HIGHWAY REVENUE ACT

1183-3

HEARINGS

BEFORE THE

COMMITTEE ON FINANCE

UNITED STATES SENATE

EIGHTY-FOURTH CONGRESS

SECOND SESSION

ON

H. R. 10660

AN ACT TO AMEND AND SUPPLEMENT THE FEDERAL-AID ROAD ACT APPROVED JULY 11, 1916, TO AUTHORIZE APPROPRIATIONS FOR CONTINUING THE CONSTRUCTION OF HIGHWAYS; TO AMEND THE INTERNAL REVENUE CODE OF 1954 TO PROVIDE ADDITIONAL REVENUE FROM THE TAXES ON MOTOR FUEL, TIRES, AND TRUCKS AND BUSES; AND FOR OTHER PURPOSES

MAY 17 AND 18, 1956

Printed for the use of the Committee on Finance

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HIGHWAY REVENUE ACT

THURSDAY, MAY 17, 1956

UNITED STATES SENATE,
COMMITTEE ON FINANCE,
Washington, D. C.

The committee met, pursuant to call, at 10:15 a. m., in room 312, Senate Office Building, Senator Harry Flood Byrd (chairman) presiding.

Present: Senators Byrd, George, Kerr, Frear, Long, Smathers, Millikin, Martin (of Pennsylvania), Williams, and Bennett.

Also present: Senator Prescott Bush, and Elizabeth B. Springer, chief clerk.

The CHAIRMAN. The committee will come to order.

The hearing today is on title II of the Federal Highway Act of 1956, H. R. 10660, relating to the financing of the highway program. Title I, relating to the roadbuilding program, is not within the jurisdiction of the Senate Committee on Finance and will not be discussed in connection with our current hearing.

(H. R. 10660 is as follows, omit the part in black brackets and insert the matter in italic:)

[H. R. 10660, 84th Cong., 2d sess.]

[Report No. 1965]

AN ACT To amend and supplement the Federal-Aid Road Act approved July 11, 1916, to authorize appropriations for continuing the construction of highways; to amend the Internal Revenue Code of 1954 to provide additional revenue from the taxes on motor fuel, tires, and trucks and buses; and for other purposes

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

[TITLE I—FEDERAL HIGHWAY ACT OF 1956]

[SEC. 101. SHORT TITLE FOR TITLE I.

[This title may be cited as the "Federal Highway Act of 1956."

[SEC. 102. FEDERAL AID HIGHWAYS.

[(a) (1) AUTHORIZATION OF APPROPRIATIONS.—For the purpose of carrying out the provisions of the Federal Aid Road Act approved July 11, 1916 (39 Stat. 355), and all Acts amendatory thereof and supplementary thereto, there is hereby authorized to be appropriated for the fiscal year ending June 30, 1957, $25,000,000 in addition to any sums heretofore authorized for such fiscal year; the sum of $750,000,000 for the fiscal year ending June 30, 1958; and the sum of $775,000,000 for the fiscal year ending June 30, 1959. The sums herein authorized for each fiscal year shall be available for expenditure as follows:

[(A) 45 per centum for projects on the Federal-aid primary highway system.

[(B) 30 per centum for projects on the Federal-aid secondary highway system.

[(C) 25 per centum for projects on extensions of these systems within urban areas.

[(2) Apportionments.—The sums authorized by this section shall be apportioned among the several States in the manner now provided by law and in accordance with the formulas set forth in section 4 of the Federal-Aid Highway Act of 1944, approved December 20, 1944 (58 Stat. 838) : *Provided*, That the additional amount herein authorized for the fiscal year ending June 30, 1957, shall be apportioned immediately upon enactment of this Act.

[(b) Availability for Expenditure.—Any sums apportioned to any State under this section shall be available for expenditure in that State for two years after the close of the fiscal year for which such sums are authorized, and any amounts so apportioned remaining unexpended at the end of such period shall lapse: *Provided*, That such funds shall be deemed to have been expended if a sum equal to the total of the sums herein and heretofore apportioned to the State is covered by formal agreements with the Secretary of Commerce for construction, reconstruction, or improvement of specific projects as provided in this title, and prior Acts. Any Federal-aid primary, secondary, or urban funds released by the payment of the final voucher or by modification of the formal project agreement shall be credited to the same class of funds, primary, secondary, or urban, previously apportioned to the State and be immediately available for expenditure.

[(c) Declaration of Intent.—Recognizing it to be in the national interest to foster and accelerate the construction of a safe and efficient system of Federal-aid highways in each State, it is hereby declared to be the intent of Congress progressively to increase the annual sums herein authorized, for construction of projects on the Federal-aid primary and secondary system and approved extensions thereof in urban areas, by amounts which in each succeeding year shall provide an increase over the total amounts authorized for each immediately preceding year of not less than $25,000,000, commencing with the fiscal year ending June 30, 1960, and continuing such progression in each of the succeeding fiscal years, through the fiscal year ending June 30, 1969. It is further the intent to allocate the total funds thus provided to the three categories in the same relative ratio as hereinabove provided for projects on the Federal-aid primary and secondary systems and approved extensions thereof in urban areas. It being in the national interest to preserve and expand full and free competition, it is further declared to be the intent of Congress to realize this goal that the actual and potential capacity of small business be encouraged and developed by permitting this segment of our economy to aid in the construction of such a safe and efficient system of Federal highways, and that in order to carry out these policies and the intent of Congress the Government should aid, counsel, assist and protect, insofar as possible, the interest of small business concerns in order to preserve free competitive enterprise, to assure that a fair proportion of the contracts awarded in the construction of a safe and efficient system of Federal-aid highways, and that a fair proportion of the total contracts and purchases for supplies and services for such Federal-aid highways be placed with small business enterprises to maintain and strengthen the overall economy of the nation.

[(d) Transfers of Apportionments.—Not more than 20 per centum of the respective amounts apportioned to a State for any fiscal year from funds made available for expenditure under clause (A), clause (B), or clause (C) of subsection (a) (1) of this section, may be transferred to the apportionment made to such State under any other of such clauses, except that no such apportionment may be increased by more than 20 per centum by reason of transfers to it under this section: *Provided*, That such transfer is requested by the State highway department and is approved by the Governor of such State and the Secretary of Commerce as being in the public interest: *Provided further*, That the transfers hereinabove permitted for funds authorized to be appropriated for the fiscal years ending June 30, 1958, and June 30, 1959, shall likewise be permitted on the same basis for funds which may be hereafter authorized to be appropriated for any subsequent fiscal year: *And provided further*, That nothing herein contained shall be deemed to alter or impair the authority contained in the last proviso to paragraph (b) of section 3 of the Federal Aid Highway Act of 1944.

[SEC. 103. FOREST HIGHWAYS AND FOREST DEVELOPMENT ROADS AND TRAILS.

[(a) Authorization of Appropriations.—For the purpose of carrying out the provisions of section 23 of the Federal Highway Act of 1921 (42 Stat. 218), as amended and supplemented, there is hereby authorized to be appropriated (1) for forest highways the sum of $25,000,000 for the fiscal year ending June 30, 1958, and a like sum for the fiscal year ending June 30, 1959; and (2) for forest development roads and trails the sum of $27,000,000 for the

fiscal year ending June 30, 1958, and a like sum for the fiscal year ending June 30, 1959: *Provided*, That with respect to any proposed construction or reconstruction of a timber access road, advisory public hearings shall be held at a place convenient or adjacent to the area of construction or reconstruction with notice and reasonable opportunity for interested persons to present their views as to the practicability and feasibility of such construction or reconstruction: *Provided further*, That hereafter funds available for forest highways and forest development roads and trails shall also be available for vehicular parking areas: *And provided further*, That the appropriation herein authorized for forest highways shall be apportioned by the Secretary of Commerce for expenditure in the several States, Alaska, and Puerto Rico in accordance with the provision of section 3 of the Federal Aid Highway Act of 1950.

[(b) REPEAL OF CERTAIN APPORTIONMENTS.—The provisions of section 23 of the Federal Highway Act of 1921, as amended and supplemented, requiring apportionment of funds authorized for forest development roads and trails among the several States, Alaska, and Puerto Rico, is hereby repealed.

[SEC. 104. ROADS AND TRAILS IN NATIONAL PARKS, ETC.

[(a) NATIONAL PARKS, ETC.—For the construction, reconstruction, and improvement of roads and trails, inclusive of necessary bridges, in national parks, monuments, and other areas administered by the National Park Service, including areas authorized to be established as national parks and monuments, and national park and monument approach roads authorized by the Act of January 31, 1931 (46 Stat. 1053), as amended, there is hereby authorized to be appropriated the sum of $16,000,000 for the fiscal year ending June 30, 1958, and a like sum for the fiscal year ending June 30, 1959.

[(b) PARKWAYS.—For the construction, reconstruction, and improvement of parkways, authorized by Acts of Congress, on lands to which title is vested in the United States, there is hereby authorized to be appropriated the sum of $16,000,000 for the fiscal year ending June 30, 1958, and a like sum for the fiscal year ending June 30, 1959.

[(c) INDIAN RESERVATIONS AND LANDS.—For the construction, improvement, and maintenance of Indian reservation roads and bridges and roads and bridges to provide access to Indian reservations and Indian lands under the provisions of the Act approved May 26, 1928 (45 Stat. 750), there is hereby authorized to be appropriated the sum of $10,000,000 for the fiscal year ending June 30, 1958, and a like sum for the fiscal year ending June 30, 1959: *Provided*, That the location, type, and design of all roads and bridges constructed shall be approved by the Secretary of Commerce before any expenditures are made thereon, and all such construction shall be under the general supervision of the Secretary of Commerce.

[SEC. 105. PUBLIC LANDS HIGHWAYS.

[For the purpose of carrying out the provisions of section 10 of the Federal Aid Highway Act of 1950 (64 Stat. 785), there is hereby authorized to be appropriated for the survey, construction, reconstruction, and maintenance of main roads through unappropriated or unreserved public lands, nontaxable Indian lands, or other Federal reservations the sum of $1,000,000 for the fiscal year ending June 30, 1958, and a like sum for the fiscal year ending June 30, 1959.

[SEC. 106. SPECIAL PROVISIONS FOR FEDERAL DOMAIN ROADS, ETC.

[(a) IN GENERAL. Any funds authorized herein for forest highways, forest development roads and trails, park roads and trails, parkways, Indian roads, and public lands highways shall be available for contract upon apportionment, or a date not earlier than six months preceding the fiscal year for which authorized if no apportionment is required: *Provided*, That any amount remaining unexpended two years after the close of the fiscal year for which authorized shall lapse. The Secretary of the department charged with the administration of such funds is hereby granted authority to incur obligations, approve projects, and enter into contracts under such authorizations, and his action in doing so shall be deemed a contractual obligation of the Federal Government for the payment of the cost thereof, and such funds shall be deemed to have been expended when so obligated. Any funds heretofore, herein, or hereafter authorized for any fiscal year for forest highways, forest development roads and trails, park roads and trails, parkways, Indian roads, and public lands highways shall be

deemed to have been expended if a sum equal to the total of the sums authorized for such fiscal year and previous fiscal years since and including the fiscal year 1955 shall have been obligated. Any of such funds released by payment of final voucher or modification of project authorizations shall be credited to the balance of unobligated authorizations and be immediately available for expenditure.

[(b) DECLARATION OF INTENT. It is further declared to be the intent of Congress to continue until June 30, 1969, the authorizations for roads in the Federal domain at annual rates not less than those contained in sections 103, 104, and 105 of this Act.

[SEC. 107. EMERGENCY FUNDS.

[Section 7 of the Federal-Aid Highway Act of 1952 (66 Stat. 158) is hereby amended to read as follows:

["SEC. 7. There is hereby authorized an emergency fund in the amount of $30,000,000 for expenditure by the Secretary of Commerce, in accordance with the provisions of the Federal-Aid Road Act approved July 11, 1916, as amended and supplemented, after receipt of an application therefor from the highway department of any State, in the repair or reconstruction of highways and bridges on the Federal-aid highway systems, which he shall find have suffered serious damage as the result of disaster over a wide area, such as by floods, hurricanes, tidal waves, earthquakes, severe storms, landslides, or other catastrophes in any part of the United States. The appropriation of such moneys as may be necessary for the initial establishment of this fund and for its replenishment on an annual basis is hereby authorized: *Provided*, That pending the appropriation of such sum, or its replenishment, the Secretary of Commerce may expend, from existing Federal-aid highway appropriations, such sums as may be necessary for the immediate prosecution of the work herein authorized, such appropriations to be reimbursed from the appropriation herein authorized when made: *Provided further*, That no expenditures shall be made hereunder with respect to any such catastrophe in any State unless an emergency has been declared by the Governor of such State and concurred in by the Secretary of Commerce: *Provided further*, That the Federal share payable on account of any repair or reconstruction project provided for by funds made available under this section shall not exceed 50 per centum of the cost thereof: *And provided further*, That the funds herein authorized shall be available for use on any projects programed and approved at any time during the fiscal year ending June 30, 1956, and thereafter, which meet the provisions of this section, including projects which may have been previously approved during the fiscal year ending June 30, 1956, from any other category of funds under the Federal-Aid Road Act approved July 11, 1916, as amended and supplemented."

[SEC. 108. NATIONAL SYSTEM OF INTERSTATE AND DEFENSE HIGHWAYS.

[(a) INTERSTATE SYSTEM.—It is hereby declared to be essential to the national interest to provide for the early completion of the "National System of Interstate Highways", as heretofore authorized and designated in accordance with section 7 of the Federal-Aid Highway Act of 1944 (58 Stat. 838). Because of its primary importance to the national defense, the name of such system is hereby changed to the "National System of Interstate and Defense Highways". Such National System of Interstate and Defense Highways is hereinafter in this title referred to as the "Interstate System."

[(b) AUTHORIZATION OF APPROPRIATIONS.—For the purpose of expediting the construction, reconstruction, or improvement of the Interstate System, there is hereby authorized to be appropriated the additional sum of $1,025,000,000 for the fiscal year ending June 30, 1957, which sum shall be in addition to the authorization heretofore made for that year, the additional sum of $1,700,000,000 for the fiscal year ending June 30, 1958, the additional sum of $2,000,000,000 for the fiscal year ending June 30, 1959, the additional sum of $2,200,000,000 for the fiscal year ending June 30, 1960, the additional sum of $2,200,000,000 for the fiscal year ending June 30, 1961, the additional sum of $2,200,000,000 for the fiscal year ending June 30, 1962, the additional sum of $2,200,000,000 for the fiscal year ending June 30, 1963, the additional sum of $2,300,000,000 for the fiscal year ending June 30, 1964, the additional sum of $2,300,000,000 for the fiscal year ending June 30, 1965, the additional sum of $2,200,000,000 for the fiscal year ending June 30, 1966, the additional sum of $2,000,000,000 for the fiscal year ending June 30, 1967, the additional sum of $1,500,000,000 for the

fiscal year ending June 30, 1968, and the additional sum of $1,000,000,000 for the fiscal year ending June 30, 1969.

[(c) APPORTIONMENTS FOR 1957 AND 1958. The additional sum herein authorized for the fiscal year ending June 30, 1957, and the sum authorized for the fiscal year ending June 30, 1958, shall be apportioned immediately upon enactment of this Act. The sums herein authorized for the fiscal years 1957 and 1958 shall be apportioned in the ratio which the estimated cost of completing the Interstate System in each State bears to the estimated total cost of completing the Interstate System in all of the States as set forth in the computations compiled by the Bureau of Public Roads on pages 6 and 7 of House Document Numbered 120, Eighty-fourth Congress.

[(d) APPORTIONMENTS FOR SUBSEQUENT YEARS.—All sums authorized by this section to be appropriated for the fiscal years 1959 through 1969, inclusive, shall be apportioned among the several States in the ratio which the estimated cost of completing the Interstate System in each State bears to the estimated total cost of completing the Interstate System in all of the States. The estimated costs shall be those set forth in the reports required to be filed by subsection (f) of this section and shall be those contained in the latest report so filed. Each apportionment herein authorized for the fiscal years 1959 through 1969, inclusive, shall be made on a date as far in advance of the beginning of the fiscal year for which authorized, as practicable, but in no case more than eighteen months prior to the fiscal year for which authorized.

[(e) GEOMETRIC STANDARDS.—The geometric standards to be adopted for the Interstate System shall be those approved by the Secretary of Commerce in cooperation with the State highway departments. Such standards shall be adequate to accommodate the types and volumes of traffic forecast for the year 1975. The right-of-way width of the Interstate System shall be adequate to permit construction of projects on the Interstate System up to such standards. The Secretary of Commerce shall apply such standards uniformly throughout the States. Such standards shall be adopted by the Secretary of Commerce in cooperation with the State highway departments as soon as practicable after the enactment of this Act.

[(f) STUDIES AND ESTIMATES; USE OF REVISED ESTIMATES FOR APPORTIONMENT FORMULAS.—As soon as the standards provided for in subsection (e) have been adopted, the Secretary of Commerce shall request each State highway department to make and furnish to him before July 1, 1957, a further study of the Interstate System within its boundaries and a detailed estimate of the cost of completing the same based upon such standards. Such study and estimate shall be made in accordance with such rules and regulations as may be adopted by the Secretary of Commerce and applied by him uniformly to all of the States. Upon approval of such estimate by the Secretary of Commerce, he shall, within ten days subsequent to January 2, 1958, transmit to the Senate and the House of Representatives a report of such study and estimate. Upon approval by affirmative resolution of the committees of the Senate and the House of Representatives to which referred, the Secretary of Commerce shall use such estimate in making apportionments for the fiscal years ending June 30, 1959, June 30, 1960, June 30, 1961, and June 30, 1962. The Secretary of Commerce shall cause a revised estimate to be made in the same manner as stated above and shall transmit the same to the Senate and the House of Representatives within ten days subsequent to January 2, 1962, and upon approval by affirmative resolution of the committees of the Senate and the House of Representatives to which referred, the Secretary of Commerce shall use such revised estimate in making apportionments for the fiscal years ending June 30, 1963, June 30, 1964, June 30, 1965, and June 30, 1966. The Secretary of Commerce shall cause a revised estimate to be made in the same manner as stated above and shall transmit the same to the Senate and the House of Representatives within ten days subsequent to January 2, 1966, and annually thereafter through and including January 2, 1968, and upon approval by affirmative resolution of the committees of the Senate and the House of Representatives to which referred, the Secretary of Commerce shall use such revised estimate in making apportionments for the fiscal year which begins next following the fiscal year in which such report is filed. Whenever the Secretary of Commerce, pursuant to this subsection, requests the State highway departments to furnish studies and estimates to him, such highway departments shall furnish copies of such studies and estimates at the same time to the Senate and the House of Representatives.

[(g) FEDERAL SHARE.—The Federal share payable on account of any project on the Interstate System provided for by funds made available under the pro-

visions of this section shall be increased to 90 per centum of the total cost thereof, plus a percentage of the remaining 10 per centum of such cost in any State containing unappropriated and unreserved public lands and nontaxable Indian lands, individual and tribal, exceeding 5 per centum of the total area of all lands therein, equal to the percentage that the area of such lands in such State is of its total area: *Provided*, That such Federal share payable on any project in any State shall not exceed 95 per centum of the total cost of such project.

[(h) AVAILABILITY FOR EXPENDITURE.—Any sums apportioned to any State under the provisions of this section shall be available for expenditure in that State for two years after the close of the fiscal year for which such sums are authorized: *Provided*, That such funds for any fiscal year shall be deemed to be expended if a sum equal to the total of the sums apportioned to the State specifically for the Interstate System for such fiscal year and previous fiscal years is covered by formal agreements with the Secretary of Commerce for the construction, reconstruction, or improvement of specific projects under this section.

[(i) LAPSE OF AMOUNTS APPORTIONED.—Any amount apportioned to the States under the provisions of this section unexpended at the end of the period during which it is available for expenditure under the terms of subsection (h) of this section shall lapse: *Provided*, That any Interstate System funds released by the payment of the final voucher or by the modification of the formal project agreement shall be credited to the Interstate System funds previously apportioned to the State and be immediately available for expenditure.

[(j) MAXIMUM AXLE WEIGHT LIMITATIONS.—No funds authorized to be appropriated for any fiscal year by this section shall be apportioned to any States within the boundaries of which the Interstate System may lawfully be used by vehicles with weight in excess of eighteen thousand pounds carried on any one axle, or with a tandem axle weight in excess of thirty-two thousand pounds, or the maximum corresponding axle weight permitted for vehicles using the public highways of such State under laws or regulations established by appropriate State authority in effect on July 1, 1956, whichever is the greater. Any amount which is withheld from apportionment to any State pursuant to the foregoing provisions shall lapse: *Provided, however*, That nothing herein shall be construed to deny apportionment to any State allowing the operation within such State of any vehicles or combinations thereof that could be lawfully operated within such State on July 1, 1956.

[(k) TESTS TO DETERMINE MAXIMUM DESIRABLE DIMENSIONS AND WEIGHTS.—The Secretary of Commerce is directed to take all action possible to expedite the conduct of a series of tests now planned or being conducted by the Highway Research Board of the National Academy of Sciences, in cooperation with the Bureau of Public Roads, the several States, and other persons and organizations, for the purpose of determining the maximum desirable dimensions and weights for vehicles operated on the Federal aid highway systems and, after the conclusion of such tests, but not later than March 1, 1959, to make recommendations to the Congress with respect to such maximum desirable dimensions and weights.

[SEC. 109. DECLARATION OF POLICY WITH RESPECT TO REIMBURSEMENT FOR CERTAIN HIGHWAYS.

[It is hereby declared to be the intent and policy of the Congress to equitably reimburse those States for any portion of a highway which is on the Interstate System, whether toll or free, the construction of which has been completed subsequent to August 2, 1947, or which is either in actual use or under construction by contract, for completion, awarded not later than June 30, 1957, and such highway meets the standards required by this title for the Interstate System. The time, method, and amounts of such reimbursement shall be determined by the Congress following a study which the Secretary of Commerce is hereby authorized and directed to conduct, in cooperation with the State highway departments, and other agencies as may be required, to determine which high ways in the Interstate System measure up to the standards required by this title, including all related factors of cost, depreciation, participation of Federal funds and any other items relevant thereto. A complete report of the results of such study shall be submitted to the Congress within 10 days subsequent to January 2, 1958. It it also declared to be the policy and intent of the Congress to provide funds necessary to make such reimbursements to the States as may be determined.

[SEC. 110. ACQUISITION OF RIGHTS-OF-WAY.

[(a) FEDERAL ACQUISITION FOR STATES.—In any case in which the Secretary of Commerce is requested by any State to acquire any lands or interests in lands (including within the term "interests in lands", the control of access thereto from adjoining lands) required by such State for right-of-way or other purposes in connection with the prosecution of any project for the construction, reconstruction, or improvement of any section of the Interstate System, the Secretary of Commerce is authorized, in the name of the United States and prior to the approval of title by the Attorney General, to acquire, enter upon, and take possession of such lands or interests in lands by purchase, donation, condemnation, or otherwise in accordance with the laws of the United States (including the Act of February 26, 1931, 46 Stat. 1421), if—

[(1) the Secretary of Commerce has determined either that such State is unable to acquire necessary interests in lands, or is unable to acquire such lands or interests in lands with sufficient promptness; and

[(2) such State has agreed with the Secretary of Commerce to pay, at such time as may be specified by the Secretary of Commerce, an amount equal to 10 per centum of the costs incurred by the Secretary of Commerce, in acquiring such lands or interests in lands, or such lesser percentage which represents the State's pro rata share of project costs as determined in accordance with section 108 (g) of this title.

[The authority granted by this section shall also apply to lands and interests in lands received as grants of land from the United States and owned or held by railroads or other corporations.

[(b) COSTS OF ACQUISITION.—The costs incurred by the Secretary of Commerce in acquiring any such lands or interests in lands may include the cost of examination and abstract of title, certificate of title, advertising, and any fees incidental to such acquisition. All costs incurred by the Secretary of Commerce in connection with the acquisition of any such lands or interests in lands shall be paid from the funds for construction, reconstruction, or improvement of the Interstate System apportioned to the State upon the request of which such lands or interests in lands are acquired, and any sums paid to the Secretary of Commerce by such State as its share of the costs of acquisition of such lands or interests in lands shall be deposited in the Treasury to the credit of the appropriation for Federal-aid highways or shall be deducted from other moneys due the State for reimbursement under section 108 of this title and shall be credited to the amount apportioned to such State as its apportionment of funds for construction, reconstruction, or improvement of the Interstate System.

[(c) CONVEYANCE OF ACQUIRED LANDS TO THE STATES.—The Secretary of Commerce is further authorized and directed by proper deed, executed in the name of the United States, to convey any such lands or interests in lands acquired in any State under the provisions of this section, except the outside five feet of any such right-of-way in any State which does not provide control of access, to the State highway department of such State or such political subdivisions thereof as its laws may provide, upon such terms and conditions as to such lands or interests in lands as may be agreed upon by the Secretary of Commerce and the State highway department or political subdivisions to which the conveyance is to be made. Whenever the State makes provision for control of access satisfactory to the Secretary of Commerce, the outside five feet then shall be conveyed to the State by the Secretary of Commerce, as herein provided.

[(d) RIGHTS-OF-WAY OVER PUBLIC LANDS.—Whenever rights-of-way, including control of access, on the Interstate System are required over public lands or reservations of the United States, the Secretary of Commerce may make such arrangements with the agency having jurisdiction over such lands as may be necessary to give the State or other person constructing the projects on such lands adequate rights-of-way and control of access thereto from adjoining lands, and any such agency is hereby directed to cooperate with the Secretary of Commerce in this connection.

[SEC. 111. AVAILABILITY OF FUNDS TO ACQUIRE RIGHTS-OF-WAY.

[(a) ADVANCE RIGHT-OF-WAY ACQUISITIONS.—For the purpose of facilitating the acquisition of rights-of-way on any of the Federal-aid highway systems and the Interstate System in the most expeditious and economical manner, and recognizing that the acquisition of rights-of-way requires lengthy planning and negotiations if it is to be done at a reasonable cost, the Secretary of Commerce is hereby authorized, upon request of a State highway department, to make

available to such State for acquisition of rights-of-way, in anticipation of construction and under such rules and regulations as the Secretary of Commerce may prescribe, the funds apportioned to such State for expenditure on any of the Federal-aid highway systems and the Interstate System: *Provided*, That the agreement between the Secretary of Commerce and the State highway department for the reimbursement of the cost of such rights-of-way shall provide for the actual construction of a road or such rights-of-way within a period not exceeding five years following the fiscal year in which such requests is made: *Provided further*, That Federal particpation in the cost of rights-of-way so acquired shall not exceed the Federal pro rata share applicable to the class of funds from which Federal reimbursement is made.

[(b) ADVANCES TO STATES.—Section 6 of the Federal Aid Highway Act of 1944 is hereby amended to read as follows:

["SEC. If the Secretary of Commerce shall determine that it is necessary for the expeditious completion of projects on any of the Federal-aid highway systems, he may advance to any State out of any existing appropriations the Federal share of the cost of construction thereof to enable the State highway department to make prompt payments for acquisition of rights-of-way, and for construction as it progresses. The sums so advanced shall be deposited in a special revolving trust fund, by the State official authorized under the laws of the State to receive Federal-aid highway funds, to be disbursed solely upon vouchers approved by the State highway department for rights-of-way which have been or are being acquired, and for construction which has been actually performed and approved by the Secretary of Commerce. Upon determination by the Secretary of Commerce that any part of the funds advanced to any State under the provisions of this section are no longer required, the amount of the advance which is determined to be in excess of current requirements of the State shall be repaid upon his demand, and such repayments shall be returned to the credit of the appropriation from which the funds were advanced. Any sums advanced and not repaid on demand shall be deducted from sums due the State for the Federal pro rata share of the cost of construction of Federal aid projects."

[SEC. 112. PREVAILING RATE OF WAGE.

[The Secretary of Commerce shall take such action as may be necessary to insure that all laborers and mechanics employed by contractors or subcontractors on the initial construction work performed on highway projects on the Interstate System authorized under section 108 of this title shall be paid wages at rates not less than those prevailing on the same type of work on similar construction in the immediate locality as determined by the Secretary of Labor in accordance with the Act of August 30, 1935, known as the Davis-Bacon Act (40 U. S. C., sec. 276 a).

[SEC. 113. RELOCATION OF UTILITY FACILITIES.

[(a) AVAILABILITY OF FEDERAL FUNDS FOR REIMBURSEMENT TO STATES.—Subject to the conditions contained in this section, whenever a State shall pay for the cost of relocation of utility facilities necessitated by the construction of a project on the Federal-aid primary or secondary systems or on the Interstate System, including extensions thereof within urban areas, Federal funds may be used to reimburse the State for such cost in the same proportion as Federal funds are expended on the project: *Provided*, That Federal funds shall not be apportioned to the States under this Section when the payment to the utility violates the law of the State or violates a legal contract between the utility and the State.

[(b) UTILITY DEFINED.—For the purposes of this section, the term "utility" shall include publicly, privately, and cooperatively owned utilities.

[(c) COST OF RELOCATION DEFINED.—For the purposes of this section, the term "cost of relocation" shall include the entire amount paid by such utility properly attributable to such relocation after deducting therefrom any increase in the value of the new facility and any salvage value derived from the old facility.

[SEC. 114. PROGRESS REPORTS ON INTERSTATE SYSTEM.

[It is hereby declared to be the sense of Congress that the Interstate System should be improved to standards adequate to meet the needs of the national defense and the national economy at the earliest practicable date. The Secretary of Commerce, in addition to his annual reports, is hereby directed to submit to each Congress, beginning with the calendar year 1958, a report setting

forth in complete detail an accounting of all funds expended for construction of the Interstate System, the mileage and type of segments constructed, by States, and provide such other information as will fully advise the Congress regarding the progress being made toward the completion of the Interstate System.

[SEC. 115. AGREEMENTS LIMITING USE OF RIGHTS-OF-WAY.

[All agreements between the Secretary of Commerce and the State highway department for the construction of projects on the Interstate System shall contain a clause providing that the State will not add any points of access to, or exit from, the project in addition to those approved by the Secretary of Commerce in the plans for such project without the prior approval of the Secretary of Commerce. Such agreements shall also contain provisions to insure that the users of the Interstate System will receive the benefits of free competition in purchasing supplies and services at or adjacent to highways in such System, and such agreements shall also contain a clause providing that the State will not permit automotive service stations or other commercial establishments for serving motor vehicle users to be constructed or located on the rights-of-way of the Interstate System. Such agreements may, however, authorize a State or political subdivision thereof to use the air space above and below the established grade line of the highway pavement for the parking of motor vehicles provided such use does not interfere in any way with the free flow of traffic on the Interstate System.

[SEC. 116. TOLL ROADS, BRIDGES, AND TUNNELS.

[(a) APPROVAL AS PART OF INTERSTATE SYSTEM.—The Secretary of Commerce is authorized to approve as part of the Interstate System any toll road, bridge, or tunnel, now or hereafter constructed which meets the standards adopted for the improvement of projects located on the Interstate System, whenever such toll road, bridge, or tunnel forms a logical segment of the Interstate System; *Provided*, That no Federal-aid highway funds shall be expended for the construction, reconstruction, or improvement of any sucb toll road except to the extent hereafter permitted by law: *Provided further*, That no Federal-aid highway funds shall be expended for the construction, reconstruction, or improvement of any such toll bridge or tunnel except to the extent now or hereafter permitted by law.

[(b) APPROACHES HAVING OTHER USE.—The funds authorized under this title, or under prior Acts, shall be available for expenditure on projects approaching any toll road, bridge, or tunnel to a point where such project will have some use irrespective of its use for such toll road, bridge, or tunnel.

[(c) APPROACHES HAVING NO OTHER USE.—The funds authorized under this title, or under prior Acts, shall be available for expenditure on projects approaching any toll road on the Interstate System, even though the project has no use other than as an approach to such toll road: *Provided*, That agreement has been reached with the State prior to approval of any such project (1) that the section of toll road will become free to the public upon retirement of any bonds outstanding at the time of the agreement, (2) that all toll collections are used for maintenance and operation and debt service of the section of road incorporated into the Interstate System, and (3) that there is one or more reasonably satisfactory alternate free routes available to traffic by which the toll section of the Sysem may be bypassed.

[(d) EFFECT ON CERTAIN PRIOR ACTS.—Nothing in this title shall be deemed to repeal the Act approved March 3, 1927 (44 Stat. 1398), or subsection (g) of section 204 of the National Industrial Recovery Act (48 Stat. 200), and such Acts are hereby amended to include tunnels as well as bridges.

[SEC. 117. DEFINITION OF CONSTRUCTION.

[The definition of the term "construction" in section 1 of the Federal-Aid Highway Act of 1944 is hereby amended to read as follows:

["The term 'construction' means the supervising, inspecting, actual building, and all expenses incidental to the construction or reconstruction of a highway, including locating, surveying, and mapping (including the establishment of temporary and permanent geodetic markers in accordance with specifications of the Coast and Geodetic Survey in the Department of Commerce), cost of rights-of-way, cost of relocation of building tenants, cost of demolition of structures or removal of usable buildings to new sites, including the cost of such sites, and the elimination of hazards of railway grade crossings."

