to 16.7
Flat or lowboy	18.9	16.0 to 21.7
Tank	38.0	33.4 to 42.5
Bulk	39.3	33.9 to 44.7
Other	30.7	26.1 to 35.3

a/There is a 90-percent confidence that the percent of all empty truck miles lies within the ranges.

In addition, over 2,000 trucks surveyed were only partially loaded. On the average, 14.4-percent truck miles were partially loaded.

ICC planned primarily for the study to answer the question, "What is the amount of empty mileage?" During the planning phase, ICC asked other Federal agencies to comment on the proposed plan. The Department of Transportation said that while the survey data would be useful in providing an estimate of the problem, it did not answer the question of why unutilized capacity exists and to what extent governmental policies contribute to or reduce the amount of unutilized capacity. The Department of Transportation concluded that

"* * * Without well-documented information on the causes of less-than-full truckload movements, it is difficult to draw precise inferences with regard to significant policy alternatives relative to the capacity utilization issue."

ICC modified its survey questionnaire to include a question to the truck drivers on "Why is the truck empty or partially loaded?" Although some responses were useful, ICC could not determine the actual reasons for unused capacity. ICC concluded that:

"* * * the results do not provide definite answers to certain questions relating to the dynamics of truck operations. They provide only a limited view of certain of the basic influencing factors which cause trucks to be operated empty or loaded as observed in this and other studies. The results, therefore, suggest that further selective in-depth analyses should be conducted in a broad array of factors relating to the truck industry."

ICC did attempt to classify the drivers' responses in terms of (1) the reasons for the empty trucks and (2) the type of operation during which the truck was empty. On the following page, ICC compiled data from 3,032 empty truck samples. Responses were received from 98.2 percent of the truck drivers of empty trucks.

Causes of empty mileage

In 1975 ICC contracted with the MITRE Corporation to make a limited assessment of the empty mileage problem for truckers and to define, if possible, the relationship between empty mileage and regulation. MITRE conducted a literature

Classification of sample responses by drivers to the question,
"Why is the truck empty?"

Responses giving other reasons	Responses giving reasons resembling operating movements											
	No operations given		Destined to pick up another load		Returning from delivery		Positioning equipment		Other		Total	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
No other reason given	55	1.8	857	28.3	559	18.5	10	0.3	4	0.1	1,485	49.0
Specialized equipment	22	0.7	244	8.0	316	10.4	2	0.1	18	0.6	602	19.8
Health, safety, or commodity reasons	2	0.1	0	0.0	1	0.0	0	0.0	0	0.0	3	0.1
No ICC authority	9	0.3	2	0.1	4	0.1	0	0.0	1	0.0	16	0.5
Schedule requirements	6	0.2	2	0.1	5	0.2	0	0.0	0	0.0	13	0.5
Lack of freight	206	6.8	15	0.5	85	2.8	1	0.0	38	1.3	345	11.4
Labor requirements	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0
Shipment size/bulk	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0
Special handling	3	0.1	1	0.0	2	0.1	0	0.0	0	0.0	6	0.2
Transportation equipment empty: containers, pallets, and dunnage	6	0.2	3	0.1	7	0.2	1	0.0	3	0.1	20	0.6
Shipper's order size	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0
Shipper/receiver condition requirements	5	0.2	1	0.0	2	0.1	0	0.0	0	0.0	8	0.3
Weight/size law restrictions	1	0.0	0	0.0	0	0.0	0	0.0	0	0.0	1	0.0
Owner operating requirements	67	2.2	18	0.6	39	1.3	0	0.0	6	0.2	130	4.3
Other	118	3.9	41	1.4	96	3.2	62	2.0	86	2.8	403	13.3
Total	500	16.5	1,184	39.1	1,116	36.9	76	2.4	156	5.1	3,032	100.0

search to determine what was already known about empty mileage and interviewed high level management personnel of six regulated truckers to obtain information on empty miles and operational data.

MITRE identified some causes of empty mileage, but it did not determine the extent to which each cause contributed to empty mileage. MITRE concluded that the empty mileage problem was not sufficiently defined or understood, and recommended that additional data be gathered before solutions are offered.

Some causes of empty mileage singled out by MITRE, ICC, and others are discussed below.

ICC entry controls

Critics of regulation contend that ICC's controls restricting entry into the trucking field are responsible for many empty miles. Before regulated truckers can operate interstate, ICC requires them to show there is a public need for their services. One ICC Commissioner defending this policy said that transportation modes lack competitive characteristics to assure adequate service on equal terms to all shippers. Uncontrolled competition, without entry controls, he said would especially hurt the small shippers and small, remote communities. Conversely, the Department of Transportation believes ICC's emphasis on service, rather than economy or efficiency, tends to encourage empty return trips and vehicle underloading.

As discussed in chapter 2, because of ICC regulations truckers were traveling circuitous routes but some of this has been eliminated. Intercorporate transportation, however, is generally not allowed.

Other Government regulations

Regulations by other Government agencies may cause truckers to travel empty. For example, petroleum truckers are required to clean their tank trucks when the next load consists of different commodities. The cleaning process is expensive and time consuming and wastewater has to be treated before being discharged into streams and waters. Also, milk trucks must be cleaned before carrying other traffic.

To comply with these regulations, trucks may travel additional miles to cleaning facilities. Drivers may stand idle but collect wages while waiting for these operations to

be done. As a result, truckers sometimes find that returning empty is more economical than making arrangements to secure a return load.

Equipment limitations

Specially designed trucks are needed to transport certain products, such as automobiles, petroleum products, and refrigerated items. Specialized truckers can serve these unique needs, but they lack the flexibility to carry other goods. For example, an automobile carrier who transports from the production point in Detroit, Michigan, can rarely obtain a return load.

