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American Trucking Association

Max S. Baucus

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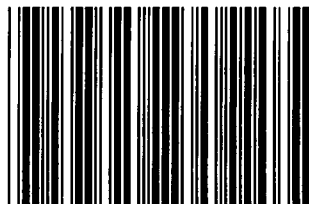
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Remarks to the American Trucking Industry

06/14/1993

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BAUCUS

United States Senate

WASHINGTON, DC 20510-2602

Remarks of Senator Max Baucus to the American Trucking Association

June 14, 1993

It is a pleasure to be with you today. As a Senator who comes from one of the most vast and remote states in the nation, I am keenly aware of the important role trucking plays in our economy. Like many other rural states, Montana lacks competitive rail, air and barge transportation. Without trucking, we'd be an island. So this Senator understands the importance of trucking to our transportation system and, indeed, to our entire economy.

Before I take your questions, I'd like to begin with some brief remarks about three issues of importance to all of us: the Intermodal Surface Transportation Efficiency Act, or ISTEA, and the North American Free Trade Agreement, and last but not least, the proposed gasoline and diesel tax increase.

Back in 1956, Congress and President Eisenhower authorized the Interstate Highway System. As originally planned, constructing the Interstate was to take 13 years at a cost of \$27 billion. Well, it is now estimated that it will take 39 years at a cost of \$128 billion for the completion of the Interstate system. Since 1956, the federal government has apportioned almost \$250 billion dollars from the Highway Trust Fund for transportation purposes. This is a significant investment.

The federal-aid highway program has made travel easier and more efficient for all Americans. Beyond this, it has enabled people and businesses to relocate without sacrificing access to markets.

Much has changed since the passage of that bill in 1956, but the United States must still maintain the concept of an interconnected, high-quality transportation system.

Two years ago, Congress passed the most significant piece of transportation legislation since that 1956 law creating the Interstate: the Intermodal Surface Transportation Efficiency Act of 1991. ISTEA recognized the importance of such an interconnected transportation system. ISTEA designates a new highway system called the National Highway System, or NHS.

The NHS will include the Interstate system and other principal highways that connect air, sea, bus or rail facilities -- eventually, this system will consist of 155,000 miles, plus or minus 15% at the Secretary's discretion. While the overall mileage will only be about 4% of this nation's total highway mileage, it will carry 75% of intercity freight traffic and 40% of all traffic.

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To give you an update, 36 states have submitted their NHS proposals to the Department of Transportation and it is expected that the remaining 14 will submit theirs in the next few weeks. The final NHS map is to be submitted to Congress by December of this year and Congress then has two years to approve or disapprove the system.

It is important that the system be fair and equitable to all parts of the country -- especially border states and rural areas, where there is an increased need for a well maintained and connected system of highways to facilitate increased trade under NAFTA. Future funding for the NHS must also be adequate to continue to protect the huge federal investment already made to these highways.

As users of the NHS and other roads throughout this nation, I'm sure you share my concern with the current condition of our infrastructure -- whether it be our roads or our bridges. You, more than anyone, experience everyday the continued deterioration of our transportation system.

We choose not to protect this investment at our own peril. It is like a homeowner that has a leaky roof. If he chooses not to fix the leak, eventually his house will be flooded.

A perfect illustration of this point is the January 1993 Department of Transportation's needs report. This report points out that this nation would have to invest over \$50 billion a year just to maintain current conditions -- not improve, just maintain. Moreover, the report states that 45 percent of our bridges are deficient or obsolete and 65 percent of our roads and highways need repair.

In fact, during the early 1980s, this nation was behind our principal economic competitors in net infrastructure investment when measured as a percentage of gross domestic product and incredibly, 55th among all countries in per capita infrastructure spending. Japan recently announced that it intends to invest over \$3 trillion in its infrastructure in the next decade alone. Sadly, this country has not made such a commitment.

ISTEA attempted to respond to this investment crisis -- the authorized levels of spending were dramatically increased. Like you, I support the full funding of ISTEA. However, with a unified federal budget and current budget restrictions, it has become increasingly difficult for Congress to appropriate the full authorized amount of federal transportation spending.

If this nation truly wants to be more productive and efficient, we must rethink our spending priorities and begin to look at infrastructure spending as an investment in our future.

Now, let me turn to the North American Free Trade Agreement or NAFTA.