[SEC. 118. ARCHEOLOGICAL SALVAGE.

[Such part of the funds authorized by this title to be appropriated, as may be approved as necessary by the Governor or duly authorized highway officials of any State, may be used for the purpose of archeological salvage in that State in compliance with the Act entitled "An Act for the preservation of American antiquities", approved June 8, 1906 (34 Stat. 225), and State laws where applicable.

[SEC. 119. MAPPING.

[In carrying out the provisions of this title the Secretary of Commerce shall, to the fullest extent practicable, authorize the use of photogrammetric methods in mapping, and the utilization of commercial enterprise for such services.

[SEC. 120. INFORMATION FROM STATES.

[(a) IN GENERAL.—All departments and agencies of any State and of the executive branch of the Government shall furnish to the Congress such information, books, records, correspondence, memoranda, papers, and documents which are in their possession relating to the construction of the Interstate System as the Committee on Public Works of the Senate or of the House of Representatives, or any subcommittee thereof, shall request.

[(b) EFFECT OF NONCOMPLIANCE.—No funds appropriated pursuant to the authorization contained in section 108 shall be paid to any State which has failed or refused to comply with a request made pursuant to subsection (a). If, after having once refused such a request, a State subsequently complies therewith, funds authorized for fiscal years beginning after such compliance may be apportioned to such State. Any amount which is withheld from a State under this section shall lapse.

[SEC. 121. RELATIONSHIP OF THIS TITLE TO OTHER ACTS.

[All provisions of the Federal-Aid Road Act approved July 11, 1916, together with all Acts amendatory or supplementary thereto, not inconsistent with this title, shall remain in full force and effect and be applicable hereto. All Acts or parts of Acts in any way inconsistent with the provisions of this title are hereby repealed.]

TITLE I—FEDERAL-AID HIGHWAY ACT OF 1956

Sec. 101. That, for the purpose of carrying out the provisions of the Federal-Aid Act approved July 11, 1916 (39 Stat. 355), and all Acts amendatory thereof and supplementary thereto, there is hereby authorized to be appropriated an additional sum of $200,000,000 for the fiscal year ending June 30, 1957, and the sum of $900,000,000 for each succeeding fiscal year thereafter up to and including the fiscal year ending June 30, 1961.

The sums herein authorized for each fiscal year shall be available for expenditure as follows:

(a) $90,000,000 for the fiscal year ending June 30, 1957, and $400,000,000 for each succeeding fiscal year, for projects on the Federal-aid primary highway system.

(b) $60,000,000 for the fiscal year ending June 30, 1957, and $300,000,000 for each succeeding fiscal year, for projects on the Federal-aid secondary system.

(c) $50,000,000 for the fiscal year ending June 30, 1957, and $200,000,000 for each succeeding fiscal year, for projects on the Federal-aid primary highway system in urban areas, and for projects on approved extensions of the Federal-aid secondary system within urban areas.

The sums authorized by this section for each fiscal year, respectively, shall be apportioned among the several States in the manner now provided by law and in accordance with the formulas set forth in section 4 of the Federal-Aid Highway Act of 1944, approved December 20, 1944 (58 Stat. 838): Provided, That the additional amount herein authorized for the fiscal year ending June 30, 1957, shall be apportioned immediately upon enactment of this Act.

Any sums apportioned to any State under the provision of this section shall be available for expenditure in that State for two years after the close of the fiscal year for which such sums are authorized, and any amounts so apportioned remaining unexpended at the end of such period shall lapse: Provided, That such funds for any fiscal year shall be deemed to have been expended if a sum

equal to the total of the sums apportioned to the State for such fiscal year is covered by formal agreements with the Secretary of Commerce for the improvement of specific projects as provided by this Act: Provided further, That in the case of those sums heretofore, herein, or hereafter apportioned to any State for projects on the Federal-aid secondary highway system, the Secretary may, upon the request of any State, discharge his responsibility relative to the plans, specifications, estimates, surveys, contract awards, design, inspection, and construction of such secondary road projects by his receiving and approving a certified statement by the State highway department setting forth that the plans, design, and construction for such projects are in accord with the standards and procedures of such State applicable to projects in this category approved by him: Provided further, That such approval shall not be given unless such standards and procedures are in accordance with the objectives set forth in section 1 (b) of the Federal-Aid Highway Act of 1950: Provided further, That nothing contained in the foregoing provisos shall be construed to relieve any State of its obligation now provided by law relative to maintenance, nor to relieve the Secretary of his obligation with respect to the selection of the secondary system or the location of projects thereon, to make a final inspection after construction of each project, and to require an adequate showing of the estimated and actual cost of construction of each project.

Sec. 102. (a) For the purpose of expediting the construction, reconstruction, and improvement, inclusive of necessary bridges and tunnels, of the National System of Interstate Highways, including extensions thereof through urban areas, designated in accordance with the provisions of section 7 of the Federal-Aid Highway Act of 1944 (58 Stat. 838), there is hereby authorized to be appropriated the additional sum of $1,000,000,000 for the fiscal year ending June 30, 1957, the additional sum of $1,750,000,000 for the fiscal year ending June 30, 1958, the additional sum of $2,000,000,000 for the fiscal year ending June 30, 1959, and a like sum for each succeeding fiscal year thereafter up to and including the fiscal year ending June 30, 1969. The sum herein authorized for each fiscal year shall be apportioned among the several States in the following manner: one-half in the ratio which the population of each State bears to the total population of all the States, as shown by the latest available Federal census: Provided, That no State shall receive less than three-fourths of 1 per centum of the money so approtioned; and one-half in the manner now provided by law for the apportionment of funds for the Federal-aid primary system: Provided further, That the Federal share payable on account of any project on the National System of Interstate Highways provided for by funds made available under the provisions of this section shall be increased to 90 per centum of the total cost thereof, plus a percentage of the remaining 10 per centum of such cost in any State containing unappropriated and unreserved public lands and nontaxable Indian lands, individual and tribal, exceeding 5 per centum of the total area of all lands therein, equal to the percentage that the area of such lands in such State is of its total area: Provided further, That such Federal share payable on any project in any State shall not exceed 95 per centum of the total cost of such project: And provided further, That the additional sum herein authorized for fiscal year ending June 30, 1957, shall be apportioned immediately upon enactment of this Act.

(b) Any sums apportioned to any State under the provisions of this section shall be available for expenditure in that State for two years after the close of fiscal year for which such sums are authorized: Provided, That such funds shall be deemed to be expended upon execution of formal agreements with the Secretary for the improvement of specific projects under this section.

(c) Any amount apportioned to the States under the provisions of this section unexpended at the end of the period during which it is available for expenditure under the terms of subsection (b) of this section shall lapse.

(d) No funds authorized to be appropriated for any fiscal year by this section shall be apportioned to any State within the boundaries of which the National System of Interstate Highways may lawfully be used by vehicles with any dimension or with weight in excess of the greater of (1) the maximum corresponding dimensions or maximum corresponding weight permitted for vehicles using the public highways of such State under laws in effect in such State on July 1, 1956, or (2) the maximum corresponding dimensions or maximum corresponding weight recommended for vehicles operated over the highways of the United States by the American Association of State Highway Officials in a document published by such association entitled "Policy Concerning Maximum Dimension, Weights, and Speeds of Motor Vehicles To Be Operated Over the Highways of the United States" and incorporating recommendations adopted by such association on April

1, 1946. Any amount which is withheld from apportionment to any State pursuant to the foregoing provisions of this section shall be reapportioned immediately to the States which have not been denied apportionments pursuant to such provisions: Provided, however, That nothing herein shall be construed to deny apportionment to any State allowing the lawful operation over the public highways within such State of any vehicles or combinations thereof that could be operated lawfully over the public highways within such State on July 1, 1956.

(e) The Secretary is directed to take all action possible to expedite the conduct of a series of tests now planned or being conducted by the Highway Research Board of the National Academy of Sciences, in cooperation with the Bureau of Public Roads, the several States, and other persons and organizations, for the purpose of determining the maximum desirable dimensions and weights for vehicles operated on the Federal-Aid Highway System and, as promptly as possible after the conclusion of such tests, to make recommendations to the Congress with respect to such maximum desirable dimensions and weights.

Sec. 103. Not more than 20 per centum of the amounts apportioned to each State under sections 101 and 102 may be transferred from the apportionment under either section or subparagraph to the apportionment under either of the other sections or subparagraphs: Provided, That such transfer is requested by the State highway department and is approved by the governor of said State and the Secretary as being in the public interest: Provided further, That the Federal share payable on account of any project provided for by funds made available by transfer under the provisions of this section shall not exceed 50 per centum of the construction costs thereof, including the costs of rights-of-way, except that in the case of any State containing unappropriated and unreserved public lands and nontaxable Indian lands, individual and tribal, exceeding 5 per centum of the total area of all lands therein, the Federal share shall be increased by a percentage of the remaining cost equal to the percentage that the area of all such lands in such State is of the total area: Provided further, That the total of such transfers shall not increase the original apportionment under any subparagraph by more than 20 per centum: Provided further, That the transfers hereinabove permitted for funds authorized to be appropriated for the fiscal years ending June 30, 1957, through the fiscal year ending June 30, 1961, shall likewise be permitted on the same basis for funds heretofore or hereafter authorized to be appropriated for any prior or subsequent fiscal year: And provided further, That nothing herein contained shall be deemed to alter or impair the authority contained in the last proviso to subparagraph (b) of section 3 of the Federal-Aid Highway Act of 1944.

Sec. 104. (a) In any case in which the Secretary is requested by any State to acquire any lands or interests in lands (including the control of access to any lands from adjoining lands) required by such State for right-of-way or other purposes in connection with the prosecution of any project for the construction, reconstruction, or improvement of any section of the National System of Interstate Highways, the Secretary is authorized, in the name of the United States and prior to the approval of title by the Attorney General, to acquire, enter upon, and take possession of such lands or interests in lands by purchase, donation, condemnation or otherwise in accordance with the laws of the United States (including the Act of February 26, 1931; 46 Stat. 1421) if—

(1) the Secretary has determined that such State is unable to acquire such lands or interests in lands with sufficient promptness; and

(2) such State has agreed with the Secretary to pay, at such time as may be specified by the Secretary, an amount equal to 10 per centum of the costs incurred by the Secretary in acquiring such lands or interests in lands.

The authority granted by this section shall also apply to lands and interests in lands received as grants of land from the United States and owned or held by railroads or other corporations.

(b) The costs incurred by the Secretary in acquiring any such lands or interests in lands may include the cost of examination and abstract of title, certificate of title, advertising, and any fees incidental to such acquisition. All costs incurred by the Secretary in connection with the acquisition of any such lands or interests in lands shall be paid from the funds for construction, reconstruction, and improvement of the National System of Interstate Highways apportioned to the State upon the request of which such lands or interests in lands are acquired and any sums paid to the Secretary by such State as its share of the costs of acquisition of such lands or interests in lands shall be deposited in the Treasury to the credit of the appropriation for Federal-Aid Highways and shall be credited to the amount apportioned to such State as its apportionment of funds for con-

struction, reconstruction, or improvement of the National System of Interstate Highways.

(c) The Secretary is further authorized and directed by proper deed, executed in the name of the United States, to convey any such lands or interests in lands acquired in any State under the provisions of this section, except the outside five feet of any such right-of-way in States unable or unwilling to control access, to the State highway department of such State or such political subdivision thereof as its laws may provide, upon such terms and conditions as to the lands acquired in fee as may be agreed upon by the Secretary and the State highway department, or political subdivisions to which the conveyance is to be made. Whenever the State is able and agrees to control access, the outside five feet may be conveyed to it.

(d) Whenever rights-of-way on the National System of Interstate Highways are required over public lands of the United States, the Secretary may make such arrangements with the agency having jurisdiction over such lands as may be necessary to give the State or other person constructing the projects on such lands adequate rights-of-way and control of access thereto from adjoining lands, and any such agency is hereby directed to cooperate with the Secretary in this connection.

Sec. 105. The Secretary is hereby granted authority to incur obligations for the fiscal year ending June 30, 1956, in an amount not to exceed, $100,000,000 for acquisition of rights-of-way, and enter into contracts under such authorizations and his action in doing so shall be deemed a contractual obligation of the Federal Government for the payment of the cost thereof and such funds shall be deemed to have been expended when so obligated: Provided, That the funds expended hereunder shall be credited against sums apportioned to the State in which expended for projects programed under the provisions of section 102 of this title.

Sec. 106. For the purpose of carrying out the provisions of section 23 of the Federal Highway Act (42 Stat. 218), as amended and supplemented, there is hereby authorized to be appropriated (1) for forest highways the sum of $22,500,000 for the fiscal year ending june 30, 1958, and a like sum for each of the fiscal years to and including the fiscal year ending June 30, 1961, and (2) for forest development roads and trails in the sum of $24,000,000 for the fiscal year ending June 30, 1958, and a like sum for each of the fiscal years to and including the fiscal year ending June 30, 1961: Provided, That with respect to any proposed construction or reconstruction of a timber access road, advisory public hearings shall be held at a place convenient or adjacent to the area of construction or reconstruction with notice and reasonable opportunity for interested persons to present their views as to the practicability and feasibility of such construction or reconstruction: Provided further, That hereafter funds available for forest development roads and trails shall also be available for adjacent vehicular parking areas and/or sanitary, water, and fire control facilities: Provided further, That the appropriation herein authorized for forest highways shall be apportioned by the Secretary for expenditure in the several States, Alaska, and Puerto Rico in accordance with the provisions of section 3 of the Federal-Aid Highway Act of 1950.

Sec. 107. (a) For the construction, reconstruction, and improvement of roads and trails, inclusive of necessary bridges, in national parks, monuments, and other areas administered by the National Park Service, including areas authorized to be established as national parks and monuments, and national park and monument approach roads authorized by the Act of January 31, 1931 (46 Stat. 1053), as amended, there is hereby authorized to be appropriated the sum of $12,500,000 for the fiscal year ending June 30, 1958, and a like sum for each of the fiscal years to and including the fiscal year ending June 30, 1961.

(b) For the construction, reconstruction, and improvement of parkways, authorized by Acts of Congress, on lands to which title is vested in the United States, there is hereby authorized to be appropriated the sum of $11,000,000 for the fiscal year ending June 30, 1958, and a like sum for each of the fiscal years to and including the fiscal year ending June 30, 1961.

(c) For the construction, improvement, and maintenance of Indian reservation roads and bridges and roads and bridges to provide access to Indian reservations and Indian lands under the provisions of the Act approve May 26, 1928 (45 Stat. 750), there is hereby authorized to be appropriated the sum of $10,-000,000 for the fiscal year ending June 30, 1958, and a like sum for each of the fiscal years to and including the fiscal year ending June 30, 1961: Provided, That

the location, type, and design of all roads and bridges constructed shall be approved by the Secretary before any expenditures are made thereon, and all such construction shall be under the general supervision of the Secretary.

Sec. 108. For the purpose of carrying out the provisions of section 10 of the Federal-Aid Highway Act of 1950 (64 Stat. 785), there is hereby authorized to be appropriated for the survey, construction, reconstruction, and maintenance of main roads through unappropriated or unreserved public lands, nontaxable Indian lands, or other Federal reservations the sum of $2,000,000 for the fiscal year ending June 30, 1956, and a like sum for each of the fiscal years to and including the fiscal year ending June 30, 1961.

Sec. 109. Any funds authorized herein for forest highways, forest development roads and trails, park roads and trails, parkways, Indian roads, and public lands highways shall be available for contract for one year in advance of year for which authorized: Provided, That any amount remaining unexpended two years after the close of the fiscal year for which authorized shall lapse. The Secretary of the Department charged with the administration of such funds is hereby granted authority to incur obligations, approve projects, and enter into contracts under such authorizations and his action in doing so shall be deemed a contractual obligation of the Federal Government for the payment of the cost thereof and such funds shall be deemed to have been expended when so obligated.

Sec. 110. (a) Subject to the conditions contained in this section, 50 per centum of the cost of relocation of utility facilities necessitated by the construction of a project on the Federal primary, secondary, or interstate systems in which Federal funds have participated, may be paid from Federal funds whenever under the laws of the State where the project is being constructed the entire relocation cost is required to be borne by the utility.

(b) For the purposes of this section the term "utility" shall include publicly, privately, and cooperatively owned utilities.

(c) For the purposes of this section, the term "cost of relocation" shall include the entire amount paid by such utility properly attributable to such relocation after deducting therefrom any increase in the value of the new facility and any salvage value derived from the old facility.

(d) No more than 2 per centum of any sum apportioned to any State for any fiscal year may be expended under the provisions of this section, and expenditures under this section from any such sum shall be made only with respect to utility relocations in connection with projects prosecuted by the use of such sum.

(e) Any utility required to relocate a facility within the terms of this section shall have a right to payment out of Federal funds as in this section provided. The Secretary is authorized to make such payments on the basis of an agreement approved by him, entered into between the State highway department and the utility, which agreement shall contain an estimate or an agreed price of the cost of relocation. In lieu of such agreement the utility may file with the State highway department a certified statement of the cost of relocation, subject to the approval of the State highway department. The State highway department shall transmit such statement to the Secretary with the final voucher for approval by the Secretary.

Sec. 111. Section 7 of the Federal-Aid Highway Act of 1944 (58 Stat. 838), designating a National System of Interstate Highways, is hereby amended by striking out "forty thousand", and inserting in lieu thereof "forty-two thousand five hundred".

Sec. 112. (a) It is hereby declared to be in the national interest to accelerate the construction of the Federal-aid highways since many of such highways, or portions thereof, are in fact inadequate to meet the needs of local and interstate commerce, the national and the civil defense.

(b) It is further declared that one of the most important objectives of this Act is the prompt completion of the National System of Interstate Highways. Insofar as possible in consonance with this objective, existing highways located on an interstate route shall be used to the extent that such use is practicable, suitable, and feasible, it being the intent that local needs, to the extent practicable, suitable, and feasible, shall be given equal consideration with the needs of interstate commerce.

(c) It is hereby declared to be the sense of Congress that all segments of the Federal-aid highway systems should be improved to standards adequate to meet the needs of national defense and the national economy at the earliest practicable date. The Secretary is hereby directed to submit to the Congress not later than February 1, 1959, a report on the progress made in attaining the foregoing objective, together with recommendations for the extension of the program.

(d) Any State highway department which submits plans for a Federal-aid highway project involving the bypassing of any city, town, village, or any community, either incorporated or unincorporated, shall certify to the Commissioner of Public Roads that it has had public hearings and considered the economic effects of such a location: Provided, That a copy of the transcript of said hearings shall be submitted to the Commissioner of Public Roads, together with the certification.

Sec. 113. The Secretary of Commerce shall, by not later than February 1, 1957, make a report to the Committees on Public Works of the Senate and of the House of Representatives containing his recommendations as to the manner in which the undesignated mileage of the National System of Interstate Highways can best be utilized for the purpose of eliminating bottlenecks in the evacuation routes leading from target areas as designated by the Administrator of the Federal Civil Defense Administration.

Sec. 114. All agreements between the Secretary and the State highway department for the construction of projects on the interstate system may contain a clause providing that the State will not add any points of access to, or exit from, the project in addition to those approved by the Secretary in the plans for such project, without the prior approval of the Secretary.

Sec. 115. The Secretary is directed to study, and to encourage the various States to consider, the feasibility of providing by multiple-State compacts for the construction, operation, and maintenance of interstate toll roads, as a supplement to the Federal-aid highway system, for the purpose of providing adequate highway facilities for the interstate movement of motor vehicles, and particularly for the movement of those motor vehicles traveling all or a substantial portion of the length and breadth of the United States. The Secretary shall make a report to the Congress at the earliest practicable date, but not later than June 30, 1957, with respect to the results of such study.

Sec. 116. The consent of Congress is hereby given to any two or more States to negotiate and enter into compacts providing for the construction and operation of interstate toll roads. Such compacts shall not be binding or obligatory upon any of the parties thereto unless and until it shall have been ratified by the legislatures of all of the States entering into it and approved by the Congress of the United States.

Sec. 117. All provisions of the Federal-Aid Highway Act of 1944, approved December 20, 1944 (58 Stat. 838); the Federal-Aid Highway Act of 1948, approved June 29, 1948 (62 Stat. 1105); and the Federal-Aid Highway Act of 1950, approved September 7, 1950 (64 Stat. 785); the Federal-Aid Highway Act of 1952, approved June 25, 1952 (66 Stat. 158), and the Federal-Aid Highway Act of 1954, approved May 6, 1954, not inconsistent with this title, shall remain in full force and effect.

Sec. 118. All Acts or parts of Acts in any way inconsistent with the provisions of this title are hereby repealed and this title shall take effect on its passage.

Sec. 119. This title may be cited as the "Federal-Aid Highway Act of 1956".

TITLE II—HIGHWAY REVENUE ACT OF 1956

SEC. 201. SHORT TITLE FOR TITLE II.

(a) Short Title.—This title may be cited as the "Highway Revenue Act of 1956".

(b) Amendment of 1954 Code.—Whenever in this title an amendment is expressed in terms of an amendment to a section or other provision, the reference shall be considered to be made to a section or other provision of the Internal Revenue Code of 1954.

SEC. 202. INCREASE IN TAXES ON DIESEL FUEL AND ON SPECIAL MOTOR FUELS.

(a) Diesel Fuel.—Subsection (a) of section 4041 (relating to tax on diesel fuel) is amended by striking out "2 cents a gallon" and inserting in lieu thereof "3 cents a gallon".

(b) Special Motor Fuels.—Subsection (b) of section 4041 (relating to special motor fuels) is amended by striking out "2 cents a gallon" and inserting in lieu thereof "3 cents a gallon", and by adding after paragraph (2) the following:

"In the case of a liquid sold for use or used as a fuel for the propulsion of a motorboat or airplane, the tax imposed by paragraph (1) or by paragraph (2) shall be 2 cents a gallon in lieu of 3 cents a gallon. If a liquid on which tax was imposed

by paragraph (1) at the rate of 2 cents a gallon by reason of the preceding sentence is used as a fuel for the propulsion of a motor vehicle, a tax of 1 cent a gallon shall be imposed under paragraph (2)."

(c) RATE REDUCTION.—Subsection (c) of section 4041 (relating to rate reduction) is amended to read as follows:

"(c) RATE REDUCTION.—On and after July 1, 1972—

"(1) the taxes imposed by this section shall be 1½ cents a gallon; and

"(2) the second and third sentences of subsection (b) shall not apply."

SEC. 203. INCREASE IN TAX ON TRUCKS, TRUCK TRAILERS, BUSES, ETC.

So much of paragraph (1) of section 4061 (a) (relating to tax on trucks, truck trailers, buses, etc.) as precedes "Automobile truck chassis" is amended to read as follows:

"(1) Articles taxable at 10 percent, except that on and after July 1, 1972, the rate shall be 5 percent—".

SEC. 204. INCREASE IN TAXES ON TIRES OF THE TYPE USED ON HIGHWAY VEHICLES; TAX ON TREAD RUBBER, ETC.

(a) IN GENERAL.—Section 4071 (relating to tax on tires and tubes) is amended to read as follows:

"SEC. 4071. IMPOSITION OF TAX.

"(a) IMPOSITION AND RATE OF TAX.—There is hereby imposed upon the following articles, if wholly or in part of rubber, sold by the manufacturer, producer, or importer, a tax at the following rates:

"(1) Tires of the type used on highway vehicles, 8 cents a pound.

"(2) Other tires, 5 cents a pound.

"(3) Inner tubes for tires, 9 cents a pound.

"(4) Tread rubber, 3 cents a pound.

"(b) DETERMINATION OF WEIGHT.—For purposes of this section, weight shall be based on total weight, except that in the case of tires such total weight shall be exclusive of metal rims or rim bases. Total weight of the articles shall be determined under regulations prescribed by the Secretary or his delegate.

"(c) RATE REDUCTION.—On and after July 1, 1972—

"(1) the tax imposed by paragraph (1) of subsection (a) shall be 5 cents a pound; and

"(2) paragraph (4) of subsection (a) shall not apply."

(b) TREAD RUBBER DEFINED.—Section 4072 (defining the term "rubber") is amended to read as follows:

"SEC. 4072. DEFINITIONS.

"(a) RUBBER.—For purposes of this chapter, the term 'rubber' includes synthetic and substitute rubber.

"(b) TREAD RUBBER.—For purposes of this chapter, the term 'tread rubber' means any material—

"(1) which is commonly or commercially known as tread rubber or camelback; or

"(2) which is a substitute for a material described in paragraph (1) and is of a type used in recapping or retreading tires.

"(c) TIRES OF THE TYPE USED ON HIGHWAY VEHICLES.—For purposes of this part, the term 'tires of the type used on highway vehicles' means tires of the type used on—

"(1) motor vehicles which are highway vehicles, or

"(2) vehicles of the type used in connection with motor vehicles which are highway vehicles."

(c) EXEMPTION OF CERTAIN TREAD RUBBER FROM TAX.—Section 4073 (relating to exemptions) is amended by adding at the end thereof the following new subsection:

"(c) EXEMPTION FROM TAX ON TREAD RUBBER IN CERTAIN CASES.—Under regulations prescribed by the Secretary or his delegate, the tax imposed by section 4071 (a) (4) shall not apply to tread rubber sold by the manufacturer, producer, or importer, to any person for use by such person otherwise than in the recapping or retreading of tires of the type used on highway vehicles."

(d) TECHNICAL AMENDMENT.—The table of sections for part II of subchapter A of chapter 32 is amended by striking out

"Sec. 4072. Definition of rubber."

and inserting in lieu thereof

"Sec. 4072. Definitions."

SEC. 205. INCREASE IN TAX ON GASOLINE.

(a) INCREASE IN RATE.—Section 4081 (relating to tax on gasoline) is amended to read as follows:

"SEC. 4081. IMPOSITION OF TAX.

"(a) IN GENERAL.—There is hereby imposed on gasoline sold by the producer or importer thereof, or by any producer of gasoline, a tax of 3 cents a gallon.

"(b) REDUCED RATE IN CERTAIN CASES.—Under regulations prescribed by the Secretary or his delegate, in the case of gasoline sold by the producer or importer thereof, or by any producer of gasoline, to any person for use by such person otherwise than as a fuel in a highway vehicle, the tax imposed by subsection (a) shall be 2 cents a gallon in lieu of 3 cents a gallon. This subsection shall not apply to gasoline which (within the meaning of paragraphs (1), (2), and (3) of section 6420 (c)) is sold for use on a farm for farming purposes.

"(c) RATE REDUCTION.—On and after July 1, 1972—

"(1) the tax imposed by this section shall be 1½ cents a gallon; and

"(2) subsection (b) shall not apply."

(b) TECHNICAL AMENDMENT.—Section 6420 (a) (relating to gasoline used on farms) is amended by striking out "4081" in paragraph (2) and inserting in lieu thereof "4081 (a)".

SEC. 206. TAX ON USE OF CERTAIN VEHICLES.

(a) IMPOSITION OF TAX.—Chapter 36 (relating to certain other excise taxes) is amended by adding at the end thereof the following new subchapter:

"Subchapter D—Tax on Use of Certain Vehicles

"Sec. 4481. Imposition of tax.
"Sec. 4482. Definitions.
"Sec. 4483. Examinations.
"Sec. 4484. Cross reference.

"SEC. 4481. IMPOSITION OF TAX.

"(a) IMPOSITION OF TAX.—A tax is hereby imposed on the use of any highway motor vehicle which (together with the semitrailers and trailers cusotmarily used in connection with highway motor vehicles of the same type as such highway motor vehicle) has a taxable gross weight of more than 26,000 pounds, at the rate of $1.50 a year for each 1,000 pounds of taxable gross weight or fraction thereof.

"(b) BY WHOM PAID.—The tax imposed by this section shall be paid by the person in whose name the highway motor vehicle is, or is required to be, registered under the law of the State in which such vehicle is, or is required to be, registered.

"(c) PRORATION OF TAX.—If in any year the first use of the highway motor vehicle is after July 31, the tax shall be reckoned proportionately from the first day of the month in which such use occurs to and including the 30th day of June following.

"(d) ONE PAYMENT PER YEAR.—If the tax imposed by this section is paid with respect to any highway motor vehicle for any year, no further tax shall be imposed by this section for such year with respect to such vehicle.

"(e) PERIOD TAX IN EFFECT.—The tax imposed by this section shall apply only to use after June 30, 1956, and before July 1, 1972.

"SEC. 4482. DEFINITIONS.

"(a) HIGHWAY MOTOR VEHICLE.—For purposes of this subchapter, the term 'highway motor vehicle' means any motor vehicle which is a highway vehicle.

"(b) TAXABLE GROSS WEIGHT.—For purposes of this subchapter, the term 'taxable gross weight', when used with respect to any highway motor vehicle, means the sum of—

"(1) the actual unloaded weight of—

"(A) such highway motor vehicle fully equipped for service, and

"(B) the semitrailers and trailers (fully equipped for service) customarily used in connection with highway motor vehicles of the same type as such highway motor vehicle,

"(2) the weight of the maximum load customarily carried on highway motor vehicles of the same type as such highway motor vehicle and on the semitrailers and trailers referred to in paragraph (1) (B).

Taxable gross weight shall be determined under regulations prescribed by the Secretary or his delegate (which regulations may include formulas or other methods for determining the taxable gross weight of vehicles by classes, specifications, or otherwise).

"(c) OTHER DEFINITIONS.—For purposes of this subchapter—

"(1) STATE.—The term 'State' means a State, a Territory of the United States, and the District of Columbia.

"(2) YEAR.—The term 'year' means the one-year period beginning on July 1.

"(3) USE.—The term 'use' means use in the United States on the public highways.

"SEC. 4483. EXEMPTIONS.

"(a) STATE AND LOCAL GOVERNMENTAL EXEMPTION.—Under regulations prescribed by the Secretary or his delegate, no tax shall be imposed by section 4481 on the use of any highway motor vehicle by any State or any political subdivision of a State.

"(b) EXEMPTION FOR UNITED STATES.—The Secretary may authorize exemption from the tax imposed by section 4481 as to the use by the United States of any particular highway motor vehicle, or class of highway motor vehicles, if he determines that the imposition of such tax with respect to such use will cause substantial burden or expense which can be avoided by granting tax exemption and that full benefit of such exemption, if granted, will accrue to the United States.

"(c) CERTAIN TRANSIT-TYPE BUSES.—Under regulations prescribed by the Secretary or his delegate, no tax shall be imposed by section 4481 on the use of any bus which is of the transit type (rather than of the intercity type) by a person who, for the last 3 months of the preceding year (or for such other period as the Secretary or his delegate may by regulations prescribe for purposes of this subsection), met the 60-percent passenger fare revenue test set forth in section 6416 (b) (2) (L) (i) as applied to the period prescribed for purposes of this subsection.

"SEC. 4484. CROSS REFERENCE.

"For penalties and administrative provisions applicable to this subchapter, see subtitle F."

(b) MODE AND TIME OF COLLECTION OF TAX.—Section 6302 (b) (relating to discretion as to method of collecting tax) is amended by inserting "section 4481 of chapter 36," after "33,".

(c) TECHNICAL AMENDMENT.—The table of subchapters for chapter 36 is amended by adding at the end thereof the following:

"Subchapter D. Tax on use of certain vehicles."

"SEC. 207. FLOOR STOCKS TAXES.

(a) IMPOSITION OF TAXES.—Subchapter F of chapter 32 (special provisions applicable to manufacturers excise taxes) is amended by renumbering section 4226 as 4227 and by inserting after section 4225 the following new section:

"SEC. 4226. FLOOR STOCKS TAXES.

"(a) IN GENERAL.—

"(1) 1956 TAX ON TRUCKS, TRUCK TRAILERS, BUSES, ETC.—On any article subject to tax under section 4061 (a) (1) (relating to tax on trucks, truck trailers, buses, etc.) which, on July 1, 1956, is held by a dealer for sale, there is hereby imposed a floor stocks tax at the rate of 2 percent of the price for which the article was purchased by such dealer. If the price for which the article was sold by the manufacturer, producer, or importer is established

to the satisfaction of the Secretary or his delegate, then in lieu of the amount specified in the preceding sentence, the tax imposed by this paragraph shall be at the rate of 2 percent of the price for which the article was sold by the manufacturer, producer, or importer.

"(2) 1956 TAX ON TIRES OF THE TYPE USED ON HIGHWAY VEHICLES.—On tires subject to tax under section 4071 (a) (1) (as amended by the Highway Revenue Act of 1956) which, on July 1, 1956, are held—

"(A) by a dealer for sale.

"(B) for sale on, or in connection with, other articles held by the manufacturer, producer, or importer of such other article, or

"(C) for use in the manufacture or production of other articles,

there is hereby imposed a floor stocks tax at the rate of 3 cents a pound. The tax imposed by this paragraph shall not apply to any tire which is held for sale by the manufacture, producer, or importer of such tire or which will be subject under section 4218 (a) (2) or 4219 to the manufacturers excise tax on tires.