Natural traffic imbalances

The transportation of commodities into and out of regions varies considerably. For example, the New England States are a high-consuming, low-production area; therefore, inbound traffic is heavy but outbound traffic is relatively light. Also, the District of Columbia is an extreme example of traffic imbalance; the ratio of incoming to outgoing truck tonnage is about 40 to 1.

Detroit, Michigan, has special imbalance problems. Detroit's inbound general freight traffic, largely auto parts and equipment, is carried by standard van-type trucks while outbound traffic of completed automobiles requires special auto carrier trucks.

Seasonal movement and migration patterns also affect traffic imbalances. Household goods truckers are affected by migration trends and household movements generally occur during summer months.

Location of equipment

Truckers do not always return directly from their destinations. Frequently they travel to various pickup and delivery points at diverse geographical locations. When a trucker unloads his vehicle at one of his route stops, he may not be able to obtain other cargo. Then he is faced with three options: (1) waiting around for another load to become available, (2) traveling empty to another point to obtain cargo, or (3) returning empty to his origin point.

Union problems

There are instances where union attitudes and regulations may result in empty miles. Local unions have their

individual philosophies as to how flexible they may be in interpreting the rules. Around each union location is drawn an imaginary circle of jurisdiction within which locally domiciled drivers have their seniority system. For example, a driver in one city with 20 years' experience may have no seniority over younger drivers in another city, even with the same trucking company. This gray area of union jurisdiction usually is not tested by truckers, and they may prefer to incur empty mileage rather than enter into time-consuming arbitration.

Data from ICC's study
of empty mileage

ICC made several analyses of the data obtained in its empty mileage study in an attempt to gain more insight into the causes of empty mileage. Federal Energy Administration officials told us that they believed ICC's study represented a substantial effort to develop integrated data regarding the operations of trucks on the interstate highway system. They said the study provides a set of consistent indicators of the magnitude of capacity utilization in the industry and of the effects of regulation on vehicle utilization with regard to regulated and private truckers. These analyses, however, are only of limited value because ICC only had the truck drivers' opinions on why the trucks were empty.

ICC said "it is interesting to note that only 16 drivers stated that the ICC was the major cause of their being empty." We question whether the drivers would actually be aware of the effects of ICC's regulations.

Also, ICC found that 16.7 percent of the empty trucks in its sample could have been paired with other similar empty trucks going in the opposite direction at the same time. However, the report cautioned that 16.7 percent would not be an accurate estimate of potential savings. ICC said there is a tendency to overestimate the potential savings because few questionnaires contained information concerning commodity limitations on individual trucks. (Whenever such information was given about obvious incompatibilities, trucks were excluded from this analysis, i.e., a truck returning with empty bread racks could not have carried a load of packaged chemicals.) ICC also said there is a tendency to underestimate the potential savings because only very small samples were selected in each direction at each checkpoint. Therefore, the probability of finding two similar empty trucks meeting each other was less than if the sample size at each checkpoint had been larger.

ICC's sample, however, was made only during a 3-hour period; therefore, the potential exists for a higher degree of compatible shipments if a larger sampling period had been used. Also, since only one route in a given area was sampled, the potential exists for match-ups from close alternate routes that may have been used by other trucks.

Finally, ICC's sample may not be representative because it is probable that through the use of citizen's band radios, truckers warned each other of ICC's checkpoints. Therefore, truckers may have avoided the checkpoints because either they may have been violating ICC regulations or they did not want to be delayed by the survey.

CONCLUSIONS

Apparently even the most efficient transportation system will experience some empty mileage and indirect routing. However, it is not clear whether the United States has achieved the optimum reduction of either empty mileage or indirect routing. To the extent that more reductions are possible, they would be another positive effort in our continuing national effort to conserve energy.

One key to furthering ICC's energy conservation programs is the accumulation and analysis of data necessary to determine the effect on both service and competition of proposed energy conservation measures. Within the context of the current regulatory framework, in any effort to reduce the empty mileage currently experienced by private and for hire trucks, it will be necessary to determine not only the extent of the problem but also which types of truckers are experiencing empty mileage, why they are traveling empty, and the relationship between the type of trucking operation and the reason for empty mileage.

ICC has obtained some information on the extent of the empty mileage problem and on the results of eliminating some gateways. It also took the initiative and has started to determine whether any further limitation is warranted on the mileage reduction allowed before truckers can use piggyback. ICC has not determined the effect on competition, if any, from its use of the 20-percent rule in several energy conservation actions. Such information could form the basis for further energy conservation-related decisionmaking.

ICC's statistical survey of empty mileage produced data on trucks that travel on the interstate highway system. However, the survey obtained only limited data on the causes of

empty mileage. We believe that sound data on the causes is needed for future decisionmaking and note that ICC plans to consider the feasibility of obtaining such data.

Concerning the use of piggyback, ICC is obtaining information on the need for any limitation on the mileage reduction allowed. It has no plans, however, to determine the effects of its other restrictions on the use of this intermodal service; for example, the requirement that truckers can only use piggyback service at cities where they already have ICC approval to serve those cities.

In our opinion, ICC's current studies will not develop enough information to answer many remaining questions concerning programs with energy conservation potential. Until it has enough data to determine (1) why trucks are empty and (2) the impact of potential energy conservation measures on carrier competition and service to the public, ICC will be unable to provide the optimum in energy conservation.

AGENCY COMMENTS AND OUR EVALUATION

ICC said it has and continues to perform several investigations which will permit it to address more fully energy conservation issues. ICC said the "20 percent rule" was an attempt to strike a balance between increased energy efficiency and insuring the public the availability of an adequate transportation service. Eliminating the rule, according to ICC, would allow numerous existing truckers to engage in new competitive operations without having first established the public's need for additional service.

We did not propose that the rule be eliminated, rather its use should be examined to determine at what point (i.e., 15, 20, 25 percent, etc.) there would be an adverse impact on competition. Also, the 20-percent rule was developed for eliminating gateways, but it has since been expanded to other areas where it may not be the optimum criterion for energy conservation.