I think the NAFTA, as long as it includes strong side-agreements in the environment and worker rights areas, offers many benefits to the United States. Mexico is already our

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fastest-growing export market -- we now have a \$5 billion trade surplus with them. This can only get better under NAFTA.

If done right, NAFTA should be a boon to the U.S. trucking industry, since 80% of all U.S.-Mexico trade is done over land. Under NAFTA, American truck drivers will no longer have to switch places with a Mexican driver when they reach the border. And, at the end of six years, U.S. trucks will have unprecedented access to Mexico's interior.

I am aware that some of you here in this room have concerns that Mexican truckers, not U.S. truckers, will reap most of the benefits of this free trade. I would like to work with you to ensure that this does not happen, and welcome your suggestions on ways to do this without reopening the agreement.

Finally, let me turn to a topic that may be on some of your minds: the proposed transportation tax.

It has been four months since President Clinton came before Congress and proposed a BTU tax. And a political firestorm followed. Industry groups opposed to this broad-based tax spent millions of dollars to defeat. They flooded the airwaves of states that happen to be represented on the Senate Finance Committee.

In Montana, for instance, it seemed almost impossible to turn on the television or radio without hearing an urgent plea to call Senator Baucus and tell him to oppose the BTU tax. Last week alone, over 2000 calls and letters reached my office.

Perhaps not surprisingly, these tactics worked. Shortly after the BTU tax squeak through the House of Representatives, the Clinton Administration reluctantly admitted that the BTU tax was dead in the Senate.

Of course, I will be the first to admit that the BTU tax was not a perfect tax -- if there is any such thing as a perfect tax. It hit agriculture and energy intensive industries too hard. Moreover, it would have put American manufacturers at a competitive disadvantage by imposing a duty on U.S. exports in foreign markets.

Yet these flaws were well on their way to being fixed. Rather than taking a meat ax to the entire tax, I believe the Finance Committee should have performed more delicate surgery. I say this because the BTU tax did more than just raise revenue. It accomplished two other important public policy goals:

- o It was fundamentally fair and broad-based. It could be crafted in a way that affected all regions of our country and all sectors of our economy equally;

- o And it was good for the environment. It provided a powerful incentive for manufacturers to conserve energy and switch to clean-burning fuels.

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For these reasons, I was willing to stay in the kitchen and take the political heat that came with supporting the BTU tax. But, as with all controversial issues, I realize that reasonable people -- and reasonable Senators -- can reach different conclusions. Senator John Breaux, for instance, has proposed a "transportation tax" of 7.3 cents on motor and aviation fuels.

While the Breaux tax will protect many industries from an increased tax burden, it is fundamentally regressive. It is a "Robinhood in Reverse" tax. It fails to spread the burden of deficit reduction evenly across all regions of our nation and all sectors of our economy. It also lacks the energy conservation and environmental benefits of the BTU tax.

Moreover, while many in the business community are leading the charge for the Breaux tax, they have managed to ignore the legitimate concerns of trucking -- one of America's major employers.

And one can convincingly argue that trucking is already doing its part. Your industry is already making a substantial contribution to the Treasury. In 1991, trucking paid \$21.6 billion in state and federal highway-user taxes. This represents 41% of total highway-user taxes paid by all motor vehicles.

Fortunately, there is little doubt that Senator Breaux's gas tax has run out of gas. I oppose it. And it is dead on arrival in the Senate Finance Committee.

However, this is not to say that an energy tax is out of the question. My fundamental test for any energy tax is straight-forward: either everybody pays or nobody pays. For this reason, I am willing to support either a broad-based energy tax or a balanced deficit reduction package that contains no energy tax at all.

With so much talk about energy taxes, it is easy to forget that it is entirely possible to meet President Clinton's deficit reduction goals without an energy tax. Toward this end, yesterday I released a plan that would reduce the deficit by \$500 billion over the next five years.

Without resorting to any energy taxes, this plan contains a better than one-to-one ratio of spending cuts to revenue increases. It calls for a 36% corporate tax rate, eliminating tax loopholes and moderate cuts in medicare.

Today I have outlined a number of issues that Congress is grappling with that affect the trucking industry. These and many other matters will be before Congress and specifically, the Environment and Public Works Committee this year. My door is always open and I look forward to working with all of you in the future.