"(3) 1956 TAX ON TREAD RUBBER.—On tread rubber subject to tax under section 4071 (a) (4) (as amended by the Highway Revenue Act of 1956) which, on July 1, 1956, is held by a dealer, there is hereby imposed a floor stocks tax at the rate of 3 cents a pound. The tax imposed by this paragraph shall not apply in the case of any person if such person establishes, to the satisfaction of the Secretary or his delegate, that all tread rubber held by him on July 1, 1956, will be used otherwise than in the recapping or retreading of tires of the type used on highway vehicles.

"(4) 1956 TAX ON GASOLINE.—On gasoline subject to tax under section 4081 which, on July 1, 1956, is held by a dealer for sale, there is hereby imposed a floor stocks tax at the rate of 1 cent a gallon. The tax imposed by this paragraph shall not apply to gasoline in retail stocks held at the place where intended to be sold at retail, nor to gasoline held for sale by a producer or importer of gasoline.

"(b) OVERPAYMENT OF FLOOR STOCKS TAXES.—Section 6416 shall apply in respect of the floor stocks taxes imposed by this section, so as to entitle, subject to all provisions of section 6416, any person paying such floor stocks taxes to a credit or refund thereof for any of the reasons specified in section 6416.

"(c) MEANING OF TERMS.—For purposes of subsection (a), the terms 'dealer' and 'held by a dealer' have the meaning assigned to them by section 6412 (a) (3)."

(b) TECHNICAL AMENDMENT.—The table of sections for subchapter F of chapter 32 is amended by striking out

"Sec. 4226. Cross references."

and inserting in lieu thereof

"Sec. 4226. Floor stocks taxes.
"Sec. 4227. Cross references."

SEC. 208. CREDIT OR REFUND OF TAX.

(a) FLOOR STOCKS REFUNDS.—So much of section 6412 (relating to floor stocks refunds) as precedes subsection (d) is amended to read as follows:

"SEC. 6412. FLOOR STOCKS REFUNDS.

"(a) IN GENERAL.—

"(1) PASSENGER AUTOMOBILES, ETC.—Where before April 1, 1957, any article subject to the tax imposed by section 4061 (a) (2) has been sold by the manufacturer, producer, or importer and on such date is held by a dealer and has not been used and is intended for sale, there shall be credited or refunded (without interest) to the manufacturer, producer, or importer an amount equal to the difference between the tax paid by such manufacturer, producer, or importer on his sale of the article and the amount of tax made applicable to such article on and after April 1, 1957, if claim for such credit or refund is filed with the Secretary or his delegate on or before August 10, 1957, based upon a request submitted to the manufacturer, producer, or importer before July 1, 1957, by the dealer who held the article in respect of which the credit or refund is claimed, and, on or before August 10, 1957, reimbursement has been made to such dealer by such manufacturer, producer, or importer for the tax reduction on such article or written consent has been obtained from such dealer to allowance of such credit or refund.

"(2) TRUCKS AND BUSES, TIRES, TREAD RUBBER, AND GASOLINE.—Where before July 1, 1972, any article subject to the tax imposed by section 4061 (a) (1), 4071 (a) (1) or (4), or 4081 has been sold by the manufacturer, producer, or importer and on such date is held by a dealer and has not been used and is intended for sale (or, in the case of tread rubber, is intended for sale or is held for use), there shall be credited or refunded (without interest) to the manufacurer, producer, or importer an amount equal to the difference between the tax paid by such manufacturer, producer, or importer on his sale of the article and the amount of tax made applicable to such article on and after July 1, 1972, if claim for such credit or refund is filed with the Secretary or his delegate on or before November 10, 1972, based upon a request submitted to the manufacturer, producer, or importer before October 1, 1972, by the dealer who held the article in respect of which the credit or refund is claimed, and, on or before November 10, 1972, reimbursement has been made to such dealer by such manufacturer, producer, or importer for the tax reduction on such article or written consent has been obtained from such dealer to allowance of such credit or refund. No credit or refund shall be allowable under this paragraph with respect to gasoline in retail stocks held at the place where intended to be sold at retail, nor with respect to gasoline held for sale by a producer or supporter of gasoline.

"(3) DEFINITIONS.—For purposes of this section—

"(A) The term 'dealer' includes a wholesaler, jobber, distributor, or retailer, or, in the case of tread rubber subject to tax under section 4071 (a) (4), includes any person (other than the manufacturer, producer, or importer thereof) who holds such tread rubber for sale or use.

"(B) An article shall be considered as 'held by a dealer' if title thereto has passed to such dealer (whether or not delivery to him has been made), and if for purposes of consumption title to such article or possession thereof has not at any time been transferred to any person other than a dealer.

"(b) LIMITATION OF ELIGIBILITY FOR CREDIT OR REFUND.—No manufacturer, producer, or importer shall be entitled to credit or refund under subsection (a) unless he has in his possession such evidence of the inventories with respect to which the credit or refund is claimed as may be required by regulations prescribed under this section.

"(c) OTHER LAWS APPLICABLE.—All provisions of law, including penalties, applicable in respect of the taxes imposed by sections 4061, 4071, and 4081 shall, insofar as applicable and not inconsistent with subsections (a) and (b) of this section, apply in respect of the credits and refunds provided for in subsection (a) to the same extent as if such credits or refunds constituted overpayments of such taxes."

(b) SPECIAL CASES.—Section 6416 (b) (2) (special cases in which tax payments considered overpayments) is amended by striking out the period at the end of subparagraph (I) and inserting in lieu thereof a semicolon, and by adding at the end thereof the following:

"(J) In the case of a liquid in respect of which tax was paid under section 4041 (b) (1) at the rate of 3 cents a gallon, used or resold for use as a fuel for the propulsion of a motorboat or airplane; except that the amount of such overpayment shall not exceed an amount computed at the rate of 1 cent a gallon;

"(K) In the case of gasoline in respect of which tax was paid under section 4081 at the rate of 3 cents a gallon, used, or resold for use otherwise than as a fuel in a highway vehicle; except that (i) the amount of such overpayment shall not exceed an amount computed at the rate of 1 cent a gallon, and (ii) this subparagraph shall not apply in respect of gasoline which was (within the meaning of paragraphs (1), (2), and (3) of section 6420 (c)) used or resold for use on a farm for farming purposes;

"(L) In the case of a liquid in respect of which tax was paid under section 4041 or 4081 at the rate of 3 cents a gallon, used in vehicles while engaged in furnishing scheduled common carrier public passenger land transportation service along regular routes; except that (i) this subparagraph shall apply, in respect of any liquid used during any calendar quarter or such other period as the Secretary or his delegate may by regulations prescribe, only if at least 60 percent of the total passenger fare revenue (not including the tax imposed by section 4261, relating to the tax on transportation of persons) derived by such person during

such period from scheduled service along such regular routes was attributable to fares which were exempt from the tax imposed by section 4261 by reason of section 4262 (b) (relating to the exemption for commutation travel, etc.), and (ii) the amount of such overpayment for such period shall not exceed an amount which bears the same ratio to the amount computed at the rate of 1 cent a gallon as the passenger fare revenue derived during such period from such fares exempt from tax for such scheduled service bears to the total passenger fare revenue (not including the tax imposed by section 4261) derived during such period for such scheduled service;

"(M) In the case of tread rubber in respect of which tax was paid under section 4071 (a) (4), used or resold for use otherwise than in the recapping or retreading of tires of the type used on highway vehicles."

SEC. 209. HIGHWAY TRUST FUND.

(a) CREATION OF TRUST FUND.—There is hereby established in the Treasury of the United States a trust fund to be known as the "Highway Trust Fund' (hereinafter in this section called the "Trust Fund"). The Trust Fund shall consist of such amounts as may be appropriated or credited to the Trust Fund as provided in this section.

(b) DECLARATION OF POLICY.—It is hereby declared to be the policy of the Congress that if it hereafter appears—

(1) that the total receipts of the Trust Fund (exclusive of advances under subsection (d)) will be less than the total expenditures from such Fund (exclusive of repayments of such advances); or

(2) that the distribution of the tax burden among the various classes of persons using the Federal-aid highways, or otherwise deriving benefits from such highways, is not equitable,

the Congress shall enact legislation in order to bring about a balance of total receipts and total expenditures, or such equitable distribution, as the case may be.

(c) TRANSFER TO TRUST FUND OF AMOUNTS EQUIVALENT TO CERTAIN TAXES.—

(1) IN GENERAL.—There is hereby appropriated to the Trust Fund, out of any money in the Treasury not otherwise appropriated, amounts equivalent to the following percentages of the taxes received in the Treasury before July 1, 1972, under the following provisions of the Internal Revenue Code of 1954 (or under the corresponding provisions of prior revenue laws)—

(A) 100 percent of the taxes received after June 30, 1956, under sections 4041 (taxes on diesel fuel and special motor fuels), 4071 (a) (4) (tax on tread rubber), and 4081 (tax on gasoline);

(B) 20 percent of the tax received after June 30, 1956, and before July 1, 1957, under section 4061 (a) (1) (tax on trucks, buses, etc.);

(C) 50 percent of the tax received after June 30, 1957, under section 4061 (a) (1) (tax on trucks, buses, etc);

(D) 37½ percent of the tax received after June 30, 1956, and before July 1, 1957, under section 4071 (a) (1) (tax on tires of the type used on highway vehicles);

(E) 100 percent of the taxes received after June 30, 1957, under section 4071 (a) (1), (2), and (3) (taxes on tires of the type used on highway vehicles, other tires, and inner tubes);

(F) 100 percent of the tax received under section 4481 (tax on use of certain vehicles); and

(G) 100 percent of the floor stocks taxes imposed by section 4226 (a).

In the case of any tax described in subparagraph (A), (B), or (D), amounts received during the fiscal year ending June 30, 1957, shall be taken into account only to the extent attributable to liability for tax incurred after June 30, 1956.

(2) LIABILITIES INCURRED BEFORE JULY 1, 1972, FOR NEW OR INCREASED TAXES.—There is hereby appropriated to the Trust Fund, out of any money in the Treasury not otherwise appropriated, amounts equivalent to the following percentages of the taxes which are received in the Treasury after June 30, 1972, and before July 1, 1973, and which are attributable to liability for tax incurred before July 1, 1972, under the following provisions of the Internal Revenue Code of 1954—

(A) 100 percent of the taxes under sections 4041 (taxes on diesel fuel and special motor fuels), 4071 (a) (4) (tax on tread rubber), and 4081 (tax on gasoline);

(B) 20 percent of the tax under section 4061 (a) (1) (tax on trucks, buses, etc.);

(C) 37½ percent of the tax under section 4071 (a) (1) (tax on tires tires of the type used on highway vehicles); and

(D) 100 percent of the tax under section 4481 (tax on use of certain vehicles).

(3) METHOD OF TRANSFER.—The amounts appropriated by paragraphs (1) and (2) shall be transferred at least monthly from the general fund of the Treasury to the Trust Fund on the basis of estimates by the Secretary of the Treasury of the amounts, referred to in paragraphs (1) and (2), received in the Treasury. Proper adjustments shall be made in the amounts subsequently transferred to the extent prior estimates were in excess of or less than the amounts required to be transferred.

(d) ADDITIONAL APPROPRIATIONS TO TRUST FUND.—There are hereby authorized to be appropriated to the Trust Fund, as repayable advances, such additional sums as may be required to make the expenditures referred to in subsection (f).

(e) MANAGEMENT OF TRUST FUND.—

(1) IN GENERAL.—It shall be the duty of the Secretary of the Treasury to hold the Trust Fund, and (after consultation with the Secretary of Commerce) to report to the Congress not later than the first day of March of each year on the financial condition and the results of the operations of the Trust Fund during the preceding fiscal year and on its expected condition and operations during each fiscal year thereafter up to and including the fiscal year ending June 30, 1973. Such report shall be printed as a House document of the session of the Congress to which the report is made.

(2) INVESTMENT.—It shall be the duty of the Secretary of the Treasury to invest such portion of the Trust Fund as is not, in his judgment, required to meet current withdrawals. Such investments may be made only in interest-bearing obligations of the United States or in obligations guaranteed as to both principal and interest by the United States. For such purpose such obligations may be acquired (A) on original issue at par, or (B) by purchase of outstanding obligations at the market price. The purpose for which obligations of the United States may be issued under the Second Liberty Bond Act, as amended, are hereby extended to authorize the issuance at par of special obligations exclusively to the Trust Fund. Such special obligations shall bear interest at a rate equal to the average rate of interest, computed as to the end of the calendar month next preceding the date of such issue, borne by all marketable interest-bearing obligations of the United States then forming a part of the Public Debt; except that where such average rate is not a multiple of one-eighth of 1 percent, the rate of interest of such special obligations shall be the multiple of one-eighth of 1 percent next lower than such average rate. Such special obligations shall be issued only if the Secretary of the Treasury determines that the purchase of other interest-bearing obligations of the United States, or of obligations guaranteed as to both principal and interest by the United States on original issue or at the market price, is not in the public interest. Advances to the Trust Fund pursuant to subsection (d) shall not be invested.

(3) SALE OF OBLIGATIONS.—Any obligation acquired by the Trust Fund (except special obligations issued exclusively to the Trust Fund) may be sold by the Secretary of the Treasury at the market price, and such special obligations may be redeemed at par plus accrued interest.

(4) INTEREST AND CERTAIN PROCEEDS.—The interest on, and the proceeds from the sale or redemption of, any obligations held in the Trust Fund shall be credited to and form a part of the Trust Fund.

(f) EXPENDITURES FROM TRUST FUND.—

(1) FEDERAL-AID HIGHWAY PROGRAM.—Amounts in the Trust Fund shall be available, as provided by appropriation Acts, for making expenditures after June 30, 1956, and before July 1, 1972, to meet those obligations of the United States heretofore or hereafter incurred under the Federal-Aid Road Act approved July 11, 1916, as amended and supplemented, which are attributable to Federal-aid highways (including those portions of general administrative expenses of the Bureau of Public Roads payable from such appropriations).

(2) REPAYMENT OF ADVANCES FROM GENERAL FUND.—Advances made pursuant to subsection (d) shall be repaid, and interest on such advances shall be paid, to the general fund of the Treasury when the Secretary of the

Treasury determines that moneys are available in the Trust Fund for such purposes. Such interest shall be at rates computed in the same manner as provided in subsection (e) (2) for special obligations and shall be compounded annually.

(3) TRANSFERS FROM TRUST FUND FOR GASOLINE USED ON FARMS.—The Secretary of the Treasury shall pay from time to time from the Trust Fund into the general fund of the Treasury amounts equivalent to the amounts paid before July 1, 1973, under section 6420 of the Internal Revenue Code of 1954 (relating to amounts paid in respect of gasoline used on farms) on the basis of claims filed for periods beginning after June 30, 1956, and ending before July 1, 1972.

(4) FLOOR STOCKS REFUNDS.—The Secretary of the Treasury shall pay from time to time from the Trust Fund into the general fund of the Treasury amounts equivalent to the following percentages of the floor stocks refunds made before July 1, 1973, under section 6412 (a) (2) of the Internal Revenue Code of 1954—

(A) 40 percent of the refunds in respect of articles subject to the tax imposed by section 4061 (a) (1) of such Code (trucks, buses, etc.);

(B) 100 perecent of the refunds in respect of articles subject to tax under section 4071 (a) (1) or (4) of such Code (tires of the type used on highway vehicles and tread rubber); and

(C) 66⅔ percent of the refunds in respect of gasoline subject to tax under section 4081 of such Code.

(g) APPORTIONMENTS NOT AFFECTED.—Nothing in this section shall limit the amount of the apportionments made under any authorization in title I of this Act or in any Act heretofore or hereafter enacted which amends or supplements the Federal-Aid Road Act approved July 11, 1916.

SEC. 210. INVESTIGATION AND REPORT TO CONGRESS.

(a) PURPOSE.—The purpose of this section is to make available to the Congress information on the basis of which it may determine what taxes should be imposed by the United States, and in what amounts, in order to assure, insofar as practicable, an equitable distribution of the tax burden among the various classes of persons using the Federal-aid highways or otherwise deriving benefits from such highways.

(b) STUDY AND INVESTIGATION.—In order to carry out the purpose of this section, the Secretary of Commerce is hereby authorized and directed, in cooperation with other Federal officers and agencies (particularly the Interstate Commerce Commission) and with the State highway departments, to make a study and investigation of—

(1)the effects on design, construction, and maintenance of Federal-aid highways of (A) the use of vehicles of different dimensions, weights, and other specifications, and (B) the frequency of occurrences of such vehicles in the traffic stream,

(2) the proportionate share of the design, construction, and maintenance costs of the Federal-aid highways attributable to each class of persons using such highways, such proportionate share to be based on the effects referred to in paragraph (1) and the benefis derived from the use of such highways, and

(3) any direct and indirect benefits accruing to any class which derives benefits from Federal-aid highways, in addition to benefits from actual use of such highways, which are attributable to public expenditures for such highways.

(c) COORDINATION WITH OTHER STUDIES.—The Secretary of Commerce shall coordinate the study and investigation required by this section with—

(1) the research and other activities authorized by section 10 of the Federal-Aid Highway Act of 1954, and

(2) the tests referred to in section 108 (k) of this Act.

(d) REPORTS ON STUDY AND INVESTIGATION.—The Secretary of Commerce shall report to the Congress the results of the study and investigation required by this section. The final report shall be made as soon as possible but in no event later than March 1, 1959. On or before March 1, 1957, and on or before March 1, 1958, the Secretary of Commerce shall report to the Congress the progress that has been made in carrying out the study and investigation required by this section. Each such report shall be printed as a House document of the session of the Congress to which the report is made.

(e) FUNDS FOR STUDY AND INVESTIGATION.—There are hereby authorized to be appropriated out of the Highway Trust Fund such sums as may be necessary to enable the Secretary of Commerce to carry out the provisions of this section.

SEC. 211. EFFECTIVE DATE OF TITLE.

This title shall take effect on the date of its enactment, except that the amendments made by sections 202, 203, 204, and 205 (a) shall take effect on July 1, 1956, and the amendment made by section 205 (b) shall apply only with respect to gasoline purchased after June 30, 1956.

TITLE III—SEPARABILITY

SEC. 301. SEPARABILITY.

If any section, subsection, or other provision of this Act or the application thereof to any person or circumstance is held invalid, the remainder of this Act and the application of such section, subsection, or other provision to other persons or circumstances shall not be affected thereby.

Passed the House of Representatives April 27, 1956.

Attest:

RALPH R. ROBERTS,
Clerk.

The CHAIRMAN. I would like to announce that Mr. Humphrey, the Secretary of the Treasury, has another important engagement, and will not arrive here until 11: 30.

I submit for the record a letter and statement I received from Senator Malone expressing his views on title II of H. R, 10660.

(The letter and statement of Senator Malone are as follows:)

UNITED STATES SENATE,
COMMITTEE ON FINANCE,
May 16, 1956.

Hon. HARRY F. BYRD,
Chairman, Senate Finance Committee,
Senate Office Building, Washington, D. C.

DEAR HARRY: I am enclosing a memorandum in accordance with our conversation that outlines problems faced in our State as far as highway legislation is concerned. If you are making a record in the hearings, please insert it in the record. I expect to return on Monday the 21st.

As you can see from my memo, Harry, there are definite possibilities of inequity in the taxation, and I believe that the suggestions to resolve them are fundamentally sound and hope that the committee will give them serious consideration.

I think it is very important that we pass a road bill this year and it is never easy, of course, that legislation of this kind satisfy everybody, but we do have five Western States that may be hurt by the bill as it came out of committee.

Sincerely,

GEORGE W. MALONE,
United States Senator.

MAY 15, 1956.

Memo to: Senator Harry Byrd.
From: Senator George W. Malone.
Re: hearings on H. R. 10660.

There are several points about the proposed highway financing program I wish you would keep in mind during the hearings.

(1) I am concerned over a report the House financing plan fails by $5 billion to meet revenue requirements for the 13-year program it contemplates.

This apparently comes from the fact that revenue expected from new taxes and the present tax on motor-vehicle fuel, fails to cover the proposed expenditures, and that certain other present revenue has also been earmarked for the trust fund to be established.

Obviously, the present Federal excise taxes on motor vehicles, if devoted to highway construction, would more than finance the highway program. This

premise, of course, ignores the fact that others than motor-vehicle owners enjoy substantial benefits from highways.

Road user groups as a whole, and this includes those in Nevada, have generally supported the tax increases passed by the House to finance an expanded highway program, despite the considerations of equity involved, the practical need for highways overshadowing such considerations on their part. This support may be withdrawn if the House rates are revised upwards.

Those who contend that the House bill fails to meet the revenue requirements overlook the fact that over $17 billion of special Federal excise taxes on motor vehicles will still go for the general support of Government during the 16-year financing program; that the financing program will build a highway system designed to serve traffic for many years after its completion, so that current users will actually make a capital investment which will benefit others who will make no tax contribution toward it; and the probability that the estimates of revenue expected under the tax program are conservative.

Certainly, in view of the above considerations, the Senate should make no move to increase the taxes approved by the House until the program advances to a point where expenditures and income can be more carefully established. The House bill contemplates just such reviews.

(2) Miners and other off-highway users in my State fear the definition of "highway vehicle" will include many standard motor vehicles used exclusively in quarries and mines, on private logging roads, etc.

These groups suggest a definition tying the exemptions to vehicles normally exempted from registration by the State.

(3) Commercial motor vehicle owners are opposed to the proposed Federal registration fee on vehicles over 26,000 pounds gross weight. Opposition to this tax stems from the belief that heavy motor vehicles assume an equitable share of highway costs through the differentials produced by the other taxes in H. R. 10660.

For a typical Nevada passenger car the new taxes would involve an annual increase of approximately $8.50, bringing the annual total at Federal level to approximately $45. For the typical tractor-semitrailer combination operated in Nevada, the new taxes, exclusive of the registration fee, represent an annual increase of aproximately $315, bringing the annual total at Federal level to approximately $1,450.

Heavy-truck owners contend the imposition of an additional Federal fee of $107 on this type of vehicle is unwarranted.

Representatives of the motor carrier industry have demonstrated to my satisfaction that in Nevada the existing State and Federal taxes collected exclusively from commercial motor vehicle users of the Interstate Highway System are more than adequate to finance the improvements contemplated for that system and to pay the total maintenance costs for all users. This is offered as further proof that the new taxes imposed universally are adequate to meet their fair assignment without the imposition of any differential.

It seems obvious that there will be widespread opposition to the new Federal registration fee once the average truckowner is faced with paying it, evidence now pointing to the fact that only the larger companies are aware it is being proposed.

I believe the committee should carefully consider the elimination of the Federal registration fee, and that if this is not possible, that it should be modified to ease the burden on heavy transport vital to Nevada's economy.

The CHAIRMAN. I submit also the statement of Raymond Boll, vice President, sales, Cummins Engine Co., Inc., Columbus, Ind., on behalf of the automotive diesel engine industry, pertaining to the national highway program, and title II, H. R. 10660.

(The statement of Raymond Boll referred to is as follows:)

STATEMENT OF RAYMOND BOLL ON BEHALF OF AUTOMOTIVE DIESEL ENGINE INDUSTRY PERTAINING TO THE NATIONAL HIGHWAY PROGRAM AND TITLE II, H. R. 10660

This statement is submitted by Cummins Engine Co., Inc., Columbus, Ind., on behalf of the following manufacturers of automotive diesel engines: Mack Manufacturing Co., Plainfield, N. J., and Allentown, Pa.; the Buda Division of Allis-Chalmers Manufacturing Co., Harvey, Ill.; and Cummins Engine Co., Inc.,

Columbus, Ind. Together these companies manufactured over 80 percent of the new automotive diesel engines registered in the United States during 1955.

The country urgently needs an expanded highway program. Recognizing this, we recommend the prompt enactment of legislation for a National System of Interstate and Defense Highways by the Congress of the United States.

It is our firm belief that the tax measures of the proposed legislation should be equitable and apply to all highway users on an across-the-board basis. Title II of H. R. 10660, the Highway Revenue Act of 1956, meets the above requirement.

We would not be in favor of any changes in this bill, as written, which would place a differential tax on diesel fuel for automotive use . Such a differential would tax the efficiency of the diesel engine, would have an adverse effect on the comparatively small automotive diesel engine industry, and would also have an adverse effect on a very small segment of highway users.

Less than 12 out of every 10,000 vehicles on the highway are diesel powered:

1. Total vehicle registrations in the United States	58, 269, 642
2. Total diesel truck registrations	65, 000
3. Diesel trucks as a percent of total of all vehicles	0. 11
4. Total registrations medium and heavy duty trucks	3, 550, 000
5. Total diesel truck registrations as a percent of total medium and heavy duty truck registrations	1. 83

Currently, the diesel-powered truck is taxed more heavily at the Federal level than the gasoline-powered truck. For example:

1. The additional Federal excise tax on new diesel-powered equipment is $200 to $400 higher than the tax on comparable gasoline-powered equipment at the current 8-percent excise tax rate. This is due to the fact that diesel trucks cost from $2,500 to $5,000 more than comparable gasoline vehicles. A summary of cost data, as provided by four large truck manufacturers, is attached as exhibit I.

2. Likewise, the Federal excise tax on diesel-powered truck replacement parts is higher since such parts cost more per unit than comparable gasoline-powered, vehicle replacement parts.

3. Motor carriers report tire usage, in general, is higher on the diesel vehicle than on comparable gasoline units. Hence, more tire tax is borne by the operators of diesel-powered equipment.

The proposed increase of Federal excise tax from 8 to 10 percent would require diesel-powered trucks to contribute a greater increase in dollars in Federal taxes than gasoline-powered trucks. For example:

1. A gasoline-powered truck costing approximately $6,000 at 8-percent excise tax contributed $480 and, at the proposed 10-percent excise tax, would contribute $600. This is an increase of $120.

2. A comparaable diesel truck costing $10,000 at the proposed 8-percent excise tax rate contributed $800 and, at the proposed 10-percent excise tax rate, would contribute $1,000. This is an increase of $200, or a greater increase than that borne by the gasoline-powered truck.

3. Thus, the diesel will pay a greater increase in dollars than a comparable gasoline powered vehicle, if the excise tax in increased from 8 to 10 percent. We do not oppose the increase in excise tax from 8 to 10 percent, since the proposed change results in a uniform rate of excise tax for all motor vehicles.

Diesel trucks, in general, carry less revenue-producing cargo than comparable gasoline powered vehicles. Due to additional weight and drive components (transmission, rear axle, etc.), the diesel truck carries 1,000 to 2,000 pounds less revenue producing cargo since it is governed by the same maximum weight limitations as gasoline vehicles.

The price of diesel fuel in recent years has increased to the point where it is comparable in price to gasoline:

1. Wholesale prices without State and Federal taxes, as averaged from 17 Midwest points, 3 eastern points, 3 western points, give an average cost difference of 1.76 cents per gallon. See exhibit II attached.

2. Diesel fuel carries heavy tax burdens at the State level and only in two States is the State diesel fuel tax less than the State gasoline fuel tax (Wyoming 1 cent, Oklahoma one-eighth cent).

Automotive type diesel engines are vital to national defense:

1. The lightweight diesel engines developed primarily for highway use are the types of engines required by the armed services because of the portability, safety, rugged construction, and dependability.

2. Since the majority of these engines required by the armed services are used commercially for onhighway service the cost of research, design, and devel-

opment of these engines as well as the establishment of sizable manufacturing facilities is borne by the sales to the onhighway trucking industry. Thus, the armed services are beneficiaries.

3. Diesel engines of this type are used by the armed services in the following applications:

(*a*) Portable electric generating sets for the radar warning networks, guided missiles, and antiaircraft batteries, advance base, and general purpose field power.

(*b*) Engineer Corps construction equipment of all types.

(*c*) Marine propulsion and shipboard auxiliary power on mine sweepers, port security patrol vessels, air-sea rescue boats, landing craft, etc.

(*d*) Ground servicing and starting of jet aircraft.

(*e*) Defense Department industrial mobilization planning allocates the full production of this industry in wartime to defense uses.

Diesel powered trucks on the highway have many advantages to the public. Some of these are:

1. Fire hazard is negligible since diesel fuel will not vaporize and explode as will gasoline.

2. Deadly carbon monoxide gas is negligible in diesel exhaust.

3. Modern diesel powered trucks have adequate horsepower to keep up with normal traffic flow and, therefore, do not create traffic bottlenecks.

In conclusion, we heartily endorse and support the proposed roadbuilding program. We believe that if adidtional taxes are necessary a uniform across the board tax increase on all types of automotive fuel, following the historic pattern, should be levied.

EXHIBIT I

Comparison diesel and gasoline-powered trucks of same general weight classifications

	Horsepower		Truck tractor weight			List price		
	Gas	Diesel	Gas	Diesel	Differential	Gas	Diesel	Differential
Medium (classification):								
Truck A	145	150	7,500	9,300	1,800	$4,790	$8,890	$4,100
Truck B	145	180	8,350	11,200	2,850	5,435	10,400	4,965
Truck C	175	150	8,405	8,923	518	5,040	8,565	3,525
Truck D	212	175	9,155	9,673	518	6,390	9,715	3,325
Truck E	175	175	9,700	10,765	1,065	6,025	9,840	3,815
Truck F	185	170	10,700	11,325	625	8,240	10,860	2,620
Truck G	185	170	10,850	11,875	1,025	10,100	12,300	2,200
Average			9,240	10,440	1,200	6,575	10,080	3,505
Heavy (classification):								
Truck A	185	200	9,200	11,480	2,280	6,895	11,240	4,345
Truck B	175	180	13,000	15,100	2,100	7,200	10,265	3,065
Truck C	185	200	13,405	15,555	2,150	10,510	14,840	4,330
Truck D	185	170	14,150	15,075	925	11,815	14,575	2,760
Truck E	206	200	10,775	11,750	975	9,100	12,850	3,750
Truck F	226	165	14,535	15,610	1,075	14,570	15,475	905
Truck G	226	180	14,535	15,660	1,125	14,570	15,685	1,115
Truck H	226	200	14,535	15,610	1,075	14,570	16,395	1,825
Truck I	226	275	14,535	16,090	1,555	14,570	17,425	2,855
Truck J	226	300	14,535	15,935	1,400	14,570	17,900	3,330
Average			13,320	14,785	1,465	11,835	14,665	2,830

Source: Compiled from data provided by 4 large truck builders.

Diesel—Gasoline price comparisons [1]

[Cents per gallon]

	Diesel	Gas (86 ootane)
Average of 17 Midwest points	12.03	13.09
Average of East points, 3 points (New York)	12.45	13.83
Average of west coast points, 3 points (California)	12.20	15.04
Average of above points	12.23	13.99
Difference between diesel and gasoline average	1.76	

[1] Prices are wholesale prices without tax.

Source: The Oil Daily, May 11, 1956.

The CHAIRMAN. I submit also, in lieu of his personal appearance, a statement by Robert E. Brooker, vice president of Sears, Roebuck & Co., and chairman of the highway policy committee of the Illinois State Chamber of Commerce, on behalf of the Illinois State Chamber of Commerce.

(The statement of Mr. Brooker, to which reference is made, is as follows:)

STATEMENT OF ROBERT E. BROOKER RELATING TO H. R. 10660 ON BEHALF OF THE ILLINOIS STATE CHAMBER OF COMMERCE

My name is Robert E. Brooker. I am vice president of Sears, Roebuck & Co., Chicago, Ill., and chairman of the highway policy committee of the Illinois State Chamber of Commerce, for whom I am presenting this statement. The Illinois State Chamber of Commerce is a statewide association, with a membership of more than 14,000 businessmen from all sections of the State. These members are engaged in every type of business and range in size from large corporations to the self-employed.

The Illinois State chamber's highway policy committee, composed of 84 members representative of the chamber's membership, has, for many months, had under study and consideration Federal-aid highway measures introduced in Congress. This statement and the recommendations submitted are the result of the considered judgment of these committee members on the matter of Federal-aid highway programs and have been endorsed by the 71 members of the board of directors of the State chamber.

REASONS FOR CONCERN OVER H. R. 10660

At the outset I wish to make it clear that the Illinois State Chamber of Commerce has long recognized the need for developing a practical program of highway construction to meet present and anticipated highway requirements. We also recognized the great need for an accelerated highway-construction program to complete the National System of Interstate Highways connecting the principal population areas of the country. Our concern and our objection to H. R. 10660 stem from the fact that the needs estimates made by the 48 State highway departments on which it is predicated indicate that hurried and inaccurate surveys were made. It is also our opinion that an estimate of needs for a 10-year period is quite likely to be incorrect because it cannot take into consideration future technological improvements and variations in construction costs. Furthermore, the extremely high design standards adopted by the United States Bureau of Public Roads for the Interstate System do not permit integration of existing highways meeting realistic and practical standards.