ICC also said that the restriction against truckers using piggyback at points where they do not have an operating authority is necessary to prevent duplicative services. Finally, ICC said that the same considerations which necessitate control of entry into the trucking industry also necessitate limitations on the amount of permissible circuitry reduction in the areas discussed.

The use of piggyback may not be duplicative service, instead it may be a substitute of more energy efficient service. Also, the limitations on the amount of mileage that can be saved are based on ICC's concern that competition not be affected. More information on the relationship of competition to potential energy conservation is needed by ICC for these types of decisions.

In the area of intercorporate transportation, ICC said a majority of the Commissioners believe that relaxing its prohibition would not be beneficial to the public. ICC said:

"* * * Allowing private carriers to handle the freight of affiliated companies could have a serious adverse effect on the regulated trucking industry, and on the shipping public. Considering the size and diversity of many conglomerates, it is likely that they could achieve balanced private trucking operations, but at the same time the balanced operations of regulated carriers could be disrupted." (Underscoring supplied.)

There is a lack of agreement on this issue at ICC and it lacks data on which to draw firm conclusions. Furthermore, it is an important area--ICC said regulated truckers carry only 44 percent of intercity ton-miles; the remainder are carried by private trucks or exempt trucks. We believe this emphasizes the need for ICC to obtain information in this area as the basis for future regulatory decisionmaking. As discussed in chapter 2, legislation may be needed to authorize intercorporate transportation if it does not otherwise conflict with the relative priority established for ICC's other regulatory objectives.

In commenting on the growth of private trucking and exempt truckers, ICC refers to them as "unregulated transportation." We believe the uninformed reader may be misled by this term. Many interstate truckers, although not regulated by ICC, are limited in their operations indirectly because of ICC regulations. For example:

- Private companies can use their own trucks only to carry their own goods, i.e., prohibition on intercorporate transportation.
- Exempt truckers are not a general exempt class, but rather are exempt because of their operation, i.e., intrastate trucking or commodities they carry, i.e., trucks carrying unprocessed agricultural commodities.

FEA agreed that the collection and analysis of data is necessary to determine the effects of proposed regulatory actions on energy conservation.

In October 1976 FEA responded to an ICC proceeding pertaining to implementation of the Energy Policy and Conservation Act of 1975 and suggested to ICC where such analysis was needed. For example, FEA said ICC should consider (1) the extent to which alternative actions would better promote energy conservation or efficiency and (2) the extent to which there is a proven need for specific service improvements that may conflict with the goals of the act. As of May 1977 ICC's proceeding was still pending.

The Department of Transportation said our report is accurate in recognizing ICC's lack of sufficient information for decisionmaking on potential energy conservation measures. They said the need for better information is imperative.

RECOMMENDATIONS

We recommend that the Chairman, Interstate Commerce Commission, give a high priority to gathering the data necessary to implement an optimum energy conservation program. Specifically, we recommend that ICC determine the

- validity of the 20-percent rule;
- continued need for any limitations on truckers' use of piggyback; and
- reasons for empty mileage and the impact on competition and service to the public of possible solutions, such as trip leasing and intercorporate transportation.

Interstate Commerce Commission

Washington, D.C. 20423

OFFICE OF THE CHAIRMAN

December 22, 1976

Honorable Warren G. Magnuson
Chairman
Committee on Commerce
United States Senate
Washington, D.C. 20510

Honorable Henry M. Jackson
Chairman
Committee on Interior and
Insular Affairs
United States Senate
Washington, D.C. 20510

Honorable Harley O. Staggers
Chairman
Committee on Interstate and
Foreign Commerce
House of Representatives
Washington, D.C. 20515

Honorable Robert E. Jones, Jr.
Chairman
Committee on Public Works
and Transportation
House of Representatives
Washington, D.C. 20515

Gentlemen:

The provisions of section 382(a)(3) of Part E, Title III, of Public Law 94-163, the Energy Policy and Conservation Act (EPCA), impose certain responsibilities upon this Commission. Specifically, the Commission is required to conduct a study and prepare a report to Congress with respect to any requirement of any law administered by this agency or any major regulatory action which has the effect of requiring, permitting, or inducing the inefficient use of petroleum products, coal, natural gas, electricity, and other forms of energy, together with a statement of the need, purpose, or justification of any such requirement or such action. This report is made pursuant to

those requirements and places the continuing efforts and accomplishments of this Commission into logical relation with general conservation efforts and the principles of economics as they particularly apply to the regulated surface transportation industry.

General response. - While a portion of the for-hire surface transportation industry is subject to regulation under the Interstate Commerce Act, no provision in the Act requires the inefficient use of fuel or energy resources. The basic function of this Commission is that of an authorizing agency. The regulated sector of the transportation industry generally initiates new service and the price structure. Unifications within the regulated industry frequently require Commission approval. A similar agency role is mandated under the Interstate Commerce Act with respect to rail abandonments and terminations of service. However, within this general regulatory framework, it is the transportation industry itself, without the necessity of Commission approval, which sets the frequency of its service and determines the routing of traffic, unless specified by the shipper.

Scheduling and routing may involve fuel waste, especially when that term is narrowly defined. Fuel-saving action of direct, visible, and measurable impact, however, would require agency participation in or direction of carrier scheduling and traffic routing. Such agency involvement would require amendments to the Interstate Commerce Act. In dealing with an issue as complex as the use of energy resources, it would be helpful first to disregard specific points or areas of concern and try to view it in more basic terms. The first question that arises is: What best explains energy consumption, efficient or otherwise? The answer to this question will do much to explain what energy efficiency and inefficiency really are.

The answer to the question, clearly, is economic activity. Energy is consumed at levels that bear a direct relationship to economic activity. The economic expansion that has occurred on a national scale since World War II has produced a quite predictable result--increased consumption of energy. In recent years especially, the Nation has had to rely on imports to make up for the shortfall between domestic energy production and the energy demands of the economy. This drift as it might be called, and its corollary--increasing dependence on foreign sources of oil--is cause for grave and justifiable concern. Such concern, however, should not be allowed to blur the fact that energy consumption and economic activity are so closely interrelated that it is impossible to have one without the other.

The EPCA requires that we address the matter of inefficient energy use. Inefficient use, of course, is a relative term. In the case of motor and rail transportation terrain, load, and selection of power equipment determine fuel efficiency. Direction of currents and traffic flow often determine it in water transportation. But in all transportation, regardless of mode, fuel consumption efficiency cannot be entirely separated from service effectiveness. A few examples might serve to illustrate this point.

- An airplane with several unoccupied seats is not as fuel-efficient as it might be when put in terms of passenger miles-per-gallon. The same would be true of a bus, although the latter is generally recognized as more fuel efficient than the former. A good load factor is important in terms of energy efficiency and service effectiveness, but speed and frequency of service also must be taken into consideration.

- Another example might be that of a manufacturer of bricks, a substantial consumer of energy resources in his own right. If we assume that such a manufacturer is located in Washington, D.C., and wishes to participate in the construction market in Richmond, Va., a demand for a somewhat specialized transportation service arises. If we assume also that a regulated motor carrier is able and willing to transport bricks to Richmond, even though the necessary equipment may be ill-suited for transporting many commodities on return, the transportation demand is not altered by the fact of an empty return movement of equipment if the bricks will bring a price that will compensate for the cost incurred.

- Another example might be similar to the last except that the points are a Florida origin, a New England destination, and the commodity is citrus fruit, the transportation of which is not subject to regulation. It is even more apparent in this example that this Commission does not require an inefficient use of fuel because what takes place occurs in the non-regulated sector.

American consumers daily express their needs, wishes, and desires in the market place. The business, agricultural, and industrial communities all attempt to fill these needs. In doing so without any centralized system of control, many products and services are enjoyed throughout the land. Energy

resources are consumed. Transportation service demands rise, creating still more demand for energy. There is, in addition, a certain circular aspect to this in that as the transportation industry's capacity to respond to service needs expands, certain economic activities tend to become less marginal. In turn, this further serves to increase energy consumption.

There are few reasons, therefore, for this Commission to attempt directly to regulate in any way levels of energy consumption that occur in that segment of the transportation industry that is subject to our regulatory control. Moreover, we are statutorily precluded from controlling the number of vehicles (and thereby controlling energy consumption to a degree) that are operated by motor carriers, water carriers, and freight forwarders. See sections 208(a), 309(d), and 410(e) of the Interstate Commerce Act [49 U.S.C. 308, 909, and 1010]. For this Commission to intrude directly into the affairs and decisions of carrier management, with the clear likelihood that such action would adversely impact on the economy, would be ill-advised. However, the Commission has committed itself to the cause of energy conservation. The remainder of this report will be devoted to a brief analysis of some of our major regulatory actions and other accomplishments in this respect.

Conservation in the regulated sector. - The overriding theme in our conservation efforts is that adequacy and efficiency in transportation is vital to the economy. Water transportation is inherently economical on natural waterways, and it is especially suitable for port to port movement of heavy commodities in bulk. The superiority of truck transportation in short haul transportation is widely recognized. And rail service is often unparalleled in the speedy movement of large quantities of goods over long distances. Thus, each mode of transportation has a particular sphere wherein it operates most effectively. Any attempt to evaluate the energy efficiency of a given mode must therefore focus on the part that mode plays in the system as a whole. That must be kept in mind in reviewing the activities listed below:

- Gateway elimination. In Gateway Elimination, 119 M.C.C. 530 (1974), we adopted regulations applicable to irregular-route motor common carriers of property for the purpose of eliminating wasteful fuel practices. The regulations had the effect of permitting the saving of up to 20 percent of the distance it would be necessary for a carrier to

travel in order to observe a gateway. By allowing the carrier to travel the most direct route between authorized service points, this action on the part of the Commission will save millions of gallons of fuel each year. There is an ongoing study of the actual fuel savings which have accrued from the Gateway Elimination decision. A Commission report will be issued in the very near future determining annual savings respecting costs, manhours, mileage, and fuel. Copies will be sent to you.

A number of proceedings currently pending before the Commission should be noted at this point. The already completed proceedings were adequately summarized in the prior reports to Congress as required by EPCA.

- Ex Parte No. MC-98, New Procedures for Motor Carrier Restructuring Proceedings. One of the benefits stated by proponents of motor carrier rate restructuring is that shipments will be consolidated by the consignors and, thus, tendered to the carriers less frequently but in larger volume. Since the effect of a rate restructure may be to lessen the number of trips traveled by carriers to shipper docks, it could be assumed that a beneficial impact on energy consumption would result from the reduction in total miles traveled by motor carriers in pickups. A beneficial impact on energy efficiency might also result through a possible increase in load factor for those miles actually traveled by motor carriers.

Reduced rates on aggregate shipments do not involve a new principle in ratemaking. See Aggregate Rates from Rochester, N.Y., 325 I.C.C. 474, 480 (1965). Exploration of this topic with greater emphasis on the energy aspects of overall cost savings under such arrangements emphasizes the Commission's continuing efforts in this regard.

- Ex Parte No. 230 (Sub-No. 3), Petition for Enlargement of the Amount of Operational Circuitry Reduction Permitted Motor Carriers of Property Under Certain Provisions of the Trailer-On-Flatcar Service Rules. Considerable controversy exists as to the degree, if any, of relative fuel efficiency between piggyback service and motor carrier over-the-road service. If, however, it were assumed that piggyback service were more fuel efficient than

over-the-road service, any regulation which precluded the use of piggyback service in a relatively more efficient operation could be considered to have an adverse impact on energy efficiency.