NO INCREASES IN HIGHWAY USER TAXES NEEDED

The State chamber believes an adequate program continuing present Federal aid to the primary, secondary, and urban Federal-aid highway systems and a greatly accelerated interstate-highway program can be achieved without any increase in present tax rates and without the imposition of any new taxes. The 4-year Federal-aid highway program developed by the State chamber after thorough study is geared to meet known shortages of material, manpower, and

equipment, and is flexible—designed to meet any future changes in highway needs and standards.

FEDERAL AID FOR PRIMARY, SECONDARY, AND URBAN HIGHWAY SYSTEMS

The State chamber recommends that Federal assistance for these 3 Federal-aid systems should be continued on the basis authorized by the 1954 Federal-Aid Highway Act for the 4 years 1957–1960, inclusive.

Cost of continuing present Federal-aid program for primary, secondary, and urban highway systems, 1957–60

Year	Primary	Secondary	Urban	Total
1957	$315, 000, 000	$210, 000, 000	$175, 000, 000	$700, 000, 000
1958	315, 000, 000	210, 000, 000	175, 000, 000	700, 000, 000
1959	315, 000, 000	210, 000, 000	175, 000, 000	700, 000, 000
1960	315, 000, 000	210, 000, 000	175, 000, 000	700, 000, 000
Total	1, 260, 000, 000	840, 000, 000	700, 000, 000	2, 800, 000, 000

We believe the Federal-aid funds of $2,800 million provided by this 4-year program will adequately meet the requirements of these 3 highway systems pending further inquiry to determine future needs after 1960.

FEDERAL AID FOR THE NATIONAL SYSTEM OF INTERSTATE HIGHWAYS

The State chamber recommends acceleration of the Federal aid highway program for the National System of Interstate Highways serving the national defense and connecting the principal metropolitan areas of the Nation. We believe allocation of Federal aid to this system authorized by the 1954 Federal Aid Highway Act should be increased by 100 percent for the year 1957 and with progressively increasing total authorizations of $50 million annually for the succeeding 3 years.

Cost of State chamber proposed Federal-aid program for National System of Interstate Highways

Year	Interstate system
1957	$350, 000, 000
1958	400, 000, 000
1959	450, 000, 000
1960	500, 000, 000
Total	1, 700, 000, 000

In our consideration of the Interstate System we compared the Bureau of Public Roads 1949 estimate of the cost of completing the Interstate Highway System with the estimate compiled in the 1954 survey. Both of these surveys were made by the United States Bureau of Public Roads based upon needs estimates received from State highway departments. While higher design standards on which the 1954 estimates are based unquestionably account in part for the increase in cost estimates from $11 billion in 1949 to $23.1 billion in 1954, there is considerable doubt whether the difference in design standards and con-

struction costs alone would produce more than a doubled figure. Variations in the needs estimates by the States in 1949 and 1954 are shown below.

[In millions of dollars]

State	1949 [1]	1954 [2]	State	1949 [1]	1954 [2]
Alabama	$87	$366	Nevada	$19	$73
Arizona	92	210	New Hampshire	40	66
Arkansas	78	203	New Jersey	404	1,357
California	1,169	2,321	New Mexico	58	235
Colorado	72	157	New York	862	1,336
Connecticut	219	555	North Carolina	72	247
Delaware	49	66	North Dakota	45	107
Florida	115	496	Ohio	758	1,361
Georgia	175	700	Oklahoma	166	377
Idaho	50	107	Oregon	117	319
Illinois	856	1,065	Pennsylvania	926	760
Indiana	389	867	Rhode Island	86	123
Iowa	78	275	South Carolina	119	183
Kansas	89	207	South Dakota	44	95
Kentucky	181	492	Tennessee	241	380
Louisiana	221	493	Texas	435	872
Maine	74	147	Utah	84	238
Maryland	242	434	Vermont	54	178
Massachusetts	451	838	Virginia	207	569
Michigan	416	1,295	Washington	184	467
Minnesota	161	483	West Virginia	206	258
Mississippi	88	246	Wisconsin	127	323
Missouri	235	599	Wyoming	60	296
Montana	116	153			
Nebraska	48	106	Total	11,065	23,101

[1] Taken from pp. 54 and 55, H. Doc. No. 249, 81st Cong.
[2] Taken from pp. 6 and 7, H. Doc. No. 120, 84th Cong.

NO INCREASE IN TAX RATES FOR HIGHWAY PURPOSES NEEDED TO MEET PROPOSED PROGRAM

The estimates of Federal taxes relating to motor vehicles on the basis of tax rates in effect January 1, 1955, prepared by the Bureau of Public Roads for the President's Advisory Committee on a national highway program are shown below for the years 1957 to 1960, inclusive.

[In millions of dollars]

Year	Gasoline and oil taxes	Motor vehicle excise taxes	Total highway user taxes
1957	$1,190	$1,530	$2,720
1958	1,234	1,563	2,797
1959	1,275	1,592	2,867
1960	1,317	1,629	2,946
Total	5,016	6,314	11,330

The following table, relates the total cost of the Federal aid highway program proposed by the State chamber to anticipated highway user revenue. It clearly shows that present tax rates on motor fuel and oil alone will cover the cost of the State chamber's program.

[In millions of dollars]

Year	Total cost of proposed State chamber Federal-aid highway program			Revenues under present taxes	
	Primary, secondary and urban	Interstate highway	Total	Gasoline and oil taxes	Motor vehicle excise taxes
1957	$700	$350	$1,050	$1,190	$1,530
1958	700	400	1,100	1,234	1,563
1959	700	450	1,150	1,275	1,592
1960	700	500	1,200	1,317	1,629
Total	2,800	1,700	4,500	5,016	6,314

PRESENT MATCHING FORMULA OF 60-40 FOR THE INTERSTATE HIGHWAY SYSTEM SHOULD BE RETAINED

The proposal in H. R. 10660 for a matching basis of 90-10 seems to rest primarily on the assumption that the States cannot meet the needs for highway improvements for the Interstate System and, therefore, that increased Federal participation is the only course available. The assumption that more Federal financial help is needed should take into consideration the substantial progress made in road construction in recent years and the ability of the States to carry on an accelerated program of highway construction for the Interstate System. We believe it is highly desirable that the States continue to bear their responsibility and not abdicate their control of highways to the Federal Government. The proposed 90-10 matching formula would cause the States to relax their own efforts to provide required funds and can only lead to complete Federal control over the Interstate Highway System.

A study of Illinois highway revenues available for matching purposes shows that it would be capable of meeting the State chamber's program of increased Federal aid to the Interstate Highway System.

Program as it would apply to Illinois, 1957

	State matching requirements	Federal aid available
Urban 50-50	$12, 100, 000	$12, 100, 000
Primary 50-50	12, 164, 000	12, 164, 000
Secondary 50-50	3, 000, 000	6, 625, 000
Interstate 60-40	11, 800, 000	16, 200, 000
Total	39, 064, 000	47, 089, 000

For the years 1958 through 1960 the matching requirements would be increased by $1,550,000 annually to meet the stepped up program for the Interstate System.

State matching requirements

1958	$40, 614, 000
1959	42, 164, 000
1960	43, 714, 000

This year, 1956, Illinois has $40 million available for Federal-aid matching purposes. Highway revenues can be expected to increase with new car registrations and by reason of increased revenues from gasoline taxes. The rate of increase in gasoline tax collections in Illinois in the 1950-55 period was 25 percent.

INTEGRATION OF TOLL AND PRIMARY HIGHWAYS INTO THE INTERSTATE SYSTEM

A large number of States have undertaken extensive toll-road programs. At the present time 1,742 miles of toll highways have been constructed and are in operation. Thirteen States now have more than 1,250 miles under construction. We believe it is highly desirable that existing and future toll highways, while not meeting the exceedingly high standards established by the the United States Bureau of Public Roads for the Interstate System should be integrated if they meet practical and realistic needs of design and safety compatible with local conditions. Primary highways which measure up to this criterion should also be integrated in the Interstate System.

We are opposed to any program designed to reimburse States or toll road authorities for the cost of toll roads or present free highways. Inasmuch as toll roads have been privately financed on a self-liquidating basis and will become part of the free highway system upon liquidation of the debt, Federal reimbursement or credit is not necessary or desirable.

CONTINUE CENTRAL COORDINATION OF ALL FEDERAL-AID HIGHWAY PROGRAMS

The value of the United States Bureau of Public Roads as a coordinating agency of Federal-aid programs has long been recognized and we recommend continued central coordination by the Bureau of all Federal-aid highway programs.

A NEW SURVEY OF FEDERAL-AID HIGHWAY NEEDS SHOULD BE UNDERTAKEN

As we have pointed out, the tremendous variations between the highway needs estimates of many States in the 1949 and 1954 surveys compiled by the United States Bureau of Public Roads are of great concern to us. We believe a new, complete, and detailed survey should be undertaken during the next 3 years by the United States Bureau of Public Roads in cooperation with the individual State highway departments and any subdivision thereof to provide a sound basis for determining needs of all Federal-aid highway systems after 1960 with annual progress reports. A study is also needed to determine methods of financing the National System of Interstate Highways in States in which it is clearly demonstrated that adequate State revenues cannot be obtained to meet the Federal allocation.

CONCLUSION

In our approach to the problem of an adequate Federal-aid program, we have done so with a deep sense of responsibility and the recommendations which have been submitted represent the thoughtful and considered judgment of many responsible men. They have been made with great concern for the recognized needs of our highway system and yet with a feeling of responsibility to achieve a sound solution within the framework of our present tax structure.

The CHAIRMAN. I submit also the statement of John E. McClure, Washington, D. C., on behalf of the liquified petroleum gas users, in lieu of his personal appearance.

(The statement of Mr. McClure, to which reference is made, is as follows:)

STATEMENT SUBMITTED ON BEHALF OF LIQUEFIED PETROLEUM GAS USERS BY JOHN E. MCCLURE, ESQ., WASHINGTON, D. C., IN RE H. R. 10660 AND H. R. 10661

The foregoing bills would tax gasoline and special motor fuels, including liquefied petroleum gas, when used in highway vehicles, at 3 cents a gallon. See sections 202 and 205 thereof. For nonhighway motor-vehicle use, however, gasoline is to be taxed at only 2 cents a gallon, but apparently through oversight or otherwise, liquefied petroleum gas and other special motor fuels are to be taxed at a rate of 3 cents a gallon. In other words, gasoline used in nonhighway motor vehicles is to be taxed at only 2 cents a gallon, whereas special motor fuels so used are to be taxed at 3 cents a gallon.

We feel that a correction is necessary, otherwise a serious injustice would be done the liquefied petroleum gas industry, one of the fastest growing industries in the United States, and to the many users of liquefied petroleum gas as fuel in nonhighway vehicles.

SUGGESTED AMENDMENTS

In order to correct the injustice we suggest the following amendments:

Page 32, line 12, insert after the word "liquid" and before the word "sold" the following words "taxable under subsection (b) and"

Page 32, lines 12 and 13, delete the words "as a fuel for the propulsion of a motorboat or airplane" and substitute therefor the words "otherwise than as a fuel for the propulsion of a highway vehicle."

Page 32, line 18, delete the word "motor" and substitute therefor the word "highway."

Page 47, lines 14 and 15, delete the words "motorboat or airplane" and substitute therefor the words "motorboat, airplane, or motor vehicle other than a highway vehicle."

LP GAS NONHIGHWAY USERS

In order that you might know the extent to which liquefied petroleum gas is used in nonhighway vehicles, there is attached hereto a partial list of such motor vehicles.

NONHIGHWAY MOTOR VEHICLES

Road rollers
Ditch diggers
Side dump carts and wagons
Prime movers—construction—rubber-tired, crawlers

Truck-mounted drilling rigs
Motor graders
Excavators
Elevating graders
Dam construction trucks
Logging trucks
Saddle trucks
Fork-lift trucks
Steel mill and ore trucks
Industrial wheeled tractors
Clay-mining trucks
Colliery trucks, mobile mining equipment
Truck-mounted shovels and backhoes
Truck-mounted cranes
Overhead tractor shovels
Earth movers
Excavating scrapers
Scarifiers
Railroad equipment
Concrete mixers and pavers
Bituminous mixers and pavers
Portable aggregate batching plants

The CHAIRMAN. The first witness will be Mr. J. David Brothers, of the Virginia Highway Users Association.

STATEMENT OF J. DAVID BROTHERS, PRESIDENT, NEW DIXIE LINES, RICHMOND, VA.

Mr. BROTHERS. Mr. Chairman and gentlemen of the committee; my name is J. David Brothers. I am president of the New Dixie Lines, Inc., of Richmond, Va.

I appreciate the opportunity to appear before this committee and express my views on the tax provisions of H. R. 10660.

It might be well at the outset to make my position crystal clear. I oppose those provisions of H. R. 10660 that provide for a new Federal weight tax or license fee. I do not, however, oppose the provisions of this bill which provide for increased taxes on motor fuel, tires, camelback and new equipment. But, the addition of the Federal weight tax of $1.50 per thousand pounds on trucks in excess of 26,000 pounds gross weight is just more than my little company can afford.

New Dixie Lines, Inc., is a small common carrier, operating over irregular routes, in Virginia, North Carolina, and parts of South Carolina. We also serve the entire State of North Carolina as an intrastate common carrier.

Our company owns and operates 75 tractors, 89 trailers, and 39 pickup and delivery trucks between or out of our 7 terminals in North Carolina and Virginia. We are a small company and our total revenues over the past 3 years have averaged $1,761,805.76 per year. On this gross revenue, through rigidly enforced economies and hard work, we have made an average taxable profit of $46,488.19 annually. It is easily perceptible that after taxes we have a very small profit to grow on or to establish sufficient surplus for that inevitable "rainy day."

We have carefully analyzed our operation to determine the effect of the tax increases proposed under H. R. 10660 and we find that the increase in motor-fuel tax, tire tax, tax on new equipment, and the new tax on camelback plus the Federal weight tax will amount to $19,601 per year, or 42.2 percent of our profit before taxes. The new Federal weight tax alone will cost my company almost $5,000

per year, or more than 25 percent of the total Federal tax increase.

I fully realize that the highway system of this Nation is in need of immediate improvement and that the trucking industry must pay its fair share of these improvements and that my company individually must pay its share.

In Virgina, as chairman of the legislative committee of the Virginia Highway Users Association (the trucking association of Virginia), I was closely associated with the trucking industry's program, in the 1956 legislature, which called for a 33⅓ percent increase in fuel tax to be applied on trucks alone. Although the trucking industry in Virginia was already paying its fair share of highway use taxes to the Commonwealth, a fact established by independent studies, we knew that if our State was to continue to progress and prosper we had to improve our highways and to this end we volunteered to accept additional taxes to keep pace with our critical highway needs.

And now, after that, the Federal Government proposes to increase the tax on my fuel, my tires, camelback, and my new equipment in an amount that will total $14,600 annually, or 36.4 percent of our average profit before taxes. The hardship that this exorbitant tax will place upon my company is clearly perceptible. We cannot absorb this terrific burden. It will place us at a distinct disadvantage with other forms of transportation because, to meet the staggering taxload, we must secure rate increases on traffic that will be forever lost to trucks if our rates go up. As if that where not enough, H. R. 10660 proposes an additional Federal weight tax that will increase the burden on my company an additional 5.8 percent or a total of 42.2 percent of our profit before taxes.

I believe that our company is typical of the many trucking concerns whose operations are limited and who cannot use the proposed Interstate Highway System except to a limited extent. Our company's system covers roughly 4,488 miles of highway and we would be able to use the Interstate System less than 15.5 percent of our mileage.

Therefore, any expected saving from improved highways would have a very limited effect on us, as far as the Interstate System is concerned. We would be paying additional taxes equivalent to nearly one-half of our income before taxes, for alleged economies in vehicle operation upon highways which we would have little or no opportunity to use. In citing these facts I am not opposing the highway program—as my conduct in Virginia will show—but as a truck operation I feel that this committee should be advised as to exactly how the proposed tax increases in H. R. 10660 will affect motor carriers in general and my company in particular.

As a truck operator, who is a member of the organized trucking industry, I feel that the only fair and equitable method to tax highway users is to tax them on an "across the board" basis, such as was provided in the original Boggs bill. An across-the-board tax basis does not mean that you have across-the-board tax payments. The average automobile gets 16 miles to a gallon of gasoline and my fleet averages only about 4 miles per gallon. The average passenger car tire weighs about 20 pounds, while my truck tires will average 110 pounds. So, although the tax rate may be the same, the New Dixie is bearing under the schedule of increases proposed on fuel, tires, camelback, and new equipment, a tax increase that amounts to 36.4 percent of my company's new profit before taxes.

In addition to this, H. R. 10660 proposes an additional increase of 5.8 percent in the form of a new Federal weight tax. I feel that with this terrific tax increase I have adequately shouldered my burden without the addition of the Federal license fee.

Therefore, I earnestly request this committee to eliminate the weight-tax provision from this bill as it is punitive, unjustified, and discriminatory—and in my case, approaches confiscation.

Thank you.

The CHAIRMAN. Thank you very much, Mr. Brothers.

Any questions?

The next witness is Mr. Lacey V. Murrow, of the American Automobile Association.

STATEMENT OF LACEY V. MURROW, HIGHWAY CONSULTANT, ACCOMPANIED BY K. B. RYKKEN, SPECIAL ASSISTANT TO THE EXECUTIVE VICE PRESIDENT, AMERICAN AUTOMOBILE ASSOCIATION

Mr. MURROW. Mr. Chairman and members of the committee, my name is Lacey V. Murrow, of Washington, D. C. I am consultant on highway matters to the American Automobile Association. Appearing with me is K. B. Rykken, special assistant to the executive vice president.

The American Automobile Association wishes to express its appreciation for the privilege of making a formal statement at this hearing. At the outset we would like to say that last year, when alternative proposals were being considered to finance an expanded Federal-aid highway program, the AAA strongly advocated pay-as-you-build financing as compared with revenue bond financing. Within the framework of the pay-as-you-build approach, our major concern has been, and still is, an equitable distribution of the taxload as between the different classes of highway users.

When the AAA appeared before the Ways and Means Committee of the House of Representatives early this year, it presented a tax structure which would have provided for a higher rate of taxation to be paid by large trucks than the tax rate to be paid by passenger cars and small trucks. This tax-rate differential was based upon a greater rate of tax on diesel fuel than on gasoline, and a greater rate of tax on tires and tubes used by large trucks than the rate of tax on similar items used by passenger cars and small trucks.

The AAA made those recommendations because it believes that equity in highway finance requires taxation of heavy trucks to be at a higher tax rate than the rate paid by passenger cars and light trucks. This view is supported by a number of objective studies and statements made by State legislative and executive agencies in recent years. Typical of these studies and statements which reveal that across-the-board taxes are no longer an adequate measure of highway use are those made in the States of California, Iowa, Ohio, Louisiana, Minnesota, and New York.

The fact that a tax rate differential as between classes of vehicles reflects equity in highway user finance is punctuated by enactments of the legislatures of all 48 States, which have adopted special tax devices under which heavy trucks pay more than would be obtained

from them under an across-the-board tax structure. These special devices include the following:

1. A greater rate of tax on diesel fuel than on gasoline. This differential, which conforms with the reduced costs and greater efficiency of diesel fuel, has been adopted in seven States, namely California, Iowa, Kansas, Mississippi, Montana, New York, and Texas. It has been recommended in other States, including Colorado, Michigan, Ohio, and Virginia.

2. A gross receipts tax on gross revenues derived from intrastate movements or property. This type of tax has been adopted in 12 States. They are Arizona, California, Indiana, Louisiana, Mississippi, Montana, New Mexico, North Carolina, Texas, Utah, Virginia, and West Virginia.

3. A highway compensation tax, with progressively increasing rates as vehicular weights increase. This tax exists in two States, Iowa and South Dakota.

4. An axle mile tax, which is in force in Alabama and Ohio.

5. A weight-distance tax, which has been adopted in seven States, namely, Colorado, Florida, Michigan, New York, Oregon, South Carolina, and Wyoming.

6. A progressive increase in the rate of the registration fee paid for trucks, truck-tractors, semitrailers, and trailers, as the weight of the vehicle increases. This method of increasing the rate of payment is used in practically all the States. Only five States and the District of Columbia do not use this method.

Although the matter before this committee, title II of H. R. 10660, which was adopted by the House of Representatives almost unanimously, does not provide the kind of tax rate differential originally recommended by the AAA, it does provide for a higher rate of taxation to be paid by trucks and buses having a gross weight of 26,000 pounds or more. That higher tax rate is in the form of a highway user tax of $1.50 per thousand pounds applicable to those vehicles. This proposal does not completely provide for an equitable tax distribution among various classes of highway users because it is limited to only approximately 700,000 of the largest trucks and buses, whereas equity would extend the base of the tax to include about 3,500,000 vehicles weighing 10,000 pounds and over.

The evidence already available clearly justifies a tax rate differential. A more precise determination as to such a differential is desirable. Hence the association endorses the provision in H. R. 10660 which directs the Secretary of Commerce to make an investigation of the proportionate shares of design, construction, and maintenance costs of Federal-aid highways which are attributable to various classes of vehicles using the highways; and to take into account other benefits, both direct and indirect, accruing to different classes of persons as the result of Federal-aid highways.

Progress reports on this study would be made in 1957 and 1958 and a final report on or before March 1, 1959. According to the report on H. R. 10660—House Report No. 2022, 84th Congress, 2d session, page 55—

> the purpose of these studies is to make available to Congress information which it may use to determine what taxes should be imposed to assure to the extent practical an equitable distribution of the tax burden among the different

classes of persons using the Federal-aid highways or deriving benefits from these higways.

The AAA suggests that a final reporting date of March 1, 1959, may be overly optimistic. This observation is based on the prediction that the results of the American Association of State Highway Officials road test in Illinois, now in advanced planning stages only, may not be completed and its finding correlated with the results of other studies by that date. Subject to these comments, the AAA strongly endorses title II, H. R. 10660, as a definite step in the right direction.

In making this endorsement AAA recognizes that title II of H. R. 10660 does not provide for funds:

1. To reimburse utilities for relocation of their facilities, presently located on highway rights-of-way.

2. To finance any extension of the Interstate System beyond the presently authorized 40,000 mile limitation.

The association is also opposed to reimbursement to any State for sections of the National System of Interstate Highways which already have been built, or are now being constructed to Interstate System standards, as toll roads or free roads.

Obviously, the foregoing features are matters of primary concern to the Public Works Committee; nevertheless they would affect financing and thus seem appropriately a matter of concern to the Finance Committee. In the absence of public hearings by the Senate Committee on Public Works in its consideration of H. R. 10660, the AAA wishes to record its vigorous opposition to the use of Federal funds to accomplish any of these proposals.

Thank you.

The CHAIRMAN. Thank you very much. Any questions?

The next witness is Mr. Guy W. Rutland, Jr., of Decatur, Ga.

Senator GEORGE. Mr. Chairman, Mr. Rutland is a citizen of our State, of our largest city, and is recognized as a gentleman of character and standing. We are pleased to have him here before this committee.

The CHAIRMAN. We are happy to have you.

STATEMENT OF GUY W. RUTLAND, JR., VICE PRESIDENT, MOTOR CONVOY, INC., ATLANTA, GA.

Mr. RUTLAND. Thank you. My name is Guy W. Rutland, Jr., and I am vice president of Motor Convoy, Inc., of Atlanta, Ga. Motor Convoy is a medium-sized common carrier operating over irregular routes in interstate commerce through the Southeastern States.

I am entirely aware of the fact that we do need a highway modernization program, and I am heartily in favor of the program. We certainly want to see it become a part of our Government financing here at this time. There are parts of the program already that we have been paying for through the years, as you are well aware of, in the way of excise taxes and other taxes that we pay on tires, tubes, motor fuel, and what not. But we have been accustomed to that. And we are sure that that more than pays our share of the way.

But in the past, all appropriations of these funds, as you are well aware, have not gone back to highway use. My first reaction to it, when I heard of the program, was that if we just put in there what

we are getting, we will pay for the program, and there wouldn't be any need for the additional taxes.

But I think all these things have been called to the attention of Congress, and they feel like, in order to have this highway modernization program, we will have to have new taxes.

I do welcome the fact that, as I understand it, you are to dedicate all the new taxes to highway use. But it seems only logical that we should dedicate all the taxes that come in to highway use, if they are being paid for that specific purpose.

If we were to do that, under the program that we are talking about, as suggested, and as the House passed it, you would take in over $55 billion during the life of the program. You only propose to put $38 billion back in the program, so we will have some $17 billion or $18 billion more than we are actually going to spend. And for that reason, it seems to me like we certainly ought to dedicate all the money that comes in for these things, these highway uses, and not just for the general funds, so that we could use it in any way we would like.

Now, in our own firm during the last several years, we have had an operating ratio of 96. That means that 4 cents out of every dollar we take in is left after we have paid all of our taxes and other expenses, except Federal and State income taxes. That gets it down to a very low factor. And our business is highly competitive. We can't raise our rates to make a normal income that we are entitled to, if we have additional taxes of 8 or 9 cents.

We operate in the State, and in figuring what it would cost us under this proposed bill, it will be about $35,000 more. Last year we made approximately $100,000 profit before income taxes.

Take that $35,000 out that we are talking about—and that does not include this tax we are talking about for Federal license tax—you see, it is over a third of our profit that we made before income taxes.

Now, if we were to add this other in, it would just get so close, it seems to me, that you couldn't operate with any idea of being able to weather any slight depressive season such as you have in our business—as a matter of fact, we are having it right now, because of some slow-down in the sale of motor vehicles.

The bill that came out of the House, originally introduced in the House, as I understand it, just put taxes on gasoline and diesel fuel and tires, additional taxes, and increased the excise rate on our trucks up to 10 percent, and incidentally froze it where it can't go back next year as it is on passenger cars.

Those things, though, were at least on a proportional basis.

And we just feel that, for those reasons, that equal rates applying to all is the fair approach to the problem.

I can definitely assure you that in my opinion, having studied it for a number of years, I know that the matter of taxes we pay because of our higher priced vehicles and our less gasoline mileage is certainly more than our share of it.

If we were to put this license tax on that we are talking about, although my vehicles are of lighter weight, not the lightest, but in the medium class, it would cost about $8,000, making approximately 40 percent of our profit before taxes to be paid into this additional fund.

Now, as you are well aware, since the beginning of motor vehicle taxation, the States have put license tags on trucks. In my State I pay about $500 for a tag. That is to help finance this program. And I think you gentlemen must realize that as our States match these funds, they are also going to have to have more money to get up their 10 percent.

And consequently, I feel sure that we are going to be called on again in my own State that just raised its gasoline tax in the last session to try to meet some of our highway costs—I feel that we are actually going to have to move into it again.

If you will remember, during the early years of World War II, the Government did put on a Federal tax, we had stamps on our windshields. And it proved, I think, very unsatisfactory to administer the thing. I don't think it was satisfactory for the income it brought in. And it was a temporary thing, and was abandoned very shortly thereafter. If anyone wiped your windshield off, you might lose it, and you would be subject to a fine.

If your windshield broke, you had to get another sticker to put on. And it was certainly a problem.

So we especially urge that the Federal Government not move into this matter of a highway tag on our vehicles. We are more than paying our share the other way in the taxes suggested in the bill you have before you, H. R. 10660.

But apart from this basic consideration, in our own particular operation, our typical unit weighs 13,000 pounds. Our load can vary from 4 jeeps at 9,600 pounds total weight of the jeeps up to about 15,200, which is the weight of a combination truck and pickup, into a load.

All of our trucks have to be able to handle those loads.

So you see that our combinations of weight will run from about 23,000 to about 28,000. Even though the great majority of our loads are less than 26,000, we would have to license them all, because when we go out at a shipper's request, he is likely to divert that unit and pick up something else which would be of a larger size to come back.

So we believe that certainly on this basis it would be most unfair for us to have to license all of our vehicles. Actually, our vehicles, having a lighter gross weight, would be paying taxes that would be prohibitive. We would have to pay the special tax on each of the units, and most of them would not be able to hold over 26,000 pounds. But our business is not unusual. It is typical of a lot of other truckowners in other fields who find that if a Federal license law is enacted, we will find ourselves pretty well hamstrung on the flexibility of our operation, which is the key to our success.

I appreciate you gentlemen giving me the time to appear. I would like to offer this statement to you, but basically it contains what I have said. I will be happy to answer any questions.

The CHAIRMAN. Without objection, the statement will be inserted in the record.

(The prepared statement of Guy W. Rutland, Jr., is as follows:)

Mr. Chairman, gentlemen of the committee, my name is Guy W. Rutland, Jr., I am vice president of Motor Convoy, Inc., of Atlanta, Ga. Motor Convoy is a medium-sized common carrier operating over irregular routes in interstate commerce through the Southeastern States. We transport new and used automobiles and trucks via the truck-a-way method.

As users of highways we are highly conscious of the need for rapid modernzation of our highway systems. We believe the highway construction program that is being considered by the Congress will bring about this needed modernization and will result in great benefits to all elements of our economy.

Traditionally, very important elements in our costs of operation have been the special Federal excise taxes we have paid on our new equipment, parts, accessories, tires, tubes, lubricating oil and motor fuel. These taxes have existed on truck operators, and other highway users, with no comparable taxes on our competitors, the railroads.

In the past only a portion of these special Federal automotive excise taxes have been returned through Federal highway appropriations. It was for this reason that our first reaction to the proposed highway program was that it could be financed by dedicating all of the special Federal automotive excise taxes to highways. This would mean that additional taxes would be unnecessary.

These facts have been called to the attention of the Congress but apparently the decision has been made to finance the highway program by levying additional highway user taxes. These additional levies would be used in their entirety for the highways plus portions of the present taxes. We feel it unfortunate that additional taxes were found necessary but we applaud the decision to dedicate them to the highway program. At the same time we urge that consideration be given to dedicating all highway user taxes to the highway program.

For the past 2 years our company's gross operating revenues have averaged $2,728,000 annually. We have had an average operating ratio of 96.0. This means that out of every dollar of gross revenue we have 4 cents of revenue remaining after payment of all expenses but with State and Federal income taxes still to be paid.

This operating ratio is difficult to maintain or improve for we are faced constantly with increasing costs of labor and materials. Many of these increased costs must be absorbed as we are in a highly competitive industry where it is difficult to pass on these increases as adjustments in our rates.

Our company owns and operates 174 tractor semitrailer combinations. We estimate that the tax increases provided in the proposed bill, other than the special Federal truck tax of $1.50 per thousand pounds of gross weight for vehicles weighing more than 26,000 pounds, if applied to last year's operations would have cost our company over $35,000, or 32.8 percent of our net income before income taxes. It would have been approximately the same percentage of our 1954 net income before income taxes.

Needless to say, this represents an almost prohibitive increase in our costs of doing business and we do not welcome it. However, we recognize the difficult problem facing the Congress and its apparent opinion that if the highway program is to be undertaken, additional revenues are necessary.

The original bill provided these revenues and did so by increasing the rates in the present taxes, thus having them apply in an equitable manner to all highway users. Increases in the rates of the present taxes provide for a continuation of the tax differentials paid by the larger vehicles. These differentials come about because of the much higher cost of new equipment, far greater consumption of motor fuel by trucks for each mile traveled, and the greater weight of truck tires. Because of these factors the tax payments by trucks have been larger, both actually and relatively, than the payments of small vehicles and we are sure we more than pay our fair share of highway costs.

It was for these reasons that we felt that equal rates of tax increase applying to all was a fair approach to the problem, even though they meant an additional cost to our company of more than $35,000 annually. However, we object vigorously to the special Federal weight tax of $1.50 per thousand pounds of gross weight for vehicles weighing more than 26,000 pounds. This will cost our company an additional $7,570, raising our tax increase to $42,570, or 40 percent of our net income before income taxes. The addition of this special fee makes the tax program inequitable and unreasonable.

Not only is the special Federal weight tax unfair from the standpoint of the additional cost it represents, it is discriminatory and unjust as a method of tax. Perhaps more important, it represents an invasion by the Federal Government did move into this field through issuance of the Federal automotive-several States. Since the inception of motor-vehicle taxation, the States have licensed motor vehicles of all sizes and types and have assessed fees of varying amounts on each type. During the early years of World War II, the Federal Government did move into this field through issuance of the Federal automotive-use tax but the results of this experiment were far from satisfactory. For

these same reasons of experience and tradition alone, the special Federal weight fee should be stricken from the tax provisions of the highway bill.

Apart from these basic considerations we believe the Federal weight tax is inherently inequitable. Our typical tractor-semitrailer combination has an empty weight of 13,000 pounds. The loads customarily carried will range from 4 jeeps, weighing a total of 9,600 pounds, to a load of trucks, weighing a total of 15,200 pounds. This added to the empty weight of 13,000 pounds means that our gross vehicle weight would range from 22,600 pounds to 28,200 pounds. The very nature of our operations makes it necessary that our vehicles be completely interchangeable for the loads we carry. It would be necessary for us to license all of our truck-trailer combinations since any one of them must be available to carry our heaviest loads. Thus, we would have to pay the special tax on each of our units although most of the time the majority of them would be operating at gross weights under the 26,000-pound minimum. Our operation is not unusual. It is typical of automobile transporters and our problem is one of many that will be faced by all types of truckowners if this Federal license tax is enacted into law.