In this proceeding, decided August 24, 1976, and reported at 353 I.C.C. 1, the Commission adopted a liberalizing modification relating to the amount of operational circuitry reduction permitted motor carriers of property under certain provisions of our trailer-on-flatcar service regulations (49 CFR 1090). The modifications, which become effective January 3, 1977, will have the effect of enabling motor carriers of property to reduce to a greater extent than heretofore allowed the amount of circuitry reduction permitted in the utilization of trailer-on-flatcar service in lieu of their authorized line-haul transportation. The rule change, it is anticipated, will allow motor carriers to reduce their line-haul operating mileages and thereby effectuate substantial savings in fuel.

Concurrently with this decision, the Commission, on its own motion, instituted a further rulemaking proceeding to determine whether there continues to be an economic justification for any circuitry limitations on trailer-on-flatcar service and, if so, what the limitations should be in light of current economic conditions. That still-pending proceeding has been designated Ex Parte No. 230 (Sub-No. 4), Investigation to Consider Further Modification of the Piggyback Service Regulations. Comments by interested persons are due to be filed on or before March 1, 1977.

- Ex Parte No. 325, Substituted Service--Water-For-Motor Service (Fishyback Service)--Alaskan Trade. Since the motor-water route appears to be shorter than the all motor route, and assuming that the fuel efficiency of water carriers is greater than the fuel efficiency of motor carriers, a decision to restrict the use of water-for-motor service may result in the consumption of a greater amount of fuel for transporting a given amount of freight and, therefore, have an adverse impact on energy consumption.

- Ex Parte No. 308 (Sub-No. 1), Investigation of Common Carrier Pipelines. This proceeding was instituted to determine "whether ownership and active control of common carrier petroleum pipelines by their shippers may tend to substantially lessen competition or create monopoly."

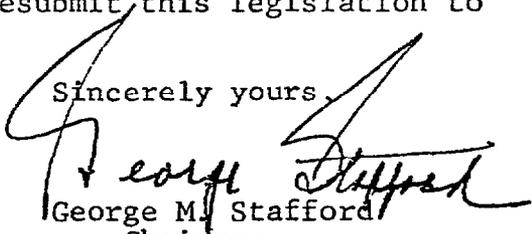
- Expedited Procedures for the Recovery of Fuel Costs, 350 I.C.C. 533 (1975). Although this is technically a completed proceeding, the procedures adopted in it will only be implemented by further order of the Commission. The procedures were promulgated for the recovery of large scale fuel cost increases brought about by an import tax or alternative measures having the effect of precipitously increasing the price of fuel.

- Ex Parte No. 55 (Sub-No. 22), Implementation of the Energy Policy and Conservation Act of 1975. Section 382(b) of the EPCA imposes on this Commission the continuing responsibility of including in any major regulatory action, where practicable and consistent with the exercise of authority under other law, "a statement of the probable impact of such major regulatory action on energy efficiency and energy conservation." This proceeding therefore was instituted by order entered August 16, 1976, to define what should be considered by this Commission as a "major regulatory action," a term not defined in the EPCA. The proceeding also was instituted in order to propose guidelines for implementation of the section 382(b) requirements. A special unit within the Commission has been assigned responsibility for energy evaluation.

Conclusion and recommendations. It is fortunate but, perhaps, long overdue in the context of energy use, that our Nation now realizes that our natural resources, and those of other nations as well, are not inexhaustible. It is fitting that we think more and more in terms of conservation. In the final analysis, however, it cannot be overlooked that the public interest will continue to require a national surface transportation system so regulated by this agency as to ensure that service can and will be furnished where and when it is needed. Moreover, the service should be provided at the lowest possible cost including the cost of depleting our finite energy resources. Therefore, in order not to distort, disrupt, or otherwise penalize any segment of the transportation industry, decisions by this Commission will continue to reflect a balance between energy efficiency and service effectiveness. However, undue interference with the provision of that level of service which commerce and industry demand and require must be avoided at every turn.

The legislative recommendations we previously have submitted to the Congress indicate our concern. We reiterate our recommendation that the Congress give prompt consideration to our legislative proposals that have emanated from the current energy situation in the United States. For your convenience, copies of the proposed bills, with explanations and justification appended thereto, are attached. We will probably resubmit this legislation to the 95th Congress.

Sincerely yours,


George M. Stafford
Chairman

Enclosures

[See GAO note below.]

Commissioner O'Neal voted to reject the letter.

GAO note: The enclosures to this letter are not included due to their length.

Interstate Commerce Commission
Washington, D.C. 20423

OFFICE OF THE CHAIRMAN

April 4, 1977

Mr. Henry Eschwege
Director
United States General Accounting Office
Community and Economic Development Division
Washington, D. C. 20548

Dear Mr. Eschwege:

This responds to your letter of March 4, 1977, requesting this Commission's comments on the draft report of the Comptroller General of the United States (GAO) entitled "Regulatory Actions to Reduce Energy Use by Trucks: Better Information Is Needed." [See GAO note 1, p. 41.]

After reviewing the GAO's proposed report, I feel some brief comments are in order. The actions we have taken to reduce the consumption of energy have been tempered by our overriding concern that nothing be done to deprive the public of the high quality surface transportation service they enjoy in this country today. As the GAO report indicates, many of the actions we have taken have resulted in conservation of fuel. In some instances more dramatic fuel savings could be achieved if we were to subordinate our primary regulatory objective to that end. Therefore, I agree with the expressed opinion of GAO that energy conservation programs in the surface transportation area will continue to achieve only limited success until a national policy is enacted which clearly establishes the relative priority of energy conservation and competing regulatory objectives.

Nevertheless, it would be inappropriate to say that there is an inherent conflict between an effective National Transportation Policy and the conservation of energy. In fact, our regulatory policies have the effect of promoting efficient energy consumption, and increased regulated common carriage by all modes may offer the best means for improving energy conservation in transportation. Just as mass transit enables many passengers to combine their individual trips thereby reducing total energy requirements, common carriage allows a much more efficient use of energy by enabling carriers to combine and balance the transportation requirements of a multitude of shippers

handling a diverse range of products and located in both urban and rural areas. Thus the need for greater energy conservation does not really supplant the Commission's traditional regulatory objectives but reinforces the need for an even greater dedication to these goals.

It should be remembered that federally regulated motor carriers transport only about 44 percent of total motor intercity ton-miles, while the remainder of motor traffic is handled by private and exempt carriers. The growing incidence of unregulated transportation in this country has long been a matter of concern at the Commission.

The "20 percent rule" applicable to gateway elimination,* the super-highway rules, and the TOFC service regulations are referred to in the GAO [See GAO report as having been arbitrarily set. But elimination of this rule would allow numerous existing carriers to engage in new competitive operations without having first established that a public need for additional service exists. In all three of these areas adoption of the "20 percent rule" was an attempt to strike a balance between increased energy efficiency and insuring the public the availability of an adequate transportation service. In like manner, the restriction against the use of TOFC service by motor carriers at other than authorized service points is necessary to prevent duplicative transportation services.] note 3, p. 41.]

The same considerations which necessitate control of entry into the motor carrier industry also necessitate limitations on the amount of permissible circuitry reduction in these areas. The Congressional policy of controlled entry has been challenged by both the Department of Transportation and the Council on Wage and Price Stability during the past Administration, but I believe that these tend to overemphasize the role of increased competition in promoting better and more efficient service.

The GAO report states that intercorporate transportation is an area where there is a potential for energy conservation. The report concludes, however, that this Commission has determined that its statutory mandate generally precludes its taking action in this area. Regardless of whether we have this authority, a majority of the Commission does not believe that extending private carriage in the intercorporate transportation area would be beneficial to the public. Allowing private carriers to handle the freight of affiliated companies could have a serious adverse effect on the regulated trucking industry,

*A recent report by the National Petroleum Council, Potential for Energy Conservation in the United States: 1979-1985, has found that private automobiles and light trucks alone consume 68 percent of all energy consumed by the transportation sector. ICC regulated motor carriers appear to account for only about 3 percent of the total.

and on the shipping public. Considering the size and diversity of many conglomerates, it is likely that they could achieve balanced private trucking operations, but at the same time the balanced operations of regulated carriers could be disrupted.

One final matter deserves mention. A major recommendation of the GAO report is that the Commission give "a high priority to gathering the data necessary to implement an optimum energy conservation program." The Commission has and continues to perform several investigations which will permit us to address more fully energy conservation issues. Most of these are mentioned in the GAO report. Our most recent effort--the nationwide survey to determine the extent of motor carrier empty mileage--is also mentioned in the GAO report

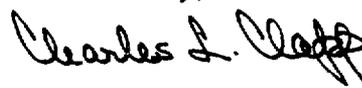
[See GAO note 2, p. 41.]

While the survey was primarily designed "to give a very precise and unbiased estimate for the percentage of empty miles on the Interstate Highway System for three-or-more axle motor vehicles," other data was collected during the survey which should give some understanding of the causes of empty mileage and indicate the desirability of various public policy alternatives when properly interpreted. The report also notes the findings of the MITRE Corporation concerning the same question. Although the scope of the MITRE study was very limited, I believe that it did identify the major causes of empty mileage. As the GAO report states, some of the causes identified in that study are equipment limitations, natural traffic imbalances, government regulation, location of equipment, and union agreements. Natural imbalances of traffic between various economic markets is generally considered to be the primary cause of empty mileage.

I hope that my comments will not be interpreted as indicating that the Commission is not receptive to new proposals for energy conservation. Absent a clearly defined national policy establishing the priority of energy conservation in relation to our existing regulatory objectives, however, I believe that drastic departure from our current policies is unwarranted.

I believe the report reflects a fine research effort and a fair appraisal of this Commission's energy conservation approaches. Your interest in this area is to be commended.

Sincerely,



Charles L. Clapp
Acting Chairman

Commissioner Murphy, concurring:

The objectives or goals which guide the Commission are derived, in part, from the National Transportation Policy, 49 U.S.C. preceding §§ 1, 301, 901 and 1001.

The GAO report, in several instances, recommends greater use of TOFC services without perhaps failing to comprehend the difficulties attendant thereto. Public Law 94-210, the "Railroad Revitalization and Regulatory Reform Act of 1976", Section 101(a), declares that one of the purposes of the Act is to enable railroads to provide energy-efficient transportation services.

[See GAO note 3 below.]

One of the more effective means to facilitate the use of energy-efficient rail services is through the expansion of TOFC services, especially in connection with joint rates and through routes between railroads and regulated motor common carriers. Section 216(c), 49 U.S.C. 316(c), of the Interstate Commerce Act presently permits but does not require such joint endeavors. While joint rate and through route arrangements are common between motor common carriers, the same is not true as between railroads and motor carriers. For example, the Commission's 89th Annual Report to Congress, 1975, page 133, illustrates that while TOFC service has expanded considerably since 1964, the predominant expansion has occurred in the so-called open tariff TOFC provisions. The percentage of trailer or containers moved under plan I or V, the joint rate provisions, has either remained static or has actually decreased. The Commission on many occasions has asked for a modification of Section 216 in order to allow it to prescribe joint rates in appropriate circumstances. Such authority would enhance the Commission's several efforts to conserve energy and would be in conformity with Public Law 94-163.

[See GAO note 2 below.]

Chairman Stafford and Commissioner Christian were absent and did not participate.