The CHAIRMAN. Questions?

Senator LONG. I doubt if my view is the prevailing view of the committee, but I do agree with you about the taxing feature. I don't see any need of placing these excise taxes on the highway users.

Nobody is proposing that the Federal Government should spend more than $2.5 billion a year, and our excise taxes on highway users are bringing in a billion dollars from gasoline; another billion dollars from excise taxes on automobiles and trucks; and another $500 million on accessories, diesel fuels, and other incidental taxes of an excise nature on highway users—that is more money than we are going to spend on highways, and if we don't raise it all, we can expect as time goes by, from year to year, that these same taxes will bring in more money.

The highway users are paying for all the highways. Now, in addition to that, indirectly they are bearing the brunt of the profits, that is, the taxes on profits that General Motors, Ford, and various others are making on the manufacture of automobiles.

For example, General Motors is paying about a billion dollars in taxes on corporate profits that I am not counting in that figure.

Ford is paying around $500 million a year. And we have a balanced budget for this year, they tell me. So I see no need whatever for increasing the tax bill to highway users.

Mr. RUTLAND. It has been awfully hard for us to understand this, but over in the House it seems that in order to have a highway bill, they have got to have more money.

We think the country needs a highway program, and we want to plug for that. But at the same time we can't afford to be put out of business by being singled out for an unproportional load.

Senator MARTIN. Might I make this comment. While I want us to keep taxes as low as we possible can, the illustration the distinguished Senator from Louisiana gave, that General Motors pays a billion dollars of taxes—well, good roads help General Motors probably more than any other corporation in the country. United States Steel pays a billion dollars in certain kinds of taxes, and the roads don't help them a great deal. Now, I don't say that I am not very much in sympathy with what you say, but we have got to watch the illustrations that we make. Everybody is paying enormous taxes in the United States. And as long as we are demanding more schools, more roads, more hospitals, and things of that kind, they must be paid

for. And of course taxes are enormously higher, they are in a dangerous place in the United States, 27 cents out of every dollar that each of us earns is taxes, and that is too big, there isn't any question about it. Of a hundred letters that I get, 1 will say "curb the expenses," the other 99 will be asking for roads, hospitals, schools, mutual aid, or something of that kind.

Mr. RUTLAND. One thing, Senator, that seems to come to my mind, and that is what I mentioned previously, if we are going to take in $55 billion and only spend $38 billion, or some such part of it, back on roads, that is going into general funds. Wouldn't it be better not to single out some of us highway users for $17 or $18 billion when you will get it in income taxes anyway? If we don't make any money, we can't pay it. It seems to us logical that we oughtn't to be taxed more than we are going to put back in highway's especially if the funds are coming in.

Senator BENNETT. I assume that Mr. Rutland is including in his $55 billion the excise tax on passenger cars.

Mr. RUTLAND. Yes; all funds.

Senator BENNETT. Should we then assume that we have no right to collect excise taxes of any kind unless we use that money specifically for the industry involved? What are we going to do with excise taxes on motion-picture operators? Would you say we have no right to collect excise taxes from them unless we benefit the industry? It seems to me that we have to start from the realization that our excise-tax system is a basic part of our general revenue, and that we cannot earmark excise-tax revenue for the benefit of the industry that pays the excise taxes. And I think that it was never the intention of the Congress to say that, while that might have been true in spirit on gasoline taxes, that the excise taxes on automobiles could only be spent on roads.

Senator WILLIAMS. Might I comment further on that. If we carry that principle to the extreme, we would be taxing the schools and hospitals to support the schools and hospitals, and we would end up maybe worse than we started.

Senator LONG. Isn't this the very point, the reason you are talking about raising the taxes on the highways is that you say you are going to benefit the highways, and therefore you are going to raise taxes from highway users? If it is just to balance the budget, you want to do it, they have got to balance the budget.

Senator BENNETT. But you haven't got a balanced budget after you add this highway program to it.

Senator LONG. I am one of those who believe in cutting the spending.

Mr. RUTLAND. In eliminating that excise tax from the picture altogther, we are taking in money to pay for the program at least several years ahead before we can begin to spend that money. Maybe I was wrong in that interpretation, that that excise tax was a method of getting general funds, I never had understood it.

Senator BENNETT. It is.

Mr. RUTLAND. I can't see your connection between motion pictures as compared to automobiles.

Senator BENNETT. Let's take the tax on furs, let's take the tax on liquor—we have a tremendous excise tax on liquor. You might like

to have it reduced, but we certainly are not under a moral obligation to devote all of the income from excise taxes on liquor for the benefit of the distilling industry.

Mr. RUTLAND. I might ask this, for information that I don't know. Is it really true that excise taxes should be part of the funds coming into the general funds, or should we get it through income taxes or other methods proposed?

Senator BENNETT. I think it is true that the excise-tax revenue is a very important, basic part of the revenue of the general funds, and has always been so considered. And none of it is earmarked, either morally or actually.

Senator LONG. I don't think that that statement will hold up, if you look at the history of that tax. The tax on gasoline was originally put on when the Federal Government went into the aid to highways program, and it was put on to finance that program. Now, that tax brings in more money, this excise tax on automobiles along with that brings in more money than you need for this highway program, that is why it was put on. That is why you are talking about raising this tax, because you are going to improve this program, and yet you have more money than you need for it already, that is the point I was making. And it seems to me you are arguing on both sides of the fence, saying, "Tax these people because we are going to improve the highway program," and on the other hand you say, "You can't look to the excise tax which we are proposing to raise here for funds to finance the highways." I don't think you can use the argument both ways logically.

Senator BENNETT. It is the impression of the Senator of Utah that what Senator Long says is accurate with respect to the automobile tax. But the excise tax with respect to television sets and all other manufactured products, I don't think it is fair to say that they must therefore be earmarked for the benefit of a particular part of our cost of Government. I think the tax on the products, the tires, the automobiles, are general excise taxes, and belong in the general revenues.

Senator WILLIAMS. Mr. Rutland, you suggested perhaps we could repeal these excise taxes and transfer them to income taxes. I don't know whether it has been called to your attention or not that if we repeal the excise taxes and put on a hundred percent tax on every income in America over $10,000 we would only cover one-half of what we lost by repealing the excise taxes.

Mr. RUTLAND. I am not familiar with that. I knew there must be a reason.

Senator WILLIAMS. I wanted to point out to you the impossibility of doing what you said, because it would mean almost the complete confiscation of incomes. So we are speaking about something that it is physically impossible to do.

Senator KERR. Fiscally impossible.

Senator WILLIAMS. It would be physically impossible, too.

Senator KERR. May I ask you a question. As I understand it, you were addressing yourself to section 4841 of the bill?

Mr. RUTLAND. Frankly, I am not familiar with the exact section.

Senator KERR. I wonder if he could be given a copy of the bill. Here is a copy. Then you can give it back to me.

Mr. RUTLAND. Yes. That specifically is what I was addressing myself to.

Mr. KERR. What page is that on?

Mr. RUTLAND. Page 56.

Senator KERR. If I understand the provisions of the subsection, a motor vehicle with a gross weight of 26,000 pounds would not have any tax imposed upon it by this section.

Mr. RUTLAND. That is true.

Senator KERR. Now, if it had a gross weight of 27,000 pounds, what would be the tax, as you understand it?

Mr. RUTLAND. You would pay 27 times a dollar and a half—you pay for the whole thing.

Senator KERR. Twenty-seven times?

Mr. RUTLAND. Yes, you pay for the whole thing.

Senator KERR. In view of the fact that they place no tax, or that the provision puts no tax on a 26,000-pound total-weight vehicle, what would you think about the placing of the tax at the rate of a dollar and a half a year for each thousand pounds of taxable gross weight above 26,000?

Mr. RUTLAND. Of course, Senator, that is what you might call a compromise. But, basically, we don't think it ought to be on that at all, because we are paying a higher gasoline tax than the others, and, therefore, we are paying an increasingly higher share of the cost of the roads at all time.

Senator KERR. What is the average gross weight of these vehicles?

Mr. RUTLAND. These that I am concerned with are 23,000 up to 28,000. And I was just trying to make it clear that I have to license all of our vehicles to haul the heaviest loads because a shipper would send them out and divert them to other places even though they wouldn't be hauling a heavier load.

Senator KERR. You would have to get a license for 27,000?

Mr. RUTLAND. That is right. I would have to license them all for the heavier vehicles.

Senator KERR. Under the bill, that would cost 27 times one and one-half dollars.

Mr. RUTLAND. That is right.

Senator KERR. Under the suggestion I made it would be $3.

Mr. RUTLAND. That is true.

Senator KERR. And you still object to that?

Mr. RUTLAND. I believe so, from this standpoint, Senator. It is, I think, basically wrong, because it is just adding more to the burden, because we can prove—I can in my own mind—that we are paying more than our share.

Senator KERR. I don't know of any taxpayer but what would admit that that is the situation.

Mr. RUTLAND. That is true. We are talking about excise taxes.

Senator KERR. That is, if you press him hard enough.

Mr. RUTLAND. Just press him lightly, but I know that that is true. Basically, that part, under 26, is terribly unfair, just in itself.

Senator KERR. I agree with you that it would be terribly unfair to put no tax on the 26,000 total weight and then put $1.50 a thousand on a 27,000-pound vehicle.

Mr. RUTLAND. That is right.

Senator KERR. But I don't agree with you that is would be terribly unfair if you charged $1.50 a thousand above the minimum which is itself exempted under the provisions of the bill.

Mr. RUTLAND. I see.

Senator LONG. Can you tell me how much money these taxes are supposed to bring in?

Mr. RUTLAND. The whole bill is supposed to bring in over the period of 15 years, I believe it is, some $55 million, of which 17 is excise tax.

Senator KERR. That is in the report.

Senator LONG. How much is it supposed to bring in the first year?

Senator KERR. Maybe the witness hasn't read it either.

Mr. RUTLAND. I haven't read the report. I can't tell you the first year. I know it starts by bringing in the money but you don't spend it the first year because the program has got to be initiated. It would be some 3 years before they could get into construction.

Senator LONG. How much is it supposed to be?

Mr. RUTLAND. Something like 3½ billion, if the increase is adopted.

Senator LONG. How much is the increase supposed to bring?

Mr. RUTLAND. The increase only?

Senator LONG. Yes.

Mr. RUTLAND. It would bring in—I wouldn't want to put it exactly because I am not sure about it. Maybe those figures are in the report. Are they? I couldn't tell you. I couldn't estimate. Half again—it would cost me half again what we are already paying, I can say that.

Senator LONG. About a billion dollars?

Mr. RUTLAND. Yes.

Senator LONG. If we by resolution of the Congress call upon the Federal Reserve Board to put the interest rates where they were before this administration came in, we would save so much money on that one item, you wouldn't need to raise the taxes. They would be a big feature. If you have a small business, you have got to borrow money.

Mr. RUTLAND. We all do.

The CHAIRMAN. You mentioned the 3 years before the taxes are paid——

Senator KERR. You will find the breakdown of the receipts on pages 20 and 21 of the House Report.

The CHAIRMAN. You realize, of course, that that is put in the trust fund for the benefit of the roads.

Mr. RUTLAND. That is the increase, I understood. They weren't going to put the other in, if you want to put them in there, if they don't come from highway use, they ought to be put in there and spent.

The CHAIRMAN. From your statement I wasn't sure whether it is clear in your mind at all the increase is going for the benefit of the roads, it isn't going into the general fund?

Mr. RUTLAND. Yes, sir, but you will also find that if it goes in there, the money that goes in each year, will come in the program, and that money put in there will probably just be laying up waiting to be used.

The CHAIRMAN. There will be some dispute as to that.

Mr. RUTLAND. It might be laying up.

The CHAIRMAN. We will hear more evidence about that later on.

Mr. RUTLAND. Thank you for letting me appear.

The CHAIRMAN. The next witness is Hon. Jouett Shouse of the National Association of Taxicab Owners.

STATEMENT OF JOUETT SHOUSE, COUNSEL FOR THE NATIONAL ASSOCIATION OF TAXICAB OWNERS

Mr. SHOUSE. Mr. Chairman and members of the committee, my name is Jouett Shouse, I am a lawyer in Washington and I represent the National Association of Taxicab Owners.

Within a few weeks after this country was drawn into the Second World War, our Government created the Office of Defense Transportation, with the late Joseph B. Eastman in charge. This office had jurisdiction of all forms of transport. Within it there was set up an Urban Division which, as its name indicates, was in control of urban transportation, with power of allotment of gasoline, spare parts, and all other paraphernalia necessary to the operation of urban transport vehicles. Within the Urban Division, provision was made for a section devoted solely to taxicabs, thus recognizing taxicabs as a necessary and, indeed, vital integer of urgan transportation. As a result, proper allotments of gasoline and of spare parts were made to taxicabs throughout the country.

At the time of the Korean war the Defense Transportation Administration was revived, with the same general outlines, and, again, a Taxicab Section of the Urban Transport Division was established.

Thus, taxicabs were recognized as an indispensable part of the transportation system of our cities and towns during both of these periods of war. Such recognition has since continued, and the wisdom of this discrimination has been repeatedly emphasized. Whenever streetcar or bus strikes have prevailed in any city, the population has been dependent on taxicabs as the only means of transportation open to the public to supplement privately operated vehicles.

The number of taxicabs has grown amazingly, and today they represent an irreplacable part of the urban transport system. To imagine a community without adequate taxicab service is to picture a situation which could not be allowed to exist under modern conditions.

For many years taxicabs have been classified as public utilities. Their rates are governed by law, either State or municipal, and cannot be increased save through considered, deliberate and circumscribed action of the designated authorities. Proper regulations of every kind and character have been devised in connection with their operation.

There is before you at the present time H. R. 10660. Your committee is dealing with the tax features of this bill. It is in that connection that I have requested the opportunity to address you.

In the bill as it passed the House, specific exemption is made for certain transit-type buses. The very proper basis of this exemption seems to be that these buses are, essentially, carriers for mass transportation within cities and towns and are seldom employed for intercity traffic. Thus their use of highways is infinitesimal.

I am counsel to the National Association of Taxicab Owners, the membership of which embraces a large number of the taxicab companies of the country. It is obvious that taxicabs constitute an important part of urban transportation. It is our belief and contention

that the same conditions apply to taxicabs as to city buses, and that therefore the exemption which has been made certain types of buses should apply equally to taxicabs. Otherwise an injustice is perpetrated.

For your information, certain data relative to the taxicab industry are submitted herewith: The estimated number of taxicabs in the United States is 120,000; for the year 1955 the number of passengers carried is estimated at 1,812,242,322. This means that the number of passengers carried per day was 4,965,046.

Senator KERR. How many would that make per cab?

Mr. SHOUSE. I give those figures a little later, Senator. You will see them on the next page.

The number of miles traveled during the year 1955 was 6,286,380,962. This, per day, amounted to 17,161,120; the average miles traveled per cab per year is estimated at 60,000.

The average miles per gallon of gasoline, 11.

This breaks down into figures which show that the 120,000 taxicabs in the United States consume per year 654,480,000 gallons of gasoline. An increase of 1 cent per gallon would thus amount to $6,544,800 for the taxicab industry per year.

The proposed 1-cent higher gasoline tax would produce the following increase in cost for the taxicab industry in specified cities:

I have enumerated them here. They are New York, N. Y. number of cabs in city 11,869; increased cost per year ($54.54 per cab per year) $647,335.26.

City	Number of cabs	Amount
Chicago, Ill	3,736	$207,761.44
Philadelphia, Pa	2,322	126,641.88
Los Angeles, Calif	1,033	56,339.82
Baltimore, Md	1,151	62,775.54
Cleveland, Ohio	586	31,960.44
St. Louis, Mo	1,300	70,902.00
Washington, D. C	9,500	518,130.00
Boston, Mass	1,525	83,173.50

This in some ways is less important than the relative increase in cost to operators in small communities.

We do not have available the figures for motor buses in urban transportation for the year 1955, but for 1954 the number of passengers carried was 6,045 million, or a per-day average of 16,561,643. The miles traveled by motor buses for the year 1954 were 1,761 million, or an average per day of 4,824,657.

On the basis of a survey of some 78,000 cabs reporting to the Cab Research Bureau for the year 1954, the following is shown:

Miles per shift	93.6
Trips per shift	21.4
Miles per man-hour	10.2
Trips per man-hour	2.38
Revenue per trip	$0.938
Miles per trip	2.45

NOTE.—These figures can be verified by the Cab Research Bureau, 803 Leader Building, Cleveland, Ohio, and have been certified by Mr. William J. Blazik, C. P. A., of Cleveland.

The last two figures (revenue per trip, $0.938 and miles per trip, 2.45) are particularly significant in that they demonstrate without

question that taxicabs are primarily urban carriers. While occasionally engaged for a suburban trip, the taxicab generally plies between depots, hotels, offices, factories, institutions, and residences. Because of this fact it has been ruled by the courts as not engaged in interstate commerce.

Senator KERR. Did you see the story yesterday about that cab that made a trip from Wisconsin to California?

Mr. SHOUSE. I did not, Senator. Was it carrying passengers or was it driving on its own?

Senator KERR. He had a lady passenger.

Mr. SHOUSE. I think that thing may occasionally happen, just as you have city buses that are used——

Senator KERR. I don't think it woud happen very often because he charged 50 cents a mile.

Mr. SHOUSE. The plain truth is that the taxicab has little occasion to operate on suburban roads or highways, and any retention for such service constitutes an infinitesimal part of its total business.

In view of all the facts set forth above, we submit the following contentions:

1. Taxicabs are an essential part of urban transportation and their activities are practically confined to urban transportation.

2. The Government, through the Office of Defense Transport in two successive wars, has recognized taxicabs as an essential part of urban transportation and has treated them accordingly.

3. Taxicabs are classified as public utilities.

4. The courts have decided that taxicabs are not instrumentalities of interstate commerce.

5. On that score, taxicabs have been exempted from the provisions of the Wage and Hour Act.

6. Apart from streetcars, taxicabs and city buses are the only two forms of urban transportation open to the public.

7. City buses have been exempted from the operation of H. R. 10660.

8. In view of that fact, it would appear to be a gross injustice that taxicabs should not be likewise treated.

9. Taxicab rates are regulated by law, and therefore an increase in the price of gasoline cannot be passed on to the user of the taxicab, save as a general rate increase might be had, and such increase, based on a higher price of gasoline, would not be granted by the governing authorities.

10. The margin of profit in the operation of taxicabs is small, and a higher price of gasoline, certainly in the business of the units in medium sized towns, would not only be unjust but would create a definite hardship.

The careful consideration of all these facts is respectfully urged upon your committee. We believe you do not desire to create an injustice such as would result unless taxicabs are exempted from the provisions of this bill.

The CHAIRMAN. Thank you very much, Mr. Shouse.

The next witness is Jeremiah Courtney, of the American Taxicab Association.

STATEMENT OF JEREMIAH COURTNEY, GENERAL COUNSEL, AMERICAN TAXICAB ASSOCIATION

The CHAIRMAN. You may proceed.

Mr. COURTNEY. Mr. Chairman, I am counsel for the American Taxicab Association. I do not intend to read my prepared statement. Mr. Shouse's presentation makes it possible for me just to supplement his very briefly.

The CHAIRMAN. Without objection, your statement will be inserted in the record.

(The prepared statement of Jeremiah Courtney, general counsel, American Taxicab Association, is as follows:)

STATEMENT OF JEREMIAH COURTNEY, GENERAL COUNSEL, AMERICAN TAXICAB ASSOCIATION ON THE FEDERAL HIGHWAY ACT OF 1956, H. R. 10660

My name is Jeremiah Courtney. I am general counsel for the American Taxicab Association, 4415 North California Avenue, Chicago 25, Ill. I want to thank you, Mr. Chairman, for this opportunity to testify before your committee.

Before going into any detail at all, I would like to give you our general position on the bill under consideration—H. R. 10660.

First of all, we appreciate that the authors of this bill have made every effort to come up with an equitable tax bill to insure the fulfillment of the highway road improvement program which the country needs. The tax burden on all bus nesses is so heavy today that it is highly important that any new tax be equitable in its impact on any business. And this is particularly true where small businesses are to pay the tax.

Now the taxicab industry by and large is a very small business indeed. A great many people are not aware of the fact that, in the taxicab industry, an apparently large operation will very frequently consist of a number of individuals banded together who own and operate their own cabs. Right here in the District of Columbia, for example, 65 percent of the cabs are owned and operated by individuals. Of the other 35 percent of the fleet or company operations, more than one-half of the cabs are leased to individual drivers on a flat weekly rental. All that the driver makes above the rental and costs of operation are his. There are no smaller businesses than these owner-drivers or lessee-drivers; and it is these individual owner-drivers or lessee-drivers who, in very many instances, are going to be paying the increased taxes that are provided for in this bill. We do not believe that these tax increases are equitable in their application to this small business industry because taxicab operations are confined to city limits and will therefore not directly benefit from the highway program which the tax increases are designed to finance.

So much for the general explanation of our position.

The American Taxicab Association is a voluntary, nationwide trade association of taxicab operators. It has some 1,500 members with representation in virtually every large city in the United States. While the ATA itself does not directly represent a large group of people, it does represent an industry that serves an estimated 3,655 million persons per year. The taxicab industry operates 125,000 taxicabs, with an average mileage of 66,000 miles per year per vehicle. However, virtually all this mileage is accumulated within urban areas, commercial zones of cities, and on city streets that generally are outside of and form no part of highway systems, for the improvement and expansion of which the present bill, H. R. 10660, is intended to obtain additional revenues by raising gasoline taxes and taxes on tires.

It is true that one can observe occasionally taxicabs traveling on open highways. However, by ovserving the volume of taxicab travel within the downtown areas of cities, it becomes clear that any use by the taxicabs of the highways to be financed by this revenue measure is sporadic and infinitesimal in comparison to the total 66,000 miles traveled by the average taxicab each year, at least 95 percent of which is traveled within cities and over urban roads which are not a part of the highway program covered by this bill.

It is true likewise that 25 percent of the money authorized for the Federal highway program is to be devoted to projects on extensions of the primary and secondary highway systems within urban areas. This, however, does not mean

that taxicabs will be extensively using even these extensions of Federal highways into the urban areas. On the contrary, such extensions of Federal highways into the urban areas will very likely have the result of concentrating to a greater degree than is now present the movement of taxicabs within the commercial zones of cities. This will happen because the improved highways will bring more private cars into the cities and cut down on the demand for taxicab travel to the outskirts and, therefore, further diminish their already insignificant use of highways. Moreover, it is very likely that taxicab operators will find the use of the new Federal highways extremely impractical in their business because these highways are primarily intended to be limited access and exit thoroughfares. (See p. 14 of the report of the Committee on Public Works to accompany H. R. 10660.) This limited and controlled access to the new Federal Highway System means that there would be much less incentive than there is even now for taxicabs to enter these roads and stray away from the commercial areas from where their primary business is derived.

The American Taxicab Association is in accord with the objectives of the bill, to the extent that it provides for reasonable and equitable increases in excises and motor-fuel taxes on highway users to defray the cost of the proposed highway program. This means that the cost of the program should be borne, in order to be equitable, by those who will be its primary beneficiaries, that is, the highway users. The taxicab industry, as already pointed out, by its very nature is not a highway user, but primarily a user of city streets which do not form a part of any highway system and which will, therefore, not benefit directly from the proposed program.

It seems to us that the taxicab, confined as it is to the city streets by the nature of its function and, generally, its operating license which confines it to the city limits of the issuing municipal authority, logically comes within the category of other than a highway vehicle, and is in principle indistinguishable from the transit-type bus which will enjoy an exemption from the increased gasoline tax. It is not reasonable, and certainly not altogether equitable, therefore, to subject this taxicab to a tax, the specific purpose of which is to pay for a highway system it will neither use nor directly benefit from in its business.

The taxicab industry is a heavy consumer of both the gasoline and tires which are subject to the proposed tax increases. This consumption, in fact, is so heavy that the proposed tax increases will very substantially decrease the already small profits of the taxicab industry.

The taxicab industry is a regulated industry. Its rates are regulated and controlled by local public utility-type commissions. As with all regulated industries, any increase in operating costs cannot easily or immediately be passed on to the rider. Any rate increase designed to compensate for the proposed taxes would have to, in most cases, be first approved by the local regulatory body, perhaps after a hearing and considerable delay. Rate increases are a doubtful and hazardous answer to this problem, anyway, because they may cost more in reduced public demand than they bring back in rate increases.

Let me now show specifically the impact of the proposed taxes on the taxicab industry:

Basing our computation on the 125,000 taxicabs in operation previously mentioned, each averaging 66,000 miles per year, and the estimate that, on the average, a taxicab uses 1 gallon of gasoline for each 11 miles of travel, the 1-cent increase in the gasoline tax would cost the industry $7.5 million a year. The increase in the tax on tires, based on the average weight of 21 pounds per tire and a 25,000-mile average life, would aggregate in excess of another $750,000 per year.

It is estimated that the net operating profit per taxicab averages not more than 1 cent per mile. This means that the average cab covering 66,000 miles per year would show a net operating profit of $660. I know many fleet operators that would very much like to make $660 a cab, but assuming that return to be an average, the gasoline tax would, on the basis of the above mileage estimate and the rate of 11 miles per gallon of gasoline; i. e., 6,000 gallons per year, cost each operator an additional $60 per year for extra gasoline tax plus approximately $6 for the extra tire tax and thus decrease the net profit by 10 percent.

This perhaps would not be an unreasonable amount if the taxicab operator so affected were to be a beneficiary of the proposed program. But, as already mentioned, he will not benefit from the program because his traveling is confined within urban routes which are outside the scope of the proposed legislation. This means that the taxicab operator will in effect subsidize the high-

way program for the benefit of other motorists. If the increased operating cost resulting from these taxes is passed on to the taxicab riding public, then this public will be paying for the highway program from which it does not benefit directly, either.

The inequity of applying the proposed tax increases to the taxicab industry becomes further apparent when we compare the relative burden to be borne by the taxicab industry with that to be borne by the other motorists, even apart from the fact that the taxicab industry will derive virtually no benefit from the highway improvement program. There are approximately 60 million vehicles traveling the various roads of the United States. This figure includes trucks. The total mileage covered by these vehicles aggregates approximately 600 billion miles annually. This means that an average car travels approximately 10,000 miles per year. Computing the increase in the gasoline tax, to be borne by each motorist, on the same basis of the same mileage per gallon as that obtained by taxicabs, that is, 11 miles, the average increase per vehicle would be $10 per year. (In fact this figure is $6.33 according to the estimate of the U. S. Bureau of Public Roads.)

Thus we see that the tax load to be carried by the taxicab operator who does not use the highways will be, at least, 6 times and probably closer to 9 times larger than that shouldered by the average vehicle-owner who does use them.

The disparity of the burden is further highlighted when it is realized that one-third of the estimated overall mileage traveled by all vehicles in the United States is carried by the Interstate Highway System, that is, approximately 200 billion miles a year. The taxicab's share of this mileage is, of course, infinitesimal; probably less than one-half of 1 percent.

The bill before you already recognizes the principle that the cost of the proposed highway program should be defrayed by its primary beneficiaries. Thus the bill proposes to exempt both from the increased gasoline tax and the tax on use of highway vehicles with a taxable gross weight of more than 26,000 pounds, scheduled common carrier public passenger land transportation service operating along regular routes which can show that during the prescribed taxable period at least 60 percent of their total passenger fare revenue is attributable to fares which are exempt by section 4262 (b) of the Internal Revenue Code from the 10 percent transportation tax relating to the exemption for commutation travel. This means that transit-type buses will be exempt from the increased gasoline tax and the use tax imposed by the bill, presumably on the theory that their use of the Federal-aid highway system will be insubstantial. In this connection it should be noted, however, that a transit company may come well within the 60 percent of revenue exemption test and yet operate over routes the major portion of which constitute a part of the Federal-aid highway system. This would appear to be true of all commuting buses operating between Alexandria or Arlington, Va., and the District of Columbia, and traveling regularly over the Mount Vernon Memorial Highway, the Jefferson Davis Highway, the Shirley Highway, and Route 50.

The use of these highways by these exempt transit buses would seem to exceed many, many times the use of the same roads by the taxicabs of the District, Alexandria, and Arlington. Similar examples of the use of the Federal-aid highway system by the exempt transit buses undoubtedly exists in other areas of the country. Such use will, no doubt, continue to increase as the movement of the city population to the suburbs continues to grow. It is submitted, therefore, that the exemption principle applied to the transit system buses is equally, if not more, applicable to the taxicab industry.

The loss of revenue which would result from the exemption of the taxicab industry from the increased gasoline tax is estimated to be $7,500,000 per year, which again is an infinitesimal fraction of the overall revenue of $38,498 million to be derived from this tax measure between 1957 and 1972.

The exemption from the tire excise would be similarly insignificant, revenue-wise. Yet, if this exemption is not granted, the tax burden imposed by the increase in the gasoline tax alone will cut down the operating profit of each taxicab by nearly 10 percent per year. It would seem, therefore, that the burden on the industry would be out of all proportion to the revenue that would be derived from this tax measure if the taxicabs are not exempt from the coverage of H. R. 10660.

Our case for requesting an exemption from the proposed increase in excises and motor fuel taxes is based, therefore, on the fact that the taxicab industry will derive very little, if any, direct benefit from the proposed highway program; yet, under the proposed legislation, it would be required to share a dispropor-

tionately large part of the financial burden, the inequity of which falls with particular impact on the small-business taxicab industry.

Mr. COURTNEY. Thank you.

Mr. Shouse has mentioned the fact that the transit-type buses have been exempted from this gasoline tax——

Senator BENNETT. May I interrupt the witness before he begins and ask if he would explain to the committee the difference between the National Association of Taxicab Owners and the American Taxicab Association.

Mr. COURTNEY. The National probably represents more of the larger operators. The American Taxicab Association has more members, but they operate fewer cabs. And, to the extent that the small members operate fewer cabs, this tax is a crushing burden on them.

Senator BENNETT. Your two associations are supplementary to each other?

Mr. COURTNEY. Supplementary. And we have an identical point of view on this.

Senator BENNETT. Do you have any overlapping membership?

Mr. COURTNEY. I believe we do have some overlapping membership. Some of them feel they can pick up something from two trade associations, and have joined both the organizations.

Senator BENNETT. Thank you.

Senator KERR. You work with the larger associations on any matter in which they agree with you?

Mr. COURTNEY. That is correct.

Mr. Shouse has explained that the transit-type buses are exempt. Now, they are exempt from this tax on one or two theories: Either they don't use the highways—which is true for the taxicabs—or they are a sick industry—which I admit they are—and cannot stand a further tax of this serious nature.

Well, the taxicabs are having a tough time, too. We are unable to compete for labor against the factories throughout the country. When Mr. Shouse mentioned an 8-hour shift, that is not true in the smaller operations. These cabdrivers are working 10 and 11 hours to come out.

And it is important to note that in the taxicab industry there is an awful lot of individual operations, real small businesses. What you can make on a cab is about $660 a year. So if you worked at the cab business and ran it and had 5 or 10 cabs, you would make between three and six thousand dollars. Well, this tax is going to cost these cab operators $66 per cab, which is a very disproportionate tax for the kind of money they are making in this marginal business. And it is marginal, for the same reason that the transit bus industry has become a marginal operation—everybody has a car. And what is going to happen to the taxicab industry when these highways have been developed with their urban extensions is that the operation which is now at least 95 percent urban in character is going to become more urban in concentration.

So, no matter how you look at this tax as it affects taxi operation, it is unfair, because they are not going to use the roads which the taxes are going to pay for, and they are not an industry that can stand it.

Now, if one of these larger industries came before you asking for an exemption, you would have a right to be concerned. But Mr.

Shouse told you how many cabs are involved, 120,000 cabs. And they are going to throw off in terms of this overall program a piddling amount of revenue.

Senator KERR. Do you have an estimate of what that is?

Mr. COURTNEY. Yes; $7,500,000 is the revenue that this tax will bring in. But it is going to be applied against a lot of small, marginal operations.

Whether or not the taxicab industry gets this exemption will have no effect on the overall program. And as Mr. Shouse suggested, it is an essential industry, it is a hard-put industry to continue operations. They shouldn't have to pay for what they are not going to use.

That concludes my statement, with the written material you have accepted.

The CHAIRMAN. Thank you very much, Mr. Courtney.

Any questions?

The next witness is Mr. Loran L. Stewart, of the National Lumber Manufacturers.

STATEMENT OF LORAN L. STEWART, PRESIDENT, BOHEMIA LUMBER CO., COTTAGE GROVE, OREG., ON BEHALF OF NATIONAL LUMBER MANUFACTURERS ASSOCIATION

Mr. STEWART. Mr. Chairman, gentlemen of the committee, I am Loran L. Stewart, of Cottage Grove, Oreg. I am president of the Bohemia Lumber Co., located east of Cottage Grove, Oreg. We are a small company; we do not own any timber of our own and are entirely dependent upon the United States Forest Service and the Bureau of Land Management for our supply.