- GAO notes:
1. Title of draft report was subsequently changed.
 2. The deleted comments relate to matters discussed in our draft report but omitted from or modified in this final report.
 3. TOFC refers to "Trailer on Flatcar," another term for piggyback.



FEDERAL ENERGY ADMINISTRATION

WASHINGTON, D.C. 20461

APR 26 1977

OFFICE OF THE ADMINISTRATOR

Mr. Don B. Cluff
Assistant Director
U.S. General Accounting Office
Room 2330
400 7th Street, S.W.
Washington, D.C. 20590

Dear Mr. Cluff:

This is in response to a letter of March 9, 1977, from Monte E. Canfield, Director, Energy and Minerals Division, requesting the Federal Energy Administration's (FEA) views concerning the General Accounting Office's (GAO) proposed report entitled "Regulatory Actions to Reduce Energy Use by Trucks: Better Information is Needed". [See GAO note 1, p. 44.]

In general, FEA supports the view taken by the Report that the Interstate Commerce Commission (ICC) should expand its programs to promote and implement measures of improved fuel efficiency for the transportation modes which it regulates. Our Project Independence Report of November 1974, outlined some policies in this direction, and since that time, we have had several meetings with the Commission to discuss methods for promoting more efficient use of transportation capacity. As a result of these meetings, a number of regulatory modifications have been made by the ICC. However, FEA does take the position, also adopted in the Report, that congressional guidance on the relative priorities of energy conservation methods is required.

While we assume that editorial changes will be made in the Report, we believe that certain of its assumptions and conclusions warrant further examination before it becomes final.

For example, the digest of the Report emphasizes the complex relationship of energy conservation programs, as well as the ICC's need for better information in assessing potential conservation measures. However, in its review, the GAO did not specifically define the areas of regulation which could be amenable to new legislation. In addition, since the studies reviewed in the Report indicate that the structure of the trucking industry reflects the natural specialization of the firms as well as regulatory factors, it seems insufficient to recommend that new legislation only focus on regulatory change. Furthermore, it appears that the technical limitations to utilizing backhaul capacity which presently exists in the freight market should be defined. Important issues, such as the cross-modal impact of modifications of existing regulatory policies on the more energy efficient freight transportation modes, should be considered before Congress requests Federal agencies to provide legislative proposals.

The discussion in Chapter 2 of the Report on the operations of common carrier trucks might be strengthened by examining some recent studies in this field. The first, Potential Fuel Conservation Measures by Motor Carriers in the Intercity Freight Market, was prepared for FEA by Charles River Associates (April 1977). The report includes detailed discussions of the operations and intra-industry relationships of regulated and private motor carriers, as well as options for modifying regulatory policies. Furthermore, the report specifies alternatives available to private carriers so that their empty backhaul capacity could be reduced. In addition, two studies which were conducted for the Department of Transportation by Reebie Associates contain a thorough analysis of the reasons for the slow growth of piggyback movements in the United States. The studies, An Improved Truck/Rail Operation: Evaluation of a Selected Corridor (DOT-FH-81-58, December 1975) and The National Intermodal Network Feasibility Study (DOT-FR-2065, May 1976), indicate that limitations in addition to ICC regulation have reduced the utilization of intermodal movement.

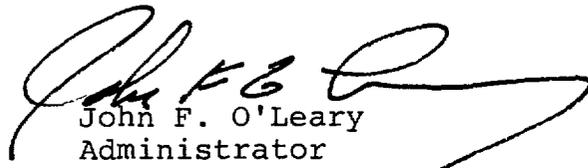
We would also like to suggest that in revising the Report, the word "truckers" be more clearly defined. Regulations and fuel efficiencies vary with specific segments of the trucking industry, so that imprecise definition could lead to erroneous analyses.

[See GAO note 2 below.]

The FEA concurs with the conclusion in the Report that collection and analysis of data is necessary to determine the effects of proposed regulatory actions on energy conservation. It was recently suggested to the ICC that there were a number of areas where such analysis was necessary for its development of criteria to determine what constitutes a "major regulatory action" within the context of the Energy Policy and Conservation Act of 1975. FEA's comments are included in our filings with the ICC in its rulemaking proceedings, Ex. Parte No. 55 (Sub-No. 22) which was submitted on October 8, 1976.

We hope that our comments on the draft Report are useful. If there are any additional questions regarding the issues or studies mentioned in our comments, please contact Mrs. Georgia Johnson, National Programs, Conservation and Environment, telephone 254-9755.

Sincerely,



John F. O'Leary
Administrator

- GAO notes:
1. Title of draft report was subsequently changed.
 2. The deleted comments relate to matters discussed in our draft report but omitted from or modified in this final report.



ASSISTANT SECRETARY
FOR ADMINISTRATION

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

April 28, 1977

Mr. Henry Eschwege
Director
Community and Economic Development Division
U.S. General Accounting Office
Washington, D. C. 20548

Dear Mr. Eschwege:

This is in response to your letter of March 4, 1977, requesting comments on the General Accounting Office draft report entitled, "Regulatory Actions to Reduce Energy Use by Trucks: Better Information is Needed." We have reviewed the report in detail and prepared a Department of Transportation reply.

[See GAO note 1,
p. 49.]

Two copies of the reply are enclosed.

Sincerely,

William P. Davis
William P. Davis
Acting

Enclosures

DEPARTMENT OF TRANSPORTATION REPLYTOGAO DRAFT REPORT OF MARCH 4, 1977ONREGULATORY ACTIONS TO REDUCE ENERGY USE
BY TRUCKS: BETTER INFORMATION IS NEEDEDSUMMARY OF GAO FINDINGS AND RECOMMENDATIONSGAO Findings:

This GAO report addresses itself to the regulatory policies and actions of the Interstate Commerce Commission in regard to energy consumption practices of the interstate motor carrier industry.