I am director of the Industrial Forestry Association and a member of the West Coast Lumbermen's Association of Portland, Oreg., both of which are organizations of loggers, forest owners and lumber manufacturers in the Douglas fir region. I am here representing my own area and also the National Lumber Manufacturers Association, a nationwide organization of the lumber industry. With your permission, I would like to file for the record a statement prepared by the national association on the revenue features of H. R. 10660, the highway bill, as it affects logging and off-highway use of logging trucks.

The CHAIRMAN. Without objection, the insertion will be made.

(The statement referred to is as follows:)

STATEMENT OF THE NATIONAL LUMBER MANUFACTURERS ASSOCIATION WITH RESPECT TO THE REVENUE FEATURES OF H. R. 10660, THE FEDERAL HIGHWAY ACT OF 1956

The lumber industry is greatly concerned over the revenue provisions of this highway bill. The history of the bill shows an intent to make a greatly expanded program of highway construction self-financing through use of so-called highway user taxes on the theory that beneficiaries of an improved highway system should bear the tax burden. To raise the needed revenue, the bill would increase existing Federal excises on gasoline, diesel and special motor fuels, tires, and trucks. A new tax would be imposed on retread rubber and an annual fee imposed on use of the highway by heavy trucks. In general, the bill makes a nearly complete assumption—yet an erroneous one—that use of trucks is synonymous with public highway use. It almost completely ignores the fact that trucks may be tools used by people who are not primarily engaged in the business of transportation on the highways. The tax theory of this bill fails to consider that the lumber industry in its logging operations, extending over several hundred million acres of commercial forest land in private and public ownership, uses a vast network of

roads built and maintained by the industry itself. Where the industry uses and benefits from the expanded highway program contemplated by this bill, it stands in the same position as all highway users and should bear its share of the tax-load. But if tax increases or new taxes are imposed for construction and use of public highways, it is grossly inequitable to extend such taxes to the use of logging trucks and to the enormous quantities of fuel and rubber consumed by them in operating over private roads.

STATISTICS ON USE OF TRUCKS, FUEL, AND TIRES IN THE LOGGING INDUSTRY

Motortrucks are the backbone of the logging industry. During the past 20 years there has been an almost complete transition in logging methods from use of railroads to use of trucks. A survey made by the Forest Service shows that as of January 1, 1951, the commercial logging industry had on hand 123,618 motortrucks; of these more than 10 percent or 13,194 were over 26,000 pounds GVW. In addition there were in use 32,139 heavy trailers of which more than 10,000 were of the double-axle type. Most of the truck-trailer combinations in use would have weights over 26,000 pounds. Each year the logging industry purchases in the neighborhood of 30,000 new trucks, about 1,500 of which are rated 26,000 pounds GVW and over.

Consumption of gasoline, diesel fuel, and special fuels in logging amounts to some 400 million gallons a year. Some of the fuel is consumed in other than highway-type equipment, but it may be conservativly estimated that logging trucks use as much as a quarter of a billion gallons of fuel a year.

More than 800,000 new tires and recaps are mounted annually by the logging industry (not including those on new trucks). At least 75 percent of these are 8.25 in diameter and larger, which means 100 pounds or more weight per tire. In addition, there are vast quantities of mobile logging equipment which, while not operated on the highways, use tires of the type used on highway equipment.

FUEL AND TIRE COSTS ARE A MAJOR ITEM IN LOGGING COSTS

A few basic facts about logging and logging roads clearly reveal that these proposed taxes for use of the highways, in addition to being highly discriminatory, place an undue hardship upon the industry. As pointed out in the Forestry Handbook of the Society of American Foresters, logging is the key to good forestry and sustained-yield management. Logging costs are usually the major item in the end cost of forest products. They have risen steeply in recent years, much more so than our other costs. Efficient and economical logging is essential to forest management.

A study presented before the Sierra-Cascade Logging Conference last year by Prof. Henry J. Vaux, of the University of California, School of Forestry, revealed that logging and log transport costs were by far the greatest single item of cost in manufacturing lumber in a representative mill—amounting to a third of the total. His study showed that in the past 20 years log transportation costs were up 62 percent as compared to only a 22 percent increase in mill overhead and a 24 percent increase in cost of planing, shipping, and selling. A wartime study of the War Production Board, concerned with the enormous quantities of fuel and rubber consumed in logging, found that forest road hauling cost from 3 to 6 times as much per round-trip mile as hauling over public highways and that cost of fuel and rubber alone may exceed costs of labor, equipment, repair, and depreciation.

A comprehensive study of logging costs by the Forest Service in 1947, made from operators' records, placed the cost of a complete set of tires for eight different classes of logging truck-trailer combinations in common use in the West at $1,650 for the lightest class, and $9,400 for the highest. The tire cost per mile of operation averaged 12 cents on gravel roads and 16 cents on dirt roads for the lightest class and 43 and 57 cents per mile, respectively, for the heaviest class. Since this study was made, there have been very sharp price increases.

The fact that fuel and rubber costs are so high has led to use of rather elaborate recordkeeping systems, replete with tables and performance charts and graphs showing the logger how to wring the best possible performance from his equipment in operating over varying road and load conditions. Some companies maintain detailed records for each and every tire showing serial number, date mounted, date changed, wheel position, mileage, cause of removal, etc., and classes of road surfaces operated over. It has been appropriately pointed out that tire cost "spells the difference between marginal and profitable logging."

This is important because the availability of records justifies our petition for seeking a refund of highway-user taxes to the extent we operate over our own roads. The fact that detailed tire records are kept goes far in refuting statements that a refund provision will present administrative difficulties.

ROAD SYSTEMS BUILT OR MAINTAINED BY THE LUMBER INDUSTRY

The fact that fuel and rubber is a major portion of total logging costs has a direct bearing upon our high expenditures for road construction. The cost of hauling is a rather complex function of the type of road surface, the degree of curves, the grades, and the loads carried. It follows then that roads are the key to good forest management and protection—a corollary of the statement above that logging is the key to good forestry and sustained-yield management. Not only does the lumber industry build and maintain annually thousands of miles of roads over privately owned forest lands, but it builds and maintains at its own expense thousands of miles of access roads across public lands. In a representative situation in the West a mile of improved road is needed for each million board-feet of timber harvested. That figure may be conservatively applied to the South and East where the timber volume per acre is not as heavy as in the West. Based on a 40 billion board-foot log production, the lumber industry builds thousands of miles of roads annually—ranging from graded dirt roads to those that compare favorably with public roads in cost and quality.

A recent study of 24 lumber operations in the Douglas-fir region revealed that the average cost of privately built mainline timber access roads was $26,500 per mile; secondary roads averaged $18,900 per mile. One Oregon lumber company completed a $1 million timber access road system in an isolated and rugged mountain drainage, involving 30 miles of mainline and 15 miles of spur. At one point where solid rock was encountered, the cost soared to $100,000 per mile rate.

This road will be used by some 20 small-business men—independent log-hauling contractors who will pay, directly or indirectly, nominal fees for the use of this road and its maintenance. In time the road will become available to public use as do most timber access roads. Since this road was built and will be maintained by private funds, it would be most unfair to impose highway-user taxes on the fuel and rubber consumed, or on use of trucks, operating over them.

It is estimated that 14,200 miles of timber access roads are needed in the national forests to bring them up to their full allowable cut under sustained-yield management; about 9,000 of these miles will be built by timber purchasers—at an estimated cost of $100 million.

NONHIGHWAY USE REFUND PROVISIONS ARE FEASIBLE

The House Ways and Means Committee in its report (H. Rept. 1899) on the tax provisions included in the highway bill (H. R. 10660) states (p. 4):

"The bill imposes the additional tax with respect to motor fuels used in a 'highway vehicle' ('motor vehicle' for special motor fuel) whether or not the fuel is consumed while the vehicle is on a public highway because of the administrative problem in determining the extent of the use of these vehicles off the highway."

Again, with respect to the additional tire tax and the new tax on retread rubber, it is stated on page 5 of the report:

"It is necessary to base the additional taxes on tires used on highway vehicles because of the difficult administrative problems which would be involved in attempting to base the taxes on the actual use to which the tires are placed."

Regardless of these statements, the growth of motor fuel and other similar user taxes by the States to finance their highway programs has led to general recognition of off-highway uses. The States have developed well-defined procedures for allowing either exemptions or refunds in the case of taxes imposed upon use of a motor vehicle or upon fuel where the operation is entirely or partially over privately owned or privately maintained roads. In almost all instances, the refund method is used in preference to an original exemption in the case of fuel used off the highway.

Studies by the Federation of Tax Administrators show that all but three States have refund provisions in the case of gasoline taxes and the cost of administering such refund provisions is negligible in comparison to revenue collections. For example, the maximum cost reported by any one State for administering its refund provision was about one-half of 1 percent of its gross gasoline collections and

the cost of administering the refund provision for a third of the States making refunds, was about one-tenth of 1 percent of gross collections. Numerous provisions are resorted to by the States to render these provisions administratively feasible from the tax-collecting viewpoint, such as: licensing of dealer; licensing of users or refund applicants; recordkeeping, reporting, and invoicing requirements; limitations on frequency and timing of refund claims; minimum claims both as to volume and dollars involved.

Illustrative of State provisions that meet the peculiar requirements of the logging and lumber industries, which build or maintain tens of thousands of miles of their roads over which their vehicles are operated are the fuel refund and public highway use taxes of the States of Idaho and Oregon, both of which make allowance for refunds in the case of fuel consumed or motor vehicles operated on privately owned or maintained roads.

Operating records maintained on logging truck mileage and tire use make administration of a refund provision administratively feasible. Another factor further simplifies calculation of off-highway use of logging trucks: most log hauling is done between two well-defined points—from the landing area, where the logs are assembled in the woods, to the mill. It is very easy to keep a record of mileage between these points and the proportion of private road use and public highway use involved. And when the logging operation pushes deeper into the woods, the mileage over the public highway remains constant. In fact, the typical timber-sales contract in the West usually has a map attached showing very clearly the log transport route followed. Objections that it will be hard to determine off-highway use cannot stand up. Records maintained by operators on their fuel consumption, tire use and miles traveled afford an easy way of administering a tax-drawback provision under the Treasury's regulations. Certainly in many States, the tax administrators rely upon operator's records for diesel-fuel taxes imposed solely on public highway use and for the ton-mile tax imposed on mileage over public highways. There is no reason the Federal Government cannot do likewise.

Shall relief from taxes for off-highway use be denied to the overwhelming majority of small operators who, though operating almost entirely on privately owned or maintained roads, have to travel a short distance over the public highway as an incident of getting logs to a mill? Will the small operator be denied a refund for his off-highway use because he has to move 1, 2, or 3 miles on a public highway? This feature is worthy of the committee's careful consideration. Each year the proportion of use of privately built roads is growing and logging areas are pushed deeper into the woods.

CONCLUSION AND RECOMMENDATIONS

It is noted that the committee report of the House Ways and Means Committee on this bill state it "to be the policy of Congress that if the distribution of the tax burden among the various classes of persons useing the highways or deriving benefits from them is not equitable, Congress is to enact legislation to bring about an equitable distribution." This is significant. It is implicit recognition that highway-user taxes might prove inequitable when applied to certain classes of highway users. The point is, then, these taxes are clearly inequitable when applied to nonhighway use. There seems no reason to await further studies. The bill should be immediately amended to recognize nonhighway use to a far greater degree than it does.

In concluding, it is emphasized that the lumber industry is not seeking special privilege. It is not asking for exemption from either the existing rates of taxes or the proposed rates. What is recommended is that this Senate Committee on Finance amend the House-passed bill to recognize nonhighway use of fuel, rubber, and trucks by setting up a refund provision to the extent that highway vehicles operate over privately owned, built, or maintained roads. Such refunds should be limited to the amount of the tax increases proposed by the bill and the new taxes imposed. Contrary to the implications of the House committee's report, such drawback provisions are feasible and simple to administer. There is wide precedent and experience among the States in administering such refund procedures. We recommend that the Treasury Department's problems be simplified by giving it broad power to prescribe regulations and to place the burden of proof upon the nonhighway user applying for refund of taxes paid.

Mr. STEWART. I have had the good fortune of being a member of the Oregon State Legislature for the last three sessions. In two of them

I was a member of the house highways committee as well as the highway interim committee. At the present time I am chairman of the house taxation committee, so I am somewhat familiar with both highway and tax problems in the State of Oregon.

Highways are one of our important assets and we in Oregon have bonded ourselves to the limit of our capacity for construction of important highways, and we are still short of the necessary transportation facilities. We, in Oregon, and I am certain the lumber and logging industry of the Pacific Northwest and the United States are wholeheartedly in accord with an improved highway system. We also recognize that an expanded highway construction program is going to cost a great deal of money and someone must pay the bill. We should bear our fair share of the cost because we will benefit proportionately in marketing our products.

But there is a feature of this highway bill that gives wholly inadequate consideration to the problems of our industry and which on its face is highly discriminatory and inequitable. As I understand the intent of this bill from reading the House committee's report, the highway user will pay the cost of building the proposed highways through higher taxes on motor fuels, tires, and trucks. This idea seems to be brought out clearly by the fact that gasoline used in boats and airplanes is exempted from the tax increase and, as indicated in the committee report, the tax will not apply to operation of mammoth trucks used exclusively off the highways. It would be consistent with this approach that all equipment used off the public highways should be exempt from the tax increases, or allowed refunds to the extent that taxes are imposed and paid; also equitable allowance should be made for the fact that trucks operate both on and off the highways.

I estimate that over three-fourths of the logging trucks in the Pacific Northwest are off-highway users during some portion of their trip from the loading point in the woods where logs are assembled to the point where they are dumped in the millpond or mill yard. The tax increases and the new taxes proposed in this bill will fall heavily upon our industry and particularly upon the small independent contractor engaged in logging. And in most cases they are combination haulers on private and public roads, and under the present features they would be taxed fully.

The bill in its present form is highly discriminatory because—

1. It taxes us for use of our own trucks over our own roads which we have already built and paid for.
2. Notwithstanding that loggers will pay highway use taxes under this bill, they will have to continue to build and maintain thousands of miles of roads annually at their own expense.

Since the Federal Government seems to be embarking for the first time on the highway use theory of taxation recognized in many States, what our industry is seeking before this committee is recognition from the start that nonhighway use—that is, operation of motor vehicles over privately owned, privately built, or privately maintained roads—should not be subject to highway use taxes. My own State of Oregon recognizes this principle. Our highway department and our highway commission in the State of Oregon recognizes this principle.

May I diverge here to explain the workings of the pertinent part of the Oregon law? It is based fundamentally on two principles: First, the privilege tax which is, in effect, the license fee. Any truck

or car that travels a mile or 100,000 miles on our highways is subject to this tax. A completely off-the-highway vehicle does not pay this tax because it is not privileged to use the highways. Second, the use tax which takes two forms: One, the gasoline tax which in effect says the more miles you use the highways, the more tax you pay; two, the weight-mile tax which applies to heavier vehicles. The scale of this tax is graduated from the lowest weight to the highest weight vehicles, so in effect the more weight they carry, the more money they pay to use the highways. I believe, gentlemen, that this is exactly what this bill is attempting to do—the more gasoline or rubber used, that is, the more miles traveled, the higher the taxes.

Now let me explain a little of the mechanics of the operation of our use tax. Gasoline used in vehicles not operating on public highways is not subject to the gasoline use tax. If a logging truck operates over 10 miles of private roads and over 10 miles of public roads, the operator can apply for a refund on the gasoline consumed over the private roads, based on proportionate mileage, and on records that the Secretary of State requires him to keep.

Senator KERR. May I ask you if they have a similar law in the other States of the Northwest?

Mr. STEWART. I am sure they do, in Washington, California, and Idaho.

The weight-mile tax I spoke of, which is also a use tax, is based on the same principle. If a logging truck operates over 10 miles of private road and over 10 miles of public road, it pays the weight-mile tax only on the mileage traveled over the public road. The mileage and trip records are kept on forms prescribed by the public utilities commissioner, who makes periodic audits to see that proper payment is made.

Now, gentlemen, this has proved to be a relatively easy system to administer. Let me give the history of a test that was performed to determine the accuracy of collections and the extent of evasion, if any. In 1954, the Oregon State Highway Interim Committee, of which I was then a member, wanted to determine the operation of the weight-mile tax in Oregon. The committee hired an independent out-of-State organization, the Stanford Research Institute, to examine the records and results. They spent about 4 months in Oregon making various checks in cooperation with State police, highway officials and other agencies. After a very detailed analysis, they found that Oregon was losing on the first direct return 3.4 percent of the taxes due. This was phenomenally low and did not reflect a true picture of the satisfactory operation of the system because this deficiency was picked up in the course of regular audits by thet Public Utilities Commission. I am sure the Stanford report is available if this committee would like to examine it.

The experience of my State amply refutes the implications found in the report of the House Ways and Means Committee on this bill that allowances for nonhighway use, as urged by our and other industries before the committee, would be difficult to administer. Further, I think the principle of our proportionate mileage tax based on allowances for mileage operated over privately owned or maintained roads, could be extended to use of tires. The statement of the national association that I have filed covers adequately the fact that rubber is a very substantial item of cost in logging operations due to the classes

of roads over which we operate. For this reason, logging operators keep detailed cost records on tire use, sometimes by individual tires upon which refund allowances could be based to the extent these tires are used off the highways. Such allowances might also be based on records kept for nonighway use of fuel or the weight-mile tax, using the proportionate mileage principle. I might say that all the breaks would be in favor of the Government as our consumption of fuel and rubber may be 2 to 6 times as high operating over logging roads as over public highways.

In conclusion, I would like to say that highway use taxes are so clearly discriminatory when applied to off-highway use, Congress should immediately and completely recognize the fact in this bill. There is no reason to defer this until studies are made as to whether highway use taxes are equitable as applied to all classes of highway users. Broad powers may be given to the Treasury Department to prescribe regulations governing refund provisions and to place the burden of proof upon the nonhighway user applying for refund of taxes paid. Such refunds should be limited to the tax increases proposed in this bill or to the amount of the new taxes proposed. It is my understanding that Senator Magnuson of Washington will offer an amendment to this effect.

I certainly appreciate your allowing me to appear at this time, because I am a resident of Washington, and our primaries are tomorrow, and it will give me an opportunity to catch the plane and get home to vote.

The CHAIRMAN. Any questions?

Senator KERR. Is it a matter of public record which party you are affiliated with?

Mr. STEWART. Yes, sir. And I want to get home so that I can vote for myself again in the State legislature.

Senator KERR. That is an understandable desire, but it hardly answers the question.

Mr. STEWART. I am a registered Republican, sir.

Senator MILLIKIN. Good for you.

Mr. STEWART. Thank you.

The CHAIRMAN. Thank you very much, Mr. Stewart.

The next witness is Mr. Frank Sawyer, the Checker Taxi Co. of Boston.

STATEMENT OF FRANK SAWYER, PRESIDENT, CHECKER TAXI CO., BOSTON, MASS

Mr. SAWYER. Mr. Chairman and honorable gentlemen, I am Frank Sawyer, of Boston, Mass. I want to thank you for your kind invitation to appear here today.

At the outset I would like to state my reasons for believing that I can qualify as an expert in the field of taxicab transportation. I have been engaged in the business for 43 years and direct the activities of some 500 cabs in Greater Boston. I am a former president of the National Association of Taxicab Owners and have served for several years as chairman of the accident prevention committee of that organization. I have also served for many years as president of the City of Boston Cab Association. With this background, I think I am qualified to understand and to present the taximan's view on this very

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important piece of legislation. We are not opposed to this bill in principle. We do think, however, that there are certain inequities and injustices which will certainly come about unless the effect of this bill upon every form of automotive transportation is carefully considered.

There is no doubt that a network of modern highways will produce far-reaching economic benefits to our country. The roadbuilding itself will create new wealth and the use of the completed highway will increase the efficiency of our commerce immeasurably. The economic benefits to be derived from such a program are tremendous and will accrue to every section of the country, directly or indirectly and those who stand to benefit directly should contribute to the cost of the program.

The chief beneficiaries of a completed highway program are, of course, those who will use it for the transportation of persons and property. These include buses, trucks, and private passenger automobiles. I believe the bill provides for these types of traffic to pay, through increased gasoline and rubber taxes, a share of the cost of the program in direct proportion to their use of the highways, following the established principle that heavier vehicles pay charges in proportion to their weight. This pattern follows precedent and seems eminently fair.

It must be borne in mind, however, that all forms of automotive transportation are not necessarily highway users. Public transportation systems within cities follow fixed routes on city streets and rarely make use of the highway systems which connect our cities. Municipal vehicles such as police cars, fire-department equipment and trash-collection vehicles in most localities confine their activities to city streets and by virtue of being publicly owned and operated vehicles are exempted from these increased taxes. Taxicabs are not generally engaged in travel between cities but, on the contrary, are considered to be purely intracity carriers. This contention is borne out by statistics compiled in 1954 by Cab Research Bureau, Inc., of Cleveland, Ohio.

Cab Research Bureau, Inc., is a factfinding agency affiliated with the National Association of Taxicab Owners. It is supported by members of that organization for the purpose of collecting and disseminating information pertaining to the taxicab business. It gathers information concerning income and operating cost experience of the large taxi fleets throughout the country and periodically publishes these statistics for the benefit of operators who wish to compare expenses. It is regarded in the cab industry as a reliable source of information and offers its figures for verification at its headquarters, 803 Leader Building, Cleveland, Ohio.

Number of cabs reporting	78,191
Gross revenue	$882,000,000
Miles traveled	4,748,000,000
Passengers carried	1,404,000,000
National averages (1955):	
Miles per shift	93.6
Trips per shift	21.4
Miles per man-hour	10.2
Trips per man-hour	2.38
Revenue per trip	$0.936
Miles per trip	2.45

These last two figures are significant in that they show taxicabs to be primarily intracity carriers. While the taxicab is occasionally engaged for suburban trips, it generally plies between depots, hotels, offices, institutions, and residences; and because of this fact has been ruled not to be engaged in interstate commerce. As intracity carriers, they have little occasion to operate on suburban roads or highways.

Like other common carriers, taxicab rates are regulated by public authority and cannot be increased except by appeal to such public authority and then only after proving need at a public hearing. No utility wants to do this except as a last resort because of the fear of encountering diminishing returns. While taxicabs are not restricted to fixed routes, they are confined by the nature of their licenses to their own municipalities. Each city or town has its own regulations and taxicabs are not permitted to set up and do business in communities other than that in which they are licensed. Each political subdivision in a State has its own quota of cabs and one group is not permitted to encroach upon the other. These regulations act to confine taxicabs to their own municipality and thus tend to keep them off the highways.

The exceptions which prove the rule apply in the taxicab business as well as in other forms of public transportation. Upon infrequent occasions taxicabs are hired for trips into suburban areas. Likewise, transit buses are occasionally hired for charter trips to places off their certificated route. To this extent, both of these forms of public transportation may become highway users. However, the aggregate mileage performed by taxicabs to points outside the metropolitan area is a negligible amount of the whole. Because of this fact, taxicab companies have been adjudged to be local in character, not engaged in interstate commerce by the National Labor Relations Board.

There is precedent for excluding taxicabs from certain provisions of Federal law. Because of the peculiar nature of their services, they are exempted from the Federal transportation tax and, because they are not engaged in interstate commerce, are exempt from the Federal wage and hour law.

Taxes form an important part of the cost of operating a taxicab fleet more so than many other service industries. In addition to the corporate, Federal, and State taxes, which every business pays if there are earnings, the taxicab operator pays direct taxes on practically everything used in the taxi business. He pays a tax on a new automobile. He pays a tax on practically every automotive part he uses. He pays a Federal and State tax on gasoline and oil. He pays a direct tax on telephone service and equipment, on radios, on meters. He often pays a higher registration fee to his State and a license fee to his municipality. He pays a fee for sealing his meter and in many localities tolls for the use of bridges or tunnels. He pays the usual real-estate taxes on his garage, taxes on tires and fuel oil. He must pay these and others out of a rigid unelastic rate structure set by his regulatory authority. Taxicab service, like some other public services, operates 24 hours a day, 7 days a week. As a general practice, drivers work on a commission basis. The industry is currently in distress, not so much from lack of business, as from lack of adequate manpower. With plenty of work available, men gravitate to jobs which permit a short workweek and provide them with time off on evenings, weekends,

and holidays. The industry is doing what it can to make the job more attractive but is in no position to add to its operating costs, through added taxation, to build highways for which it, as an industry, has no use and from which it will receive no direct benefit.

It seems only fair and equitable that a roadbuilding program should be paid for by industries and services that will benefit from it. That is the whole spirit of the bill and we submit that when it is pointed out that a great injustice might be done to a segment of the transportation industry, through lack of knowledge of the operating practices of that industry, then the need for correction is apparent. We, therefore, respectfully request taxicabs be treated as nonhighway users, which in fact they are, and be specifically exempted from payment of additional taxes in the Highway Revenue Act of 1956.

The CHAIRMAN. Thank you very much, Mr. Sawyer.

Any questions?

Senator BENNETT. I would like to raise one point, Mr. Chairman. Does the Cab Research Bureau have any specific information about the mileage traveled by cabs outside of the city limits of the areas in which they are licensed?

You come from Boston, which is the center of a hub of suburban communities.

Mr. SAWYER. Yes.

Senator BENNETT. I have been listening to your testimony very carefully, and you have used such words as "negligible" and "unimportant," and so on. Can you tell us, can you give us exact figures, on the percentage of your business that is done on intercity highways.

Mr. SAWYER. It would be a very small percentage, sir.

Senator BENNETT. Does this statistical bureau of yours maintain that information?

Mr. SAWYER. No; they don't break down that type of information. But if we did a large volume of intercity transportation, it would still be off the highways.

Now, while we have a right to—we have easement into the suburban cities, surrounding cities and towns, but we cannot set up and do business; we must in every case return to the city limits, within the city limits of the city of Boston.

Senator BENNETT. I understand that. But how can you get from one city to the other and still be off the highway? You said a minute ago that that transportation must be on the highway.

Mr. SAWYER. Not on this highway; we are on the existing roads. And this bill contemplates an entirely new highway system.

Senator BENNETT. It contemplates, as I understand it, a substantial increase in the urban highway system, the access roads, the roads in and out of these big cities, which obviously are going to be through their suburbs.

Mr. SAWYER. I think there will be points where they connect, but certainly not in the cities. I don't think there will be roads running right throughout cities. I think they will meet some of our existing highways at a certain point and connect, so that the access into the cities might be facilitated, but I don't think the bill contemplated building highways through all of our cities.

Senator BENNETT. I think it contemplates tying up the——

Mr. SAWYER. Existing roads.

Senator BENNETT. Existing roads, and undoubtedly widening them and increasing their carrying capacity. Is it fair to say that the recent increases in these high-speed, high-carrying-capacity roads leading out of the big cities, has increased your taxicab use of these roads?

Mr. SAWYER. No, sir.

Senator BENNETT. I am a frequent user of the taxicab service to get in and out of LaGuardia or Idlewild. Hasn't the existence of that very fine road system increased the use of taxicab service to those airports?

Mr. SAWYER. Well, I will cite the example of the city of Boston.

Our airport is 3 miles from the center of our city, and we go through a tunnel or over the Mystic Bridge, and we never get on a highway.

Senator BENNETT. Isn't it true that in the New York area you get to a highway that carries you into Long Island and outside of the metropolitan area?

Mr. SAWYER. I don't know whether this contemplates turning that into a highway.

Senator BENNETT. We can assume in general.

Mr. SAWYER. I assume this contemplates entirely new construction, and with feeder roads into the existing highways.

Now, taxicabs—take, for example, a service such as you mentioned, a carrier to the airport, such as you have here in Washington.

Now, we in Boston are restricted to a fixed route, to certain streets, and we cannot deviate from those streets. We will never see a highway, we are not permitted to go on a highway, we are restricted to certain streets and certain stops. And if our men ever get off those streets, they are reported, and we are up on charges.

Senator KERR. For the benefit of the witness, I would like to put in the record the information that the new highway bill contemplates very substantial appropriations, not only for the building of urban projects to and in the cities, but also for the improvement of those now existing, and on those routes which are designated as interstate systems, as they often are, the Federal Government will be paying 90 percent of the cost of the new construction or improvement.

The bill likewise includes a very substantial appropriation for improvement and construction of the primary system of roads, which includes practically all of the highways between the larger cities and the ones around it, and in many instances would include the routes from the metropolitan area to the airports.

Naturally, the witness' statement that those parts of the highway bill are limited parts is correct. But if it is his sincere belief—and I have listened to him carefully—that there is no provision in the bill for the improvement of those facilities, in my judgment that is in error.

Mr. SAWYER. There could be a formula worked out, and there is precedence for that both in the Interstate Commerce Commission and the Natoinal Labor Relations Board, where they determine that if a certain percentage of the business is derived from certain terminals, or you are engaged in interstate commerce——

Senator KERR. Not necessarily interstate commerce. However, in a situation like—for instance, if you go to Newark, N. J.—that is, if

you are flying to New York City and you take a plane that lands at Newark, you pay a taxicab $8 to get you from Newark to the hotel in New York City.

And certainly it goes over highways, the building and improvement of which will be provided funds in this bill. But the statement that that is a very small part of the mileage, of the total number of miles driven by the taxicab operators, is correct. And therefore I thought the question of the Senator from Utah as to what part of their total mileage would be on these roads, and what part off, was a very pertinent question.

Mr. SAWYER. A very, very small percentage, Senator, would be on the roads. And there would be a very small percentage of the buses, the urban carriers, who are permitted to charter their buses for picnics, and group movements—they will use the highway as much as taxicabs will, but that will be a very small percentage of their business.

Senator KERR. I think that that statement is correct.

Senator BENNETT. But is there anywhere in existence a set of figures that would give us any measure of that percentage?

Mr. SAWYER. We could develop those figures, Senator, and break it down for you. It will take some time.

Senator BENNETT. Within the time limits of the hearing?

Mr. SAWYER. I doubt that very much, because it would require a national survey. But I can assure you that this use of the highway is a very small perecntage of our business. And that is borne out by the fact that this national average of the miles per trip is 2.45.

That is for 78,000 cabs reporting. And the average income per trip is 0.936. Now, that would prove conclusively that we are an urban carrier, a door-to-door carrier, in the urban centers of our country. From your own experience, or from the experience of any of you gentlemen, if you get into a cab here, you may go to the Mayflower Hotel or to the Statler Hotel, and 90 percent of the business, I would say, is these short trips.

Senator BENNETT. You are coming around to my next question. Could you estimate that percentage?

Mr. SAWYER. I would say it is under 2 percent, from my experience of 40 years in the cab business.

Senator BENNETT. It is under 2 percent of the mileage you travel?

Mr. SAWYER. Under 2 percent of the trips—under 2 percent of the gross, I would say, would be from other than urban transportation. It is the great exception rather than the rule. And you can verify that by any cabman in Washington, or in your own cities or any place you travel.

Senator BENNETT. Well, I will drop the questioning at that point, Mr. Chairman, with just one reference to the comment brought forth by the Senator from Oklahoma that many of these roads that you will travel in your intracity work will be fitted into this new system, will be widened and developed with the money that will be provided by this bill. The bill does not stop with the city limits, but it brings these highways across the cities.

Mr. SAWYER. I don't believe that will be the case in our city, Senator.

Senator BENNETT. Having lived a little while in Boston, I realize that it may be a contest as to whether or not we should have that kind of roads, or whether Boston should survive.

Mr. SAWYER. I think that our survival is assured.

Senator BENNETT. I remember driving a private car and trying to find the railroad station in Boston.

I am through, Mr. Chairman.

Senator KERR. I would like to ask the witness just one question. I see by the statement of Mr. Shouse that there are 9,500 taxicabs in Washington, D. C., and 1,500 in Boston, Mass.

Mr. SAWYER. 1,525; yes, sir.

Senator KERR. I thought that Boston was a larger city than Washington?

Mr. SAWYER. Well, we have a larger metropolitan area, but our population figure is somewhere around 750,000.

Senator KERR. That is the city itself, not including——

Mr. SAWYER. That is the city of Boston, that is what we are confined to, the city of Boston.

Now, our suburban area, within a 10-mile radius, would give us a population of around 2 million people. But you can go over one bridge in Boston and be in another municipality, or across the street and be in another municipality.

Senator KERR. I was impressed by the extraordinary difference in the two cities, which were somewhere near the same population, and the number of cabs. You boys haven't got a lot tighter combine there than these boys here?

Mr. SAWYER. No; that was the limitation put on during the depths of the depression, in the early 1930's.

Senator KERR. That is behind you.

Mr. SAWYER. Yes. But that was put on as the limitation at that time. And that was the number of cabs existing, and those cabs had a hard time making ends meet. And it is no bed of roses today, either, Senator.

The CHAIRMAN. Thank you very much, Mr. Sawyer.