The report reviews three specific areas in which the ICC has considered action to help truckers conserve energy: (1) by reducing circuitous mileage requirements, (2) by allowing greater substitution of rail mileage for truck mileage, and (3) by reducing empty mileage traveled by private trucks. The GAO report finds, however, that "in each of these cases the ICC's actions and the related benefits may have been limited because ICC has been guided by its traditional

regulatory objectives of protecting regulated truckers and insuring adequate service to the public." (p. 15) [See GAO note 2, p. 49.]

In addition, the report reviews the above cases plus existing empty mileage studies and finds that the ICC has not had adequate data to assess: "(1) what effects its actions to reduce mileage traveled by trucks has had on energy conservation, and (2) the reasons that trucks travel empty."

The report goes on to evaluate further current studies being undertaken by the ICC and concludes that:

In our opinion, ICC's current studies will not develop enough information to answer many of the remaining questions concerning programs with energy conservation potential. Until they have enough data to determine why trucks are empty and the impact of potential energy conservation measures on carrier competition and service to the public, they will not be able to provide the optimum in energy conservation. (p. 31) [See GAO note 2, p. 49.]

GAO Recommendations:

In regard to the specific energy cases considered by the ICC, the GAO report concludes by recommending (pp. 31-32) that: [See GAO note 2, p. 49.]

. . . the Chairman [of the ICC] give a high priority to gathering the data necessary to implement an optimum energy conservation program. Specifically, we recommend that ICC

- Determine the validity of the 20 percent rule.
- Determine the continued need for any limitations on truckers' use of piggyback.
- Determine the reasons for empty mileage and the impact on competition and service to the public of possible solutions such as trip leasing and intercorporate transportation.

Of a more far-reaching nature, the GAO also recommends (p. 15) that:

[See GAO note 2,
p. 49.]

. . . Congress request ICC, the Federal Energy Administration and the Department of Transportation to submit proposed legislation which (1) establishes the national priority of energy conservation compared to the sometimes competing regulatory objectives, and (2) allows ICC more freedom to change its regulations to provide for greater energy conservation by truckers, such as more intercorporate transportation.

Department of Transportation Position:

The GAO in this report has done a commendable job of identifying and analyzing key issues in the current review of traditional ICC regulatory practices relative to the economic and energy performance of interstate motor carriers, including those not directly regulated by the ICC, as well as directly regulated carriers. The DOT feels that, on the whole, the GAO report presents a very balanced picture of the issues and the latest "up-to-the-minute" data and developments within the ICC. In addition, the GAO's findings and recommendations flow logically and responsibly from their review of the existing situation.

The study examines how, since the energy crisis of 1973, the ICC has begun to focus on gathering pertinent economic and competitive data as a basis for formulating and evaluating regulatory policies. However, the study also documents that a continuing problem exists to the extent that the Commission, in several recent cases, has chosen to terminate consideration of new rules and regulatory policies on the

reasoning that "there was insufficient data to make an informed
[See GAO note 2 below.]
judgment on the proposed rules." (p. 20) The GAO report is accurate
in recognizing the ICC's lack of sufficient information for decision-
making on potential energy conservation measures. The need for
better information is imperative.

It is the Department of Transportation's assessment that this
GAO report deserves the attention and thoughtful consideration of all
transportation policy-makers concerned with the relationship of Inter-
state Commerce Commission regulation to the efficient operation of
the motor carrier industry.



Ira Dye

Acting Deputy Assistant Secretary
for Policy and Program Development

- GAO notes:
1. Title of draft report was subsequently changed.
 2. Page references in this appendix refer to our draft report and may not correspond to the pages of this final report.

PRINCIPAL OFFICIALS OF THE INTERSTATE
COMMERCE COMMISSION RESPONSIBLE FOR
ADMINISTERING ACTIVITIES DISCUSSED IN THIS REPORT

	<u>Tenure of office</u>	
	<u>From</u>	<u>To</u>
CHAIRMAN:		
A. Daniel O'Neal	Apr. 1977	Present
George M. Stafford	Jan. 1970	Apr. 1977
DIRECTOR, OFFICE OF PROCEEDINGS:		
Robert J. Brooks	Mar. 1974	Present
Vacant	Dec. 1973	Mar. 1974
Sheldon Silverman	Mar. 1970	Dec. 1973
DIRECTOR, BUREAU OF ECONOMICS:		
Ernest R. Olson	June 1974	Present
Robert G. Rhodes (acting)	June 1973	June 1974
Edward Margolin	Feb. 1959	June 1973

Copies of GAO reports are available to the general public at a cost of \$1.00 a copy. There is no charge for reports furnished to Members of Congress and congressional committee staff members. Officials of Federal, State, and local governments may receive up to 10 copies free of charge. Members of the press; college libraries, faculty members, and students; and non-profit organizations may receive up to 2 copies free of charge. Requests for larger quantities should be accompanied by payment.

Requesters entitled to reports without charge should address their requests to:

U.S. General Accounting Office
Distribution Section, Room 4522
441 G Street, NW.
Washington, D.C. 20548

Requesters who are required to pay for reports should send their requests with checks or money orders to:

U.S. General Accounting Office
Distribution Section
P.O. Box 1020
Washington, D.C. 20013

Checks or money orders should be made payable to the U.S. General Accounting Office. Stamps or Superintendent of Documents coupons will not be accepted. Please do not send cash.

To expedite filling your order, use the report number in the lower left corner and the date in the lower right corner of the front cover.

GAO reports are now available on microfiche. If such copies will meet your needs, be sure to specify that you want microfiche copies.

AN EQUAL OPPORTUNITY EMPLOYER

**UNITED STATES
GENERAL ACCOUNTING OFFICE
WASHINGTON, D.C. 20548**

**OFFICIAL BUSINESS
PENALTY FOR PRIVATE USE, \$300**

**POSTAGE AND FEES PAID
U. S. GENERAL ACCOUNTING OFFICE**



THIRD CLASS