(A letter to Horace I. Gwilym, executive director, Cab Research Bureau, Inc., 803 Leader Building, Cleveland, Ohio, from William John Blazek, public accountant, 1175 Union Commerce Building, Cleveland, Ohio, submitted by Mr. Sawyer is as follows:)

CLEVELAND, *May 4, 1956.*

Mr. HORACE I. GWILYM,
Executive Director, Cab Research Bureau, Inc.,
Cleveland, Ohio.

DEAR SIR: In accordance with instructions received I have made a detail audit of the composite report on operating cost as compiled by the Cab Research Bureau from the questionnaires submitted by its members.

All data submitted by the various member taxicab operators was checked with the composite report and found to be correct, and no deviations made from the original questionnaires.

No verification or audit was made as to the accuracy of the information submitted by the various member companies.

The summary of the average operational data compiled from the composite report for the year 1955 reads as follows:

Taxicab industry operational data—averages for years 1955

Average miles per shift	93.6
Average trips per shift	21.4
Average miles per man-hour	10.2
Average trips per man-hour	2.39
Average revenue per trip	$0.938
Average miles per trip	2.45

In my opinion, the above data presents an accurate average of operational costs as submitted to the Cab Research Bureau by 21 taxicab operators maintaining cab service in various cities of the United States.

Very truly yours,

WM. J. BLAZEK,
Public Accountant.

The CHAIRMAN. Secretary Humphrey has arrived.

STATEMENT OF HON. GEORGE M. HUMPHREY, SECRETARY OF THE TREASURY

Mr. Secretary, we are very glad to have you with us, sir.

Secretary HUMPHREY. Mr. Chairman and members of the committee, I have a statement which with your permission I will present. And then I will attempt to answer any questions that may be suggested.

I am glad to have this opportunity to appear before you this morning in general support of the highway program and to discuss its financial aspects, which are now before this committee.

Improved highway transportation is one of the great necessities of our times. A large part of our commerce and industry depends upon it. Our farms require it. The jobs of millions of men and women in this country depend upon it. The further growth of the great auto industry and all the ramifications in the use of steel, fuel, rubber, and thousands of products from hundreds of sources cannot continue to develop unless our highway transportation is developed concurrently. The Treasury is prepared to lend the fullest support to the deliberations of your committee and the Congress to the end that a highway program which all Americans need and want may be realized.

H. R. 10660 has been referred to as a pay-as-you-build program. I heartily endorse this policy of highway financing. But I want to point out to you two important respects in which the revenue features of this proposed program falls far short of the actual pay-as-you-build principle.

The bill as passed by the House showed an estimated balance between expenditures and tax receipts at the end of the 16-year period ending in 1972. However, after an initial 3 years with excess receipts over expenditures, there would be 10 successive years with an excess of expenditures over receipts, with annual deficiencies of from $500 mil-

lion to $800 million in most of these years. The cumulative deficiency in the trust fund would begin in the sixth year—1962, and would exceed $4,700 million by 1969. This would be made good only in the last 3 years (1970, 1971, 1972). Furthermore, in striking this balance under the House bill, no provision was made during these last 3 years for regular allocation of funds to the primary, secondary, and urban road programs and expenditures for them would be limited to the unexpended balance of prior allocations with some purely arbitrary additions until the last year when any excess over the full amount required for reimbursement of the interstate deficiency would be available for the primary, secondary, and urban programs. This would leave an estimated deficiency in this latter program of approximately $1,450 million as compared with continuing the regular allocations to this program.

For 10 full years these large deficits would be a charge on the general budget. This discrepancy in timing contradicts an essential part of a real pay-as-you-build program.

The substitute authorizations for expenditures made by the Senate Public Works Committee change the total amounts and annual pattern of expenditures somewhat, but they would produce the same sort of interim deficits. You will note on the first two tables which you have received the estimates of expenditures, receipts, and the condition of the trust fund under the House bill and under the alternative expenditure program of your Senate Public Works Committee. To maintain comparability, the authorization for the primary, secondary, and urban road programs in the alternative plan have been assumed to be continued at $900 million annually beyond 1961, as actually authorized, through 1969, the period of authorization of increasing annual authorizations under the House bill, thus providing about the same total amount for this program in each bill. Also, to maintain comparability, the estimated excess of receipts over the amount needed to reimburse the deficiency in the trust fund at the end of the entire period has been allocated to the primary, secondary, and urban program, as was done under the House bill.

Senator KERR. Did you bring those two tables, Mr. Secretary?

Secretary HUMPHREY. Yes; I thought they had been distributed with the statement.

(The tables referred to are as follows:)

TABLE 1.—*Highway program, H. R. 10660, as passed by the House of Representatives—Estimated expenditures and tax receipts, and status of trust fund, under allocations made by bill, and status of trust fund if present taxes on tires, tubes, and 3 percent on trucks, buses, and trailers are not allocated to trust fund, fiscal years 1957–72*

[In millions of dollars]

Fiscal year	Expenditures				Tax receipts						Trust fund		Trust fund without $4,944,000,000 of present taxes and including increased interest cost	
	Construction	Interest income (−) or expense (+)	Total expenditures		Present taxes			New taxes	Total tax receipts					
			Annual	Cumulative	Gasoline and diesel fuel	Tires, tubes, and 3 percent on trucks, buses, and trailers	Total, present law		Annual	Cumulative	Net annual credits (+) or charges (−)	Balance, credit (+) or debit (−) at end of year	Net annual credits (+) or charges (−)	Balance, credit (+) or debit (−) at end of year
1957	1,025	−5	1,020	1,020	868	----------	868	612	1,480	1,480	+460	+460	+460	+460
1958	1,480	−16	1,464	2,484	1,021	277	1,298	688	1,986	3,466	+522	+982	+242	+702
1959	1,993	−23	1,970	4,454	1,059	290	1,349	714	2,063	5,529	+93	+1,075	−207	+495
1960	2,475	−20	2,455	6,909	1,093	284	1,377	730	2,107	7,636	−348	+727	−648	−153
1961	2,700	−11	2,689	9,598	1,129	297	1,426	760	2,186	9,822	−503	+224	−824	−977
1962	3,025	+4	3,029	12,627	1,164	303	1,467	778	2,245	12,067	−784	−560	−1,117	−2,094
1963	3,050	+21	3,071	15,698	1,201	313	1,514	803	2,317	14,384	−754	−1,314	−1,105	−3,199
1964	3,075	+37	3,112	18,810	1,236	322	1,558	826	2,384	16,768	−728	−2,042	−1,096	−4,295
1965	3,100	+53	3,153	21,963	1,271	325	1,596	856	2,452	19,220	−701	−2,743	−1,081	−5,376
1966	3,125	+68	3,193	25,156	1,304	340	1,644	879	2,523	21,743	−670	−3,413	−1,074	−6,450
1967	3,250	+84	3,334	28,490	1,343	347	1,690	901	2,591	24,334	−743	−4,156	−1,162	−7,612
1968	3,075	+98	3,173	31,663	1,378	353	1,731	924	2,655	26,989	−518	−4,674	−953	−8,565
1969	2,700	+105	2,805	34,468	1,412	363	1,775	944	2,719	29,708	−86	−4,760	−541	−9,106
1970	2,025	+99	2,124	36,592	1,445	369	1,814	964	2,778	32,486	+654	−4,106	+183	−8,923
1971	1,296	+75	1,371	37,963	1,475	374	1,849	981	2,830	35,316	+1,459	−2,647	+972	−7,951
1972	505	+30	535	38,498	1,697	387	2,084	1,098	3,182	38,498	+2,647	----------	+2,137	−5,814
Total	37,899	+599	[1] 38,498	----------	20,096	4,944	25,040	13,458	38,498	----------	----------	----------	−5,814	----------

[1] Excluding $150 000,000 estimated to be paid in fiscal years 1973 and 1974.

TABLE 2.—*Highway program, H. R. 10660, as amended by the Senate Committee on Public Works—Estimated expenditures and tax receipts, and status of trust fund, under allocations made by bill, and status of trust fund if present taxes on tires, tubes, and 3 percent on trucks, buses, and trailers are not allocated to trust fund, fiscal years 1957–72*

[In millions of dollars]

Fiscal year	Expenditures				Tax receipts						Trust fund		Trust fund without $4,944,000,000 of present taxes and including increased interest cost	
	Construction	Interest income (−) or expense (+)	Total expenditures		Present taxes			New taxes	Total tax receipts		Net annual credits (+) or charges (−)	Balance, credit (+) or debit (−) at end of year	Net annual credits (+) or charges (−)	Balance, credit (+) or debit (−) at end of year
			Annual	Cumulative	Gasoline and diesel fuel	Tires, tubes, and 3 percent on trucks, buses, and trailers	Total, present law		Annual	Cumulative				
1957	1,050	−5	1,045	1,045	868	----------	868	612	1,480	1,480	+435	+435	+435	+435
1958	1,600	−14	1,586	2,631	1,021	277	1,298	688	1,986	3,466	+400	+835	+120	+555
1959	2,050	−19	2,031	4,662	1,059	290	1,349	714	2,063	5,529	+32	+867	−268	+287
1960	2,600	−14	2,586	7,248	1,093	284	1,377	730	2,107	7,636	−479	+388	−779	−492
1961	2,800	−2	2,798	10,046	1,129	297	1,426	760	2,186	9,822	−612	−224	−932	−1,424
1962	2,900	+12	2,912	12,958	1,164	303	1,467	778	2,245	12,067	−667	−891	−1,001	−2,425
1963	2,900	+27	2,927	15,885	1,201	313	1,514	803	2,317	14,384	−610	−1,501	−961	−3,386
1964	2,900	+40	2,940	18,825	1,236	322	1,558	826	2,384	16,768	−556	−2,057	−924	−4,310
1965	2,900	+51	2,951	21,776	1,271	325	1,596	856	2,452	19,220	−499	−2,556	−879	−5,189
1966	2,900	+62	2,962	24,738	1,304	340	1,644	879	2,523	21,743	−439	−2,995	−842	−6,031
1967	2,900	+71	2,971	27,709	1,343	347	1,690	901	2,591	24,334	−380	−3,375	−799	−6,830
1968	2,900	+79	2,979	30,688	1,378	353	1,731	924	2,655	26,989	−324	−3,699	−758	−7,588
1969	2,900	+85	2,985	33,673	1,412	363	1,775	944	2,719	29,708	−266	−3,965	−721	−8,309
1970	2,350	+84	2,434	36,107	1,445	369	1,814	964	2,778	32,486	+344	−3,621	−127	−8,436
1971	1,539	+67	1,606	37,713	1,475	374	1,849	981	2,830	35,316	+1,224	−2,397	+737	−7,699
1972	758	+27	785	38,498	1,697	387	2,084	1,098	3,182	38,498	+2,397	----------	+1,887	−5,812
Total	37,947	+551	[1] 38,498	----------	20,096	4,944	25,040	13,458	38,498	----------	----------	----------	−5,812	----------

[1] Excluding $150 million estimated to be paid in fiscal years 1973 and 1974.

TABLE 3.—*Estimated tax receipts allocated to highway trust fund, fiscal years 1957–72*

[In millions of dollars]

Fiscal year	Present law taxes						New or increased taxes							Total receipts	
	Gasoline (2 cents per gallon)[1]	Diesel fuel (2 cents per gallon)	Tires (5 cents per pound)	Inner tubes (9 cents per pound)	Trucks, buses, and trailers (3 percent of manufacturer's price)	Total, present law taxes	Gasoline (1 cent per gallon)[2]	Diesel fuel (1 cent per gallon)[3]	Tires (3 cents per pound)[4]	Tread rubber (3 cents per pound)[5]	Trucks, buses, and trailers (2 percent of manufacturer's price)	Trucks, over 26,000 pounds ($1.50 per thousand pounds, annual tax)	Total, new or increased taxes	Annual	Cumulative
1957	[6] 846	[6] 22	----------	----------	----------	868	407	10	95	8	47	45	612	1,480	1,480
1958	994	27	184	18	75	1,298	472	13	98	9	50	46	688	1,986	3,466
1959	1,031	28	191	18	81	1,349	489	13	100	11	54	47	714	2,063	5,529
1960	1,064	29	197	9	78	1,377	505	13	103	9	52	48	730	2,107	7,636
1961	1,099	30	204	9	84	1,426	522	14	108	11	56	49	760	2,186	9,822
1962	1,133	31	210	9	84	1,467	538	15	111	8	56	50	778	2,245	12,067
1963	1,169	32	217	9	87	1,514	555	15	111	12	58	52	803	2,317	14,384
1964	1,203	33	223	9	90	1.558	571	15	116	11	60	53	826	2,384	16,768
1965	1,237	34	229	9	87	1,596	589	16	124	14	58	55	856	2,452	19,220
1966	1,269	35	235	9	96	1,644	604	17	127	11	64	56	879	2,523	21,743
1967	1,307	36	242	9	96	1,690	622	17	129	12	64	57	901	2,591	24,334
1968	1,341	37	248	9	96	1,731	638	17	132	14	64	59	924	2.655	26,989
1969	1,375	37	255	9	99	1,775	654	18	135	11	66	60	944	2,719	29,708
1970	1,407	38	261	9	99	1,814	669	18	135	14	66	62	964	2,778	32,486
1971	1,436	39	266	9	99	1,849	683	18	140	11	66	63	981	2,830	35,316
1972	[7] 1,650	[7] 47	273	9	105	2,084	777	22	145	14	76	64	[8] 1,098	3,182	38,498
Total	19,561	535	3,435	153	1,356	25,040	9,295	251	1,909	180	957	866	13,458	38,498	----------

[1] After deduction of refunds of tax on farm gasoline, estimated at 6 percent.
[2] After deduction of all use in other than highway-type vehicles, estimated at 10 percent, and use by transit systems, estimated at $4 million annually.
[3] After deduction for transit use, estimated at $1 million annually.
[4] After deduction of tires for non-highway-type vehicles, estimated at 12 percent.
[5] After deduction of rubber for tires for non-highway-type vehicles, estimated at 6 percent.
[6] Excludes receipts from taxes accrued prior to July 1, 1956.
[7] Including receipts after June 30, 1972, of taxes accrued on or before that date.
[8] Including receipts after June 30, 1972, of taxes accrued on or before that date, less floor stocks refunds paid in 1973.

Secretary HUMPHREY. You will note from the 2 tables that there are very few discrepancies between the 2 bills; the discrepancies are very minor. The expenditures under the Senate program are based upon the cost of a 40.000 mile Interstate System, and this is one of the principal differences between the 2 bills. No provision is made in either bill for the cost of the additional 2,500 miles of interstate roads authorized in the Senate program since the routes have not even been specified. In other words, the House program is 40,000 miles, and the finances are based on that and the Senate bill provides the same finances, to all intents and purposes, but adds on this system 2,500 miles for which no money is provided at all.

If the cost of these additional miles were equal to the average costs of the 40,000 designated miles, the total costs of the Interstate System as proposed in the Senate bill would be increased by about $1.7 billion.

To eliminate the prospective deficits under either the House bill or the alternative Senate plan, I urge that the bill be amended to permit allocation of funds to be so timed that the estimated expenditures from the allocations will not exceed the estimated available amounts in the trust funds. With this change, the program could be kept from being a charge on the regular budget. It could then be made, from this standpoint, a true pay-as-you-build program, and whenever annual allocations were desired which would exceed the amount of funds that would be then currently available in the trust fund, the Congress could promptly provide adequate additional taxes to cover the estimated deficit.

I am taking it for granted, gentlemen, that you all have in mind that the receipts go into a trust fund, and the expenditures for the roads are paid out of the trust fund under both bills. The system is that the taxes will be allocated to the trust fund as collected, and then the payment will be made out of the trust fund.

Senator KERR. What taxes are to be allocated?

Secretary HUMPHREY. The taxes as you have them on that sheet there.

Senator KERR. But in order that we may have it in the record here——

Secretary HUMPHREY. If you will look at the third tabulation, that gives the detail of the taxes and the amount of taxes estimated to be available, that will be paid into the trust fund.

Senator KERR. And the total as indicated by this table is what?

Secretary HUMPHREY. $38,498 million.

Senator KERR. Now, does that include present existing taxes, which would be diverted from the general revenue fund, as well as the general increased taxes?

Secretary HUMPHREY. Yes; it does; that includes about $5 billion of existing taxes. And I will cover that in my next paragraph. Perhaps I had better continue as I suggested and go through and then come back to this, Senator, because I cover that in just a minute.

Senator KERR. All right.

Secretary HUMPHREY. Now that is the first departure. Now the second departure from a real pay-as-you-build program comes from the dedication to the highway trust fund of the existing excise taxes—this is what you were talking about, Senator Kerr—on tires and tubes

and three-eighths of the existing 8 percent on trucks and busses, beginning in the fiscal year 1958. The estimated annual amounts start at about $275 million and rise to almost $400 million, with a total of about $5 billion through 1972. This diversion of excise taxes which have always been regarded as part of the general revenues means that these amounts must be made up in the general budget by new taxes or by a continuation of old taxes which might otherwise be reduced. It thereby would become the equivalent of a special tax diversion in lieu of a general tax reduction for all taxpayers that might otherwise be possible.

The dedication of the existing gasoline and diesel fuel taxes is reasonable because they have come to be regarded as available for highway expenditures, and in recent years the regular highway program has been based on them. But the tire, tube, truck and bus taxes are included in our regular excise tax program and have always been considered as part of the general revenue, along with all the other manufacturer's excise taxes. Their diversion to pay for highways is not really consistent with pay-as-you-build financing, and deflects our general revenue receipts.

The various taxes to be transferred to the highway trust fund under H. R. 10660 are shown in the third table which you have before you. Estimates of receipts extending 16 years into the future are inevitably subject to substantial margins of error; but the projections used in these tables are the best available figures developed by the various staffs which have worked on the subject.

The Treasury Department did not make any specific tax recommendations to the House Ways and Means Committee. The new taxes included in H. R. 10660 are thus neither in accord with nor contrary to any recommendations of the Treasury, but I will take this opportunity to say that we have no objection to any of the proposed new taxes.

The Treasury Department will be glad to provide such information and other assistance as we can to this committee in its consideration of highway financing. In conclusion I repeat my strong endorsement of a national highway program, financed on a real pay-as-you-build basis. And I especially commend and urge you to adopt the amendment suggested to balance annual allocations with estimated receipts to be currently available in the fund.

Now, the purpose of that recommendation and my urging you to adopt it is this, that only in that way will this quickly and adequately become a real pay-as-you-build program, because if you adopt that amendment then as the allocations are made you would see immediately where the deficits in the funds are going to come, and that you want to allocate more than the fund will have money to provide and pay for, and therefore, the matter will be immediately raised for congressional consideration as to the imposition as to whatever additional taxes are required to keep the fund solvent currently all during the period, and you will not run into these big deficits that appear as the bill is now drawn.

The CHAIRMAN. Might I ask this. Will you turn on page 68 on the bill.

Secretary HUMPHREY. I would like to just make one further remark, if I may, Mr. Chairman, and that is this. There is another

matter, in connection with the Gore bill as substituted for the House bill that I think should be brought to your attention. In the House bill there were 40,000 miles of road laid out of a certain design and the financing and allocation was provided to build those roads as shown on a map. Now, in the Senate bill the allocation is proposed on a different basis. It is proposed on the basis of population and finances and so forth, rather than on this program. It is perfectly obvious that if, through a change in the allocations, it results in the adoption of a different road program, that your finances are, going to be entirely out of kilter. And that, of course, would be the fact.

So that the allocations in the Gore bill should be changed to correspond with the program as adopted in the House bill or else we will have to make up a whole new financial program, because the program, the financial program, is tied to the road program as defined in the House bill, not as defined in the Gore bill.

With that, Mr. Chairman, I think——

The CHAIRMAN. I want to refer to page 68 of the bill, and ask the Secretary his opinion as to the significance of the last three lines:

> The Congress shall enact legislation in order to bring about a balance of total receipts and total expenditures or such equitable distribution as the case may be.

By that, do you understand that Congress assumes the obligation of enacting new taxes if such are necessary in the trust fund?

Secretary HUMPHREY. Well, as I said, Mr. Chairman, you have to take this clause, this whole clause of declaration of policy.

> It is hereby declared to be the policy of the Congress that if it hereafter appears:
>
> (1) That the total receipts of the trust fund (exclusive of advances under subsection (d) will be less than the total expenditures from such fund) exclusive of repayments of such advances; or
>
> (2) That the distribution of the tax burden among the various classes of persons using the Federal-aid highways or otherwise deriving benefit from such highways is not equitable—

that then the Congress shall enact legislation in order to bring about the balance between the two.

Now, only in that way can you have a pay-as-you-go tax program.

The CHAIRMAN. It seems to me that that indicates that Congress shall enact legislation to bring about a balance of total receipts and total expenditures.

Secretary HUMPHREY. That is what they say here. But, you see, the difficulty—the reason why this isn't a pay-as-you-go bill because this is, as I tried to point out in my statement they have proposed a bill which, if we eliminate the question Senator Kerr raised of the taking of certan funds which are now going into general revenues, just eliminate that for a minute, then the taxes as proposed in the House bill will provide, according to these estimates, the total number of dollars that will be expended under the House road-building program.

But the difficulty is, it is that it doesn't do it annually and that you run ahead for about 3 or 4 years and then you run behind until you run up to a $5 billion deficit, or almost, $4,700,000,000 deficit in 1 year before you begin to catch up in the latter years.

So that you do not have a balanced program continuously.

Now, what I am suggesting is that this would be amended to provide that the funds—either you wouldn't spend the money faster than you get it into the fund, or if you wanted to spend it faster, you would provide for getting more money in there faster so that the fund would be continually balanced.

The CHAIRMAN. I understood from your statement that at the end of 1969 there would be a total deficit of $4,700,000,000 of expenditures over receipts.

Secretary HUMPHREY. That is correct.

The CHAIRMAN. That is after balancing all the years off, isn't it?

Secretary HUMPHREY. No, that is paid after—you come up to that deficit of $4,700,000,000 that is an accumulated deficit that arises from the fact, as I say, that you allocate your expenditures faster than you get in your money, and if you allocate your expenditures faster than you get your money in for all these years, then you have no allocations in the last 3 years, and the money comes in to pay up the deficit, that is the way it is estimated.

The CHAIRMAN. Do you mean that, under this bill, actual expenditures over a period of 13 years will total approximately $5 billion more than is taken in by the taxes and placed in the trust fund?

Secretary HUMPHREY. That is right. And it takes you 3 more years of taxes to let you catch up with what you are overdrawn.

Senator MARTIN. As I understand it, Mr. Chairman, we have got a construction period of 13 years and a financial period of 16.

Secretary HUMPHREY. That is right and in the meantime, you are running a deficit that has got to come out of the current Treasury to the tune of nearly $5 billion. And in addition to that, as Senator Kerr points out, you have taken another $5 billion that we now are using for general revenues and allocated them to this trust fund. So that the general revenues will be headed for a cumulative effect of $10 billion in this process.

The CHAIRMAN. In other words, extend the taxes for 3 years longer than the construction, and the taxes in those 3 years will make up the $5 billion, is that correct?

Secretary HUMPHREY. That is right.

Senator MARTIN. But even with that, with a 16-year financial period and a 13-year construction period, even then, we would have a deficit?

Secretary HUMPHREY. Well, not for the trust fund as the law is drawn, but this law draws $5 billion of taxes that are now in the general fund and puts them into the trust fund, in order to make it balance.

The CHAIRMAN. Now, do you think section 209 of the highway trust fund provides that the authorized expenditures will have to come out of that fund?

Secretary HUMPHREY. That is correct.

The CHAIRMAN. Then, of course, the Congress is not obligated to make appropriations are they, in addition to the trust fund?

Secretary HUMPHREY. Well, unless this law—this law contemplates that the allocations are authorized, to go ahead and make them, whether you have got the money or not.

Senator WILLIAMS. How would they pay for them? Would the Treasury be obligated to put the money in this trust fund to make up the deficit?

Secretary HUMPHREY. I know of no other place it could come from.

Senator WILLIAMS. I know that but do you have the authority and the authorization?

Secretary HUMPHREY. I think that is a question that you will have to ask the lawyers, because the bill contemplates that it won't; the bill contemplates that the allocations will be made over this period, which will result in this deficit and there is no place for the money to come from but from the Treasury.

Senator KERR. Isn't the answer to that question found on page 69, Mr. Secretary?

Secretary HUMPHREY. If you will look on the bottom of page 75, it says:

> Nothing in this section shall limit the amount of the apportionments made under any authorization in title I of this act.

Senator KERR. I don't believe that answers the question. I think it is answered on page 69.

Secretary HUMPHREY (reading):

> (1) There is hereby appropriated to the trust fund, out of any money in the Treasury not otherwise appropriated, amounts equivalent to the following percentages of the taxes received in the Treasury before July 1, 1972, under the following provisions of the Internal Revenue Code.

The CHAIRMAN. But that is limited to the taxes.

Secretary HUMPHREY. That is limited to the taxes. Frankly, I think that is a lawyer's question. The bill clearly contemplates it. Now, whether it carries the legal authority or not——

Senator WILLIAMS. I thought that was the understanding, but I hadn't seen any place here where you gave the direct authority to do that, and I just wondered if it was in the bill.

Secretary HUMPHREY. The clear implication, intention of the bill, is that that be done. Whether they can legally do it or not, I couldn't say.

Senator KERR. If you go on where you are reading to page 71, line 18, to section (d), you find provision made there for such sums as have not been taken care of by the appropriations provided for between line 3 on page 69 and including line 17 on page 71, if you would read that, sir.

Secretary HUMPHREY (reading):

> There are hereby authorized to be appropriated to the trust fund, as repayable advances, such additional funds as may be required to make the expenditures referred to in subsection (f).

That is the clear intent.

Senator KERR. That is an authorization, and would have to be implemented by an actual appropriation by the Congress.

Secretary HUMPHREY. That is the clear intent.

Senator KERR. That is the clear specifications.

Secretary HUMPHREY. Yes, sir.

The CHAIRMAN. It is not self-executing?

Senator WILLIAMS. That is what I was wondering.

Senator KERR. It is not self-executing.

Senator MARTIN. This is just an authorization, like Congress authorizes the construction of a bridge across a river, then it takes an appropriation by the Congress in addition.

Senator WILLIAMS. That was the question I was raising, whether it took additional action on the part of Congress later.

Senator HUMPHREY. Frankly, gentlemen, you are getting into an awful hole on that basis, because the contract has practically been let.

The CHAIRMAN. Your proposal is to limit the expenditures to the actual receipts?

Secretary HUMPHREY. If you adopt the suggestion I make there is no question about it at all.

The CHAIRMAN. Suppose there is an obligation, you wouldn't limit the obligations?

Secretary HUMPHREY. I would limit the obligations they make to the amount of money available.

The CHAIRMAN. But it would seem to me the obligations would have to be made 2 years or a year in advance.

Secretary HUMPHREY. I think that would be the procedure; it would be to come to you ahead of time and say, "Here is an allocation that we have to make, we are going to be a billion dollars short,"—or $500 million short or whatever it may be—"we require more money in the fund to make this allocation in the next 3 years." And in the light of that you can make such additional appropriations as will be required to meet it. I think there is a lot of sense in that, for this reason. When you undertake to estimate how much travel there is going to be, how many automobiles there are going to be, and how many people are going to use them, and how much gasoline is going to be used, and tires used, and all that, for 16 years, you are going out on a long, long limb, and I wouldn't be prepared to say that these figures were anywhere near right. They are just as right as we can make them, and we have had all the people we can think of study them and they have prepared assumptions of increases, and the amount of people and the amount of automobiles and all that. But 16 years is a long time and a lot of things happen.

The CHAIRMAN. It is possible that you have underestimated it.

Secretary HUMPHREY. It is very possible that we have underestimated it. We didn't try to arrange this one way or the other. We tried the best way we could to get the best idea we could give you.

The CHAIRMAN. In that event, it would not create any trouble. Now, this increase in the gasoline tax which depends upon the increase in traffic over a period of 16 years, did you take the figures out of the Clay report of last year?

Senator HUMPHREY. I can't tell you. It has been recalculated several times.

I am told it is about the same.

The CHAIRMAN. Just one more question. It is not clear to me—on page 71 for example, you seem to take a certain percent of the taxes and put the revenue in the trust fund. You take 100 percent of the taxes on diesel fuel and special motor fuels and 20 percent of the tax under section 4061, the tax on trucks, buses and so forth, and 37½ percent of the tax on tires. What was that?

Secretary HUMPHREY. Well, these lesser percentages are the difference between the existing excise taxes and the estimated figure they might go to, and they maintain the existing tax right straight through and take the difference and put it in this form.

The CHAIRMAN. In other words, revenue from existing taxes continue to go to the general fund?

Secretary HUMPHREY. That is right.

The CHAIRMAN. I understood you to say——

Secretary HUMPHREY. That is just on these, Mr. Chairman, and on a lot of others they take them all. If you will look at page 3 of the tabulation you will see that the first 2 columns—gasoline and diesel fuel—are the present taxes. Then, if you will look at the next 3, those are the ones that you are now referring to where you only get a percent, and the percentage in excess of the reductions contemplated for future years is included here. Then, the next column is just a total column, and then the next columns are the new taxes.

The CHAIRMAN. I understood that you surrendered $300 million of existing taxes to this trust fund; is that correct?

Secretary HUMPHREY. Well, I was defeated, let's put it that way.

The CHAIRMAN. I don't mean you surrendered it, but this bill provides for taking some of the existing taxes——

Secretary HUMPHREY. To be perfectly frank about it, I surrendered, for the reason I just stated, these taxes. But I only surrendered on the ground that they would include the amendment that I suggested, that was the basis of it, that I think these estimates may be too much, they may be little. And it seems to me that rather than try to judge 10 years ahead of today what you ought to have, that if they approximated, as they did here, that then it would be incumbent upon them not to spend the money, or to get the additional money, that would be fairer for everybody concerned, to get the additional money rather than try to forecast 10 or 15 years ahead.

The CHAIRMAN. How much of the present taxes now being collected and now going into that general fund will go into the trust fund?

Secretary HUMPHREY. $5 billion.

The CHAIRMAN. A 16-year period?

Secretary HUMPHREY. That is correct.

The CHAIRMAN. Any questions?

Senator MILLIKIN. I am curious about the forms of amendment that you proposed to make to overcome the complications in the Senate bill.

Secretary HUMPHREY. The amendment I proposed, Senator, is when making an allocation they shall estimate what will be in the fund, and they cannot allocate more for expenditures than the estimated receipts of the fund during the period for which they make the allocation.

Senator KERR. That wasn't the question the Senator asked you, if I understand it. I thought you were asking him about what changes he suggested in the form of distribution in the money as between the States?

Senator MILLIKIN. What I asked him was, we have additional provisions in the Senate bill to lengthen the mileage. You pointed out in your earlier testimony that that made some complications. What is your suggested amendment to overcome those complications?

Secretary HUMPHREY. I think this amendment that I have already suggested would take care of that, because it would mean by adding that amount of additional road that your deficits would just accumulate that much faster, that is all, and therefore automatically you would come to a deficit sooner, and of a little larger amount than you would have to provide some new tax for as it came along, if you see what I mean.

The CHAIRMAN. The 2,500 miles of additional roads, the average cost is 600,000 a mile, isn't it?

Secretary HUMPHREY. The figure is about $1,700,000,000.

The CHAIRMAN. That is added to the total——

Secretary HUMPHREY. That would be right, if you put that in you will have to add $1,700,000, some day you would have to have $1,700,-000,000 more money, if it was an average cost.

Senator FREAR. The only thing I would like to ask, Mr. Secretary, is, of the $5 billion that has gone into the general funds from receipts of these gasoline and diesel fuels taxes, could you give us a breakdown of them by years for the record?

Secretary HUMPHREY. Yes, sir. Let's just take pages 1 and 2. Really, gentlemen, the discrepancies aren't worth bothering about, they don't amount to too much. If you will take page 1, if you will look at the—well, look at this column on the left where it says, "tires, tubes and 3 percent on truck taxes," and so forth, and it foots up to 4,944.

Senator FREAR. I think I misunderstood the colloquy between you, then. What I thought you were talking about is taxes that were received in the past on gasoline, and so forth, that have gone into the General Treasury, the difference between that and what has been allocated to the highway system, how much—I believe somewhere you have mentioned that if we kept that same amount for the General Treasury we would have to take additional taxes from other sources, if we allowed for that.

Secretary HUMPHREY. $5 billion, that is the column right there, number 7 is the column. And you will see it adds up to 4,944. I called that $5 billion.

Senator FREAR. I understand that, Mr. Secretary, that is in the future.

Secretary HUMPHREY. Yes.

Senator FREAR. What I am talking is, how much have you had in the past number of years—that doesn't have to go back many years—of the difference that you collected that went into the General Treasury over what you allocated to the highway construction system?

Secretary HUMPHREY. No, you misunderstood me.

Senator FREAR. What I want—this is what I would like to have you supply for the record, is what I asked, over the past year.

Secretary HUMPHREY. How much have these taxes amounted to that are now being changed?

Senator KERR. How much of the gasoline and diesel fuels taxes produced in the 10 years in excess of what has been provided for highways.

Senator FREAR. Yes.

Secretary HUMPHREY. I can't tell you for 10, but I will give it to you for about 5. Here are the totals, just roughly—and you don't need to write them, I will give them to you, just roughly. The first figure I will read will be the amount that we collected in tax, the second figure will be our expenditure, and the difference will be the excess of receipts over disbursements.

Senator KERR. Which tax is that?

Secretary HUMPHREY. Just gasoline and diesel fuel.

569, 394, excess 175.

Senator FREAR. What year was that?

Secretary HUMPHREY. This is beginning with 1951.

Senator FREAR. Thank you.

Secretary HUMPHREY. 720, 417, excess, 303; 906, 509, excess 397; 855, 531, excess 324; 978, 595, excess 383.

Senator FREAR. That gives me what I wanted.

Secretary HUMPHREY. 1956, 912, 740, excess 272; 1957, estimated 968, 800, excess 168.

The CHAIRMAN. The general fund is losing the excess only on the gasoline and diesel fuel taxes?

Secretary HUMPHREY. That is right.

The CHAIRMAN. The income has been in excess of expenditures on roads?

Secretary HUMPHREY. That is correct. We lose that. In fact, with the increased expenditures, the continually increasing expenditures for highways and matching funds, that was a "gone goose" anyway so far as the Treasury was concerned. We weren't going to get much more of that under any circumstances.

Senator FREAR. I think you have anticipated that there would be an increase.

Secretary HUMPHREY. But the other $5 billion, that is all money that otherwise we would expect to have.

The CHAIRMAN. Senator Kerr.

Senator KERR. What do you think is the significance of the language on page 68 of the bill, the portion read to you by the chairman at line 13: "It is hereby declared to be the policy of the Congress that it hereafter appears that the total receipts of the Trust Fund will be less than the total expenditures of such Trust Fund, Congress shall enact such legislation to bring about a balance of total receipts and total expenditures," such equitable distribution as the case may be.

Secretary HUMPHREY. What do I think the purport is?

Senator KERR. What do you think the significance is?

Secretary HUMPHREY. I think the significance, Senator, is that this is designed to be a pay-for-itself legislation.

Senator KERR. Doesn't that in reality declare the policy to be that Congress will enact whatever legislation is necessary to bring about a balance between receipts and expenditures?

Secretary HUMPHREY. That is what it is. But that is over 16 years. Now, the thing I am suggesting is that it should be annually, you see.

Senator KERR. Does it say that?

Secretary HUMPHREY. No, that is the way I read it, it is the total expenditures and total receipts. And that is, as I take it, 16 years. Now, if it is annual, then it is exactly what I want. But I would just like to have it with no question about it at all.

Senator KERR. The estimated deficit that you have given us is based upon a road program going through the 13 years as provided for in the first few years?

Secretary HUMPHREY. Well, there is a regular schedule of that, the program and the allocation, and all.

Senator KERR. Suppose you show me that in the bill.

Secretary HUMPHREY. You see, what it does, you take first, you start with your A, B, C, roads at 750 million, and then you add 25 to them each year cumulative——

Senator KERR. For how many years?

Secretary HUMPHREY. In the House bill right straight through, in the Senate bill you start with a flat 900 and run through on that.

Senator KERR. Show me where it does that in the House bill right through.

Secretary HUMPHREY. It goes for 2 years, but it declares an intention.

Senator KERR. I say, show me where it provides that.

Secretary HUMPHREY. It provides that for the first two, and there is an intent to continue.

Senator KERR. Show me where it is provided for that straight through.

Secretary HUMPHREY. We will have to confine ourselves now to the House bill, you are talking about?

Senator KERR. That is what you are talking about?

Secretary HUMPHREY. That is right.

The CHAIRMAN. We are considering the Senate bill.

Secretary HUMPHREY. Oh well, the Senate bill changes that to 900. it makes it flat.

Senator KERR. We are not considering the Senate bill, as I understand it, because we are considering the taxation bill, and the only taxation bill before us is the House bill.

The CHAIRMAN. You are substituting the other parts, title 1, the Gore bill?

Senator KERR. You are referring to H. R. 10660?

Secretary HUMPHREY. Yes; now, this is on page 2.

Senator KERR. On page 2?

Secretary HUMPHREY. Yes.

Senator BENNETT. The copy before us the Senate version of the House bill, and the House language has been marked out.

Senator KERR. The copy before me is H. R. 6662.

Senator BENNETT. In the Senate of the United States.

Senator KERR. Let me have a copy of what you are using.

Secretary HUMPHREY. What you need is a lawyer rather than——

Senator KERR. That is very good, I have that same language here. All right.

Now, show me the provisions that carries that through for 13 years.

Secretary HUMPHREY. Well, the declaration of intent on page 3 says:

> Recognizing it to be in the national interest to foster and accelerate the construction of a safe and efficient system of Federal-aid highways in each State, it is hereby declared to be the intent of Congress progressively to increase the annual sums herein authorized for construction of projects on the Federal-aid primary and secondary systems and approved extensions thereof in urban areas, by amounts which in each exceeding year shall provide and increase over the total amounts authorized for each immediately preceding year of not less than $25 million, commencing with the fiscal year ending June 30, 1960, and continuing such progression in each of the succeeding fiscal years, through the fiscal year ending June 30, 1969.

Senator KERR. I think that that is no less general than the declaration that you read a while ago with reference to the trust fund.

Secretary HUMPHREY. I think that may be so.

Senator KERR. Now, the actual authorization in the House bill, Mr. Secretary, is for 2 years on the primary, secondary, and urban, isn't it?

Secretary HUMPHREY. Yes.

Senator KERR. And the actual authorization in the Senate bill for those roads is for 5 years?

Secretary HUMPHREY. Yes.

Senator KERR. And actually the provision for revenue—the actual authorization for revenue, for appropriations here, the specific authorization for appropriations is actually in excess of the actual authorization of either bill, isn't it?

Secretary HUMPHREY. For the 5 years?

Senator KERR. For the years for which specific authorization is made.

Secretary HUMPHREY. Well, I will tell you, Senator, I am not competent to discuss the differential between intent and obligation.

Senator KERR. I want to say that I not only recognize your competency, I declare it, I know of none more competent.

Secretary HUMPHREY. Well, that is very complimentary. But the difference between intent in legislation and the technicality of annual appropriation is something that I would have to defer to the lawyers for. Now, the intent here is so clear——

Senator KERR. Now, you have said, Mr. Secretary, that the bill before us would create a deficit of $5 billion at a certain point in the program.

Secretary HUMPHREY. If carried out.

Senator KERR. And what I am calling to your attention is that, in my judgment, your statement is in error for the very simple reason that there is no specific authorization or appropriation here that would produce that result.

Secretary HUMPRHEY. Well, as I say, I won't take any—I can't question the technicality of whether it takes another act or whether it doesn't.

Senator KERR. You don't have the slightest doubt about what it does, do you?

Secretary HUMPHREY. The intention of this bill is that these things will be done in this way, and they will lead to these results that I have given you.

Senator KERR. Is that binding on any future Congress?

Secretary HUMPHREY. I don't know that anything is binding. I think any future Congress can repeal the whole thing if they wanted.

Senator KERR. But is that binding on any future Congress?

Secretary HUMPHREY. I don't know of any law that any Congress can pass that will hold the next one if they want to void it.

Senator KERR. I don't either.

Secretary HUMPHREY. All right. If Congress is expressing an intent that is going to take a lot of money out of the Treasury, I want to come up here and see that that intent is qualified so that they don't intend to do it.

Senator KERR. If this Congress expresses a policy that it hopes will be carried out, you want it then to do something which you have just said it can't do, and that is to fix it so a future Congress would be compelled to provide the money if it carried out the intent.

Secretary HUMPHREY. No, I didn't say that, Senator, at all. I said that they could not make appropriations that would exceed the fund, that is all. I don't want them to be authorized to be making allocations that will exceed the money they have got to pay for it.

Senator KERR. I call your attention to the fact that the authorizations are not in this bill to do that.

Senator BENNETT. Mr. Chairman, may I refer my colleague from Oklahoma to section 108, which is on page 12, the House section of the bill, which contains specific authorizations for the Interstate System through the year 1969.

Senator KERR. The Senator is eminently correct. But the authorizations for the Interstate System for the 13 years, plus the specific authorizations for the primary, urban, and secondary systems through either of the 2 years in the House, or the 5 years in the Senate bill, will not create the deficit indicated by the Secretary.

Senator BENNETT. Well, the Senator from Oklahoma doesn't believe that the authorizations will end at 2 or 5 years.

Senator KERR. No, but they are not self-reenacting, and in order to be the intent, as the Secretary suggested, they will have to be as the result of future authorizations by the Congress. Does the Senator doubt that?

Senator BENNETT. No; the Senator agrees with that.

Senator KERR. And even with authorizations herein made for appropriation that will have to be implemented by specific acts of legislation of each succeeding Congress.

Senator BENNETT. I think that is right.

Secretary HUMPHREY. Let me just put it this way, Senator. If you build these roads you are going to run a deficit, and you want to have the money to pay for them currently.

Senator KERR. The Secretary is probably correct. I have a great respect for his ability to see in the future. It probably is greater than that of the Senator from Oklahoma. But neither of them is infallible.

Secretary HUMPHREY. And that is why I would like it fixed so that if we are infallible—if we are not infallible—we will get the money before we spend it.

Senator KERR. I hate to admit that for myself, and I take some degree of comfort in the fact that I am including you.

One further question. Now, even on the basis of the eventuality coming about, as you have indicated you think it will, the extent of the deficit that there would be in the trust fund would not exceed $5 billion, would it?

Secretary HUMPHREY. That is about right, $4,760,000, I would say $5 billion.

Senator KERR. It will not exceed $5 billion?

Secretary HUMPHREY. That is right.

Senator KERR. And the period of time that would exist would be 3 years?

Secretary HUMPHREY. It runs over 10 years—there will be a deficit of from a half a billion to $2.5 billion for 10 years.

Senator KERR. I thought your statement, Mr. Secretary, was a little different from that.

Senator WILLIAMS. Is it the cumulative deficit that ultimately reaches this $5 billion figure in 1969?

Secretary HUMPHREY. That is correct.

Senator WILLIAMS. And, if I understand your suggestion, sir, it is that, while you recognize that this Congress cannot bind future Congresses, that to the extent that we bind a future Congress to appropriate the money, you want us to bind the future Congress to raise the money; is that correct?

Senator HUMPHREY. That is exactly correct, Senator; that you have the same intent both ways.

Senator WILLIAMS. That is right.

Secretary HUMPHREY. That you intend to collect the money to pay for your spending.

Senator KERR. If I read the statement of the Secretary correctly, the cumulative deficiency in the trust fund would begin in the sixth year.

Secretary HUMPHREY. That is right.

Senator KERR. There would be none until the sixth year?

Secretary HUMPHREY. That is right.

Senator KERR. And it would exceed $4,700 million by 1969?

Secretary HUMPHREY. That is right.

Senator KERR. This would be made good only in the last 3 years, 1970, 1971, and 1972?

Secretary HUMPHREY. That is correct.

Senator KERR. Does the Secretary recall the deficit that would have been created by the bill he proposed a year ago?

Secretary HUMPHREY. No; I can't recall the exact figure, but, of course, there was no deficit there; that was an extension—there was no cash deficit, the cash was provided for by bonds.

Senator KERR. Was there not an authorization that the Treasury could or should advance to the Corporation up to $5 billion?

Secretary HUMPHREY. That was on the sale of bonds.

Senator KERR. Was there not an advance by the Treasury to the Corporation proposed of $5 billion?

Secretary HUMPHREY. I don't recall. I think there was some elasticity.

Senator KERR. Is there some member of your staff that could refresh your memory?

Secretary HUMPHREY. Yes——

The CHAIRMAN. Senator Kerr was correct.

Senator KERR. I know that Senator Kerr was correct, but I just want to be sure the Secretary knows Senator Kerr was correct.

That was an authorization and a directive, going for how long?

Secretary HUMPHREY. I will have to get last year's bill in mind. Something over 20 years, I am told. I hate to answer questions that I really don't know, but I think it is over 20 years.

Senator KERR. I think it was at least over that.

Secretary HUMPHREY. Twenty-some-odd years.

Senator KERR. I would like for the Secretary to tell the committee—and I say this, certainly, with the greatest of respect, and, actually I know it may not be apparent, of friendship—what would be the difference in the position of the Treasury carrying an annual deficit of up to $5 billion over a period of 20 years, and carrying an annual deficit over a period of from 1962 to 1972, that would range from $500 million to $4,700 million?

Secretary HUMPHREY. Well, I think that this would be a little better than that, and I want it still better yet; I think it ought to be.

Senator KERR. In other words, then, this is an improvement over the recommendation we had last year?

Secretary HUMPHREY. I think so. I think this bill——

Senator KERR. We are now moving to a posture of fiscal responsibility, and we want it even better than this?

Secretary HUMPHREY. That is correct. I want it a pay-as-you-go bill all the time, and I think you will remember—and I will get my testimony and mail it to you, just to be sure of the record.

Senator KERR. I believe I have as good a recollection as the Secretary.

Secretary HUMPHREY. I told the chairman here, in answer to one of his questions at that time, that I wanted a bill that would be paid for currently as we went all the time, that that was the best bill that could possibly be enacted, that if we were not going to have the best bill, if we were going to have a lesser bill, then these were the objections of one kind or another, and those could be met in these various ways, but a pay-as-you-go bill was the kind of a bill we ought to have, and that was the best bill that a Congress could enact.

That was my original testimony before the first time this committee ever met on this subject.

Senator KERR. The bill before us a year ago would have involved the issuance of $25 or $30 billion in bonds, wouldn't it?

Secretary HUMPHREY. Something like that.

The CHAIRMAN. Twenty-one.

Secretary HUMPHREY. Twenty-one, was it?

Senator KERR. It would have involved a continuing deficit of $20 billion in the Treasury.

Secretary HUMPHREY. Just frankly, now, if you want to discuss that, I would suggest that I read it and come back. When that was killed a year ago I forgot it, and it is gone, as far as I am concerned. If you want me to say this is a better bill than that, I will say it gladly, this is a better bill than that. But I still don't think it is good enough. This isn't the best bill we can have.

Senator KERR. The Secretary is not only accurate but generous.

That is all.

The CHAIRMAN. Senator Long?

Senator LONG. Mr. Secretary, the proposal that we had before us last year—and I understand you don't care to discuss that—was a self-liquidating program without any tax increases.

I was impressed by the tabulations to show that tax increases would not be necessary in order to put that program into effect. Why do you feel now that the tax increases are necessary?

As I recall it at that time, we would have earmarked the taxes on passenger automobiles——

Senator MARTIN. Will the Senator yield?

Senator LONG. I would like to ask the question.

Senator MARTIN. I mean, in order to get the basic facts. If we were to use the taxes over a period of 30 years, that is how we could do it.

The CHAIRAN. Pay the bonds off?

Senator MARTIN. Pay the bonds off, you see, and the 30 years' taxes.

Senator LONG. The point I am getting at is, why should we not dedicate the excise taxes on passenger automobiles, or more or less

earmark them, as this bill proposes to do, for highway purposes, just as this bill proposed to earmark taxes on trucks, buses, and trailers for the same purpose?

Secretary HUMPHREY. I am not objecting to it, Senator. All I am saying is that if you do, you have got to provide the money in some other way, that is all.

Senator LONG. We have provided a lot of tax reductions in the last several years—you have recommended them, and I have voted for them. I have always felt that we ought to do something for some people that were left out. It seemed to me that about as many people were left out as were helped——

Secretary HUMPHREY. That is one of the reasons, Senator, why I think you would feel a little squeamish about this, because what you are doing is taking $5 million and putting it here to keep you from giving $5 million to the very people you are talking about.

Senator LONG. As you know, I have been one of the people that voted most of the reductions that the Eisenhower administration proposed on Federal spending. As a matter of fact, I had some ideas of my own that went beyond that. But here we reduced income taxes, excess profits, various adjuncts for corporations and for businesses, and corporate stockholders on their dividends, and things of that sort, and now we are turning around to raise the gasoline tax.

Well, if that were absolutely essential, perhaps I would be willing to support it. But all we anticipate is that we are going to have a deficit this year.

In other words, how do we stand budgetwise? Are you anticipating a deficit, or do you think we will have a little surplus, for a change?

Secretary HUMPHREY. We will have our final figure, as I told you, the 20th, and I hope you will have the figures on the morning of the 21st.

Senator LONG. If some of us in Congress had been successful in doing some of the things that have been done before, and making some reductions in some of the major spending items, we might be in an even better cash position, as far as the budget is concerned.

The question that is in my mind is whether we should increase these taxes on highway users when the highways users are already paying enough taxes to pay for all the highways. In other words, if we would just go ahead and earmark the taxes on automobiles in addition to the taxes that we are earmarking on gasoline, and let all the user taxes, all the excise taxes on highway users, go to the highways, we would have enough money for this program.

Secretary HUMPHREY. I haven't made the calculation, but I am sure you could divert enough from the funds we are now collecting to the trust fund, so that the trust fund would be intact; that is just a matter of picking out what would do it, and that is a matter of arithmetic.

But if you do divert those funds to it, then you have got to make up the deficit in the other funds. In other words, if you move it from here to here, your deficit, instead of being here, is over here—it is just that simple.

Senator LONG. I can suggeest to you taxes that I believe your staff is well familiar with—excise taxes on highway users that would more than pay for this program. You would get a billion dollars

from your gasoline tax, as it stands today. As I understand it, you bet about a billion dollars from your excise tax on automobiles.

There is about $500 million, if I recall correctly, involved in your tax on tires, tubes, diesel fuels, and automobile accessories. That runs up to a total of roughly $2,900 million. That is all you need for this program.

As far as money is concerned, there is no year immediately facing us when you are going to need more than $2.5 billion, so far as making the users pay for the highways, they are already paying for the highways. The question is whether you want those users to help us balance the budget.

Secretary HUMPHREY. If you want to move those taxes over for this purpose, if you make that suggestion, then you will also have to make the suggestion contemporaneously as to what new taxes we put on to make up—to fill the hole you have just dug for us.

Senator LONG. Let me show you one little way to pick up enough money to pay for what all this would do. The new taxes would bring in $712 million in 1957, if I understand correctly, and about $688 million in 1958. Now, if you would just change your interest rate policy back around to what it was when you came in, you would save $814 million a year.

That is my tabulation on what the increase in interest on the national debt has cost while this administration has been in power.

Secretary HUMPHREY. I will be glad to check those figures.

Senator LONG. I would be glad to have your tabulation.

And, the time you get through refinancing these bonds, it is going to be a lot more than $14,800 million. That is where you can save some money.

Secretary HUMPHREY. If you will buy the bonds at the lower rate, we will be glad to sell them to you.

Senator LONG. If you will ask the Federal Reserve to engage in some open operations to buy the bonds when the bankers hold them back on you, I don't think you will have any difficulty selling them.

As I recall, you had a great deal of difficulty with that interest rate before the Federal Reserve started to go back into the open market.

Secretary HUMPHREY. Mr. Long, I think this hardly the right place to discuss the policy that your party pursued for a great number of years, and finally found to your satisfaction that it wouldn't work, so you abandoned it about a year and a half before we got here.

Senator LONG. Once the Truman administration undertook to let these interest rates go on up—you sure went them one better, I will have to give you credit for that.

I would like to ask this question, though:

Are you really in sympathy with this last increase in interest rate that the Federal Reserve Board has passed on?

Secretary HUMPHREY. That is a long story. I don't know whether you want to take the time to go into it in detail at this meeting or not. I would ge glad to do it.

Senator LONG. I would like to hear your views on it. I wouldn't want you to testify all day here.

Secretary HUMPHREY. Let me put it just as simply as I can.

Under the law, the Federal Reserve Board is an independent agency. There is a great school of thought in the world, based on long

experience, that central banks should be independent of current administrative processes, that it works better for the finances of the country over a long period of time.

Because of that, Senator Glass proposed in the original Federal Reserve Act that there be an independence in action of the Board, and it has obtained ever since, and it is still the law.

Now, I believe that a close cooperation, and an interchange of ideas and thoughts, as between the different departments of the Government, the different branches of the Government, is a very desirable thing, in order that, when a department is independent—and most of them are independent in certain fields—that before they take independent action they should have the benefit of consultation with the other departments of the Government and the varying views of the other people.

Fortunately, the present members of the Federal Reserve Board have that same feeling. The result is that, since we have been here, we had a period, as you will well recall, before we came, when the Federal Reserve Board and the Treasury were at outs, and there was such a battle that it finally got to the White House for decision, and it disturbed a lot of conditions.

We have attempted not to have that happen again, because it isn't good for the country.

So that, we have been very careful, and we both believe that we should consult with each other and have the benefit of each other's views in all the actions that either of us take that will affect the economy.

We visit right along, Martin comes over for lunch every Monday to the Treasury, I go to the Federal Reserve Board quite frequently, and one of us, either Randolph Burgess or I, go over there every week, and we meet several times between.

Now, in looking ahead, and in trying to gage what economic conditions are going to be, and what the demands of the economy for money and credit are going to be, and what the demands for people and employment are going to be, to keep jobs going, to keep plenty of jobs, as many jobs as we can have, and to keep things on an even keel as well as we can, and to keep prices from running away and getting into an inflationary period which robs the people of their money, we meet together and discuss all sorts of things that bear on those conditions in the future.

Now, Senator Kerr has just brought out how difficult it is for anybody to gage the future, and in these discussions that we have, we very often differ in our views as to the weight to be given to certain inflationary forces or certain deflationary forces or acts here or acts later.

What we do—what we try to do is, we give them the very best estimates we can make of the effective weights and the time of the events in the future, the pressures that will be forthcoming in a few weeks, months, a year hence, inflationary pressures or deflationary pressures, so that we can have our views in their minds when they come to take their action. And they, in turn, give us the benefits of their views.

Senator LONG. All I wanted to know was whether you agree with their decision or not, is what I really wanted to know.

Secretary HUMPHREY. I felt this last time; if it had been my responsibility, I would not have made this last move—all the others, but this last one might have been postponed, and natural conditions might have taken care of it. Whether I am right or wrong, I don't know.

Senator LONG. It places the situation in this perspective. The Federal Reserve is created by an act of Congress. The members of that Board are appointed by the President; they are confirmed by the Senate; and their responsibility is to carry out congressional directives.

They have certain policy decisions to make, but I regard it as the responsibility of the President, and also the responsibility of the Congress, to see how the Federal Reserve Board administers the power delegated to it by the Congress.

This committee has the responsibility of debt management. I don't know of any——

Secretary HUMPHREY. Who?

Senator LONG. This committee, as I understand it, under the rules of the Senate.

Secretary HUMPHREY. No; they don't have a thing to do with it. You are entirely mistaken.

Senator LONG. Do I understand that this committee has no responsibility and no connection with the national debt?

Secretary HUMPHREY. I thought you were talking about the Federal Reserve Board.

Senator LONG. This committee of the Senate.

Secretary HUMPHREY. Your committee here?

Senator LONG. This committee has the responsibility of reporting to the Senate on the management of the national debt.

Now, here are policies being adopted by the Federal Reserve Board, which look to me like they mean about an increase of one-half of 1 percent in the national debt. By the time you get through refinancing these things, they jump up to $1.5 billion, with an increase in the cost of the Federal debt.

With the responsibility you have indicated of wanting to have a balanced budget——

Secretary HUMPHREY. Of course, it will take you 40 years to get that.

Senator LONG. To get that, you would have to have a few 30-year bond issues, but I believe most of them are shorter.

Secretary HUMPHREY. Yes.

Senator LONG. It wouldn't take too long to run it up to a billion or $2 billion; in my tabulations, it is already up to 14 million. And it seems to me just like a dog trying to chase its tail, to raise the gasoline tax and try to balance the budget, when the Federal Reserve Board raises interest rates, and it is going to cost a lot more than these taxes will bring out.

Secretary HUMPHREY. I think one phase of this you left out of your consideration. You are raising some very broad and very sweeping questions here.

If—I say "if," because I don't know—but if inflationary pressures were such that without this action of the Federal Reserve Board we would have moved into a pricing inflation, and we moved further into it, it would be only a very short time, a very small move in a general level of prices, that would wipe out many times the amount you are

talking about in the cost of operation of the Government, in the cost of building the roads, and the cost of living of all the people.

Now, I think it is a whole lot more important to have in mind the cost of living of all the people, and the price levels in this country. We have been extremely fortunate. We have gone through 3 years here, nearly 4, of an extremely steady price level, the longest period ever in the history of this country of price stability.

Now, that means more to a 160 million people than any little quarter of a percent in the interest rate. And if one helps to accomplish the other, if that is the effect, then you are repaid many, many times.

Senator LONG. Mr. Secretary, what I can't understand is the fact that this administration invariably talks about inflation every time we talk about the interest of the masses of our people. Now, when we come around here to give tax reductions to corporate stockholders, nobody worries about the inflationary effect of it, or take off the excess profits tax, nobody worries about that, or to raise the interest rate up $804 million to benefit the banker.

But if you want to give $200 million to raise old folks' pensions, that is going to be inflationary, or if you want to do something here as far as making it possible for a little man to buy his own home without paying more for interest than he pays for his house, people worry about inflation.

I have never seen it demonstrated that high interest rates effectively curb inflation. There are a lot of ways to curb it, but it seems to me that in peacetime, and with the country being on a level keel, there is no excuse for using the inflation argument to justify high interest rates.

Senator WILLIAMS. Mr. Secretary, you stated that under your administration the cost of living has been stable for the longest period of time. Now, in this preceding year, just immediately prior to this administration, when we had this low interest rate that the Senator from Louisiana is boasting about, what happened to the cost of living during those years? Do you have those statistics?

Secretary HUMPHREY. The dollar went from 100 to 50 cents.

Senator WILLIAMS. In other words, it was cut to half?

Secretary HUMPHREY. Yes.

Senator WILLIAMS. What would that amount to in dollars and cents to the American people?

Secretary HUMPHREY. Hundreds of millions of dollars.

That is one of the principal reasons why we have got this terrific debt—there was no reason to have this debt, except that we ran the price of everything we bought so high by blacking the dollar out. It would have been very much less if the advice of your chairman and a lot of others had been followed.

Senator LONG. Do you think that high interest rates would have prevented—if you you changed 2 or 3 times the interest rate during the war, do you think that would have prevented the cost of living from going up?

Secretary HUMPHREY. Senator Long, there is no proof of a pudding like the eating. I saw what happened under the policy that you adopted, I have seen what happened under the policy that we have adopted. And so, as far as I am concerned, I would rather have the results that we have had in the last 3 years.

Senator LONG. If I understand your answer to a question asked by Senator Williams, the increase in the cost of living resulted not from a war but from the failure of an administrtion to raise interest rates.

Senator WILLIAMS. No; I didn't say that. The Senator from Louisiana is doing a little daydreaming. I was merely pointing out that, not counting the war period, but in the immediately preceding 3 or 4 years before this administration, I think the cost of living rose about thirty-some percent in that one period alone.

Secretary HUMPHREY. That is right.

Senator WILLIAMS. Now, the cutting in value of the dollar was over a period of how many years?

Secretary HUMPHREY. Fifteen.

Senator WILLIAMS. But this would wipe out more than you are talking about at this time. I am not defending a decision made by the Federal Reserve Board, because, frankly, it is far beyond my ability to say whether they are right or wrong, and I imagine most members of the committee fall into that position of lack of competence to evaluate their decisions.

Senator LONG. It is my best understanding that if a veteran buys a $10,000 home, he can expect to pay about $7,000 in interest, based on the type laws that you are criticizing.

Now, the policy adopted by this administration has added $2,000 on top of that 7, and the way it is going, it is going to be 4, which would mean paying $11,000 for interest and $10,000 for the house.

Those are the reasons I believe that low interest rates benefit the public generally. And I hope, Mr. Secretary, that we will do something about this policy of pushing the interest rate up.

You said you were not in accord with the last increase, and it seems to me there is where we can make some progress in holding down the cost to the Government.

Senator BENNETT. Mr. Chairman, the Federal Reserve Board comes under the Banking and Currency Committee, and I think, to that extent, this discussion is outside of our jurisdiction.

The CHAIRMAN. Senator Martin?

Senator MARTIN. No questions.

The CHAIRMAN. Senator Williams?

Senator WILLIAMS. No questions.

The CHAIRMAN. Mr. Secretary, we thank you very much.

Secretary HUMPHREY. Thank you very much, indeed.

Senator MARTIN. I would like to make this comment:

I have greatly appreciated the explanation you have made, the great amount of time that you spend on this very important thing relating to interest rates, inflation, and things of that kind that affect each one of 165 million people in the United States.

I wish every American would have had the opportunity of hearing this discussion this morning. While it might not be relevant to this road bill, I think it is most helpful, and I want to thank you.

The CHAIRMAN. Thank you very much.

We have four more witnesses. The next witness is Mr. Arthur C. Kreutzer, Liquefied Petroleum Gas Association.

STATEMENT OF ARTHUR C. KREUTZER, VICE PRESIDENT AND GENERAL COUNSEL, LIQUIFIED PETROLEUM GAS ASSOCIATION

Mr. KREUTZER. Mr. Chairman and gentlemen of the committee, my name is Arthur C. Kreutzer. I am vice president and general counsel of the Liquefied Petroleum Gas Association, and I am making this statement on behalf of that association.

The Liquefied Petroleum Gas Association is a national association, composed of the producers of liquefied petroleum gas, the manufacturers of the equipment and appliances utilizing liquefied petroleum gas, its pertinent equipment and appliances.

The Liquefied Petroleum Gas Association has 2,377 member companies within the United States. It is estimated that this membership represents over 80 percent of the industry volume of business. This membership is predominantly at the distributor and dealer level. Approximately 70 percent of its membership is in this category.

My purpose in speaking for the association does not go to the principles of the bill, but to a situation that is created by some of the language used in the bill, which creates a discriminatory effect as far as liquefied petroleum gas users are concerned.

At the present time both gasoline and special motor fuels are taxed at 2 cents a gallon when used in any motor vehicle, whether highway or nonhighway. H. R. 10660 and 10661 would create a severe injustice in the tax treatment of special motor fuels, including liquefied petroleum gas, as contrasted with gasoline. This bill would increase the tax on both gasoline and special motor fuels, when used in highway vehicles, to 3 cents a gallon. See section 202 and 205 thereof.

For nonhighway motor vehicle use, however, gasoline is still to be taxed at only 2 cents a gallon, but apparently through oversight liquefied petroleum gas and other special motor fuels are to be taxed at the increased rate of 3 cents a gallon. In other words, gasoline used in nonhighway motor vehicles is to be taxed at only 2 cents a gallon, whereas special motor fuels so used are to be taxed at 3 cents a gallon.

Senator KERR. That is, for nonhighway users?

Mr. KREUTZER. That is correct, Senator.

We feel that a correction is necessary, otherwise a serious injustice would be done the liquefied petroleum gas industry, one of the fastest growing industries in the United States, and to the many users of liquefied petroleum gas as fuel in nonhighway motor vehicles. Attached hereto is a list of nonhighway motor vehicles.

The CHAIRMAN. It may be included.

(The list referred to is as follows:)

NONHIGHWAY MOTOR VEHICLES

Road rollers
Ditch diggers
Side dump carts and wagons
Prime movers—construction
  Rubber tired
  Crawlers
Truck mounted drilling rigs
Motor graders
Excavators
Elevating graders
Dam construction trucks
Logging trucks

Saddle trucks
Fork lift trucks
Steel mill and ore trucks
Industrial wheeled tractors
Clay mining trucks
Colliery trucks mobile mining equipment
Truck mounted shovels and backhoes
Truck mounted cranes
Overhead tractor shovels
Earth movers
Excavating scrapers
Scarifiers
Railroad equipment
Concrete mixers and pavers
Bituminous mixers and pavers
Portable aggregate batching plants

Mr. KREUTZER. A fork lift truck is a common example of a nonhighway motor vehicle. These lift trucks commonly are fueled by both gasoline and liquefied petroleum gas. Under the language of H. R. 10660 and H. R. 10661, gasoline used in such vehicles would be taxed at only 2 cents a gallon since such vehicles are nonhighway motor vehicles. However, where liquefied petroleum gas is used to fuel a fork lift truck, the tax on such fuel would be 3 cents a gallon. This is the result because of the fact that special motor fuels, of which liquefied petroleum gas is one, used in nonhighway motor vehicles are taxed at the rate of 3 cents a gallon.

Thus, in the situation of the industrial lift truck, as in the case of all nonhighway motor vehicles, gasoline has a tremendous advantage over special motor fuels. Therefore, it is respectfully requested that special motor fuels used in nonhighway motor vehicles be accorded the same tax treatment as gasoline used in such vehicles—that is to say, both fuels should be taxed at the rate of 2 cents a gallon.

In this connection, it is interesting to note that if diesel fuel is used in such a vehicle, there would be no tax on this fuel, for the reason that the diesel fuel tax is predicated solely upon use as a fuel in a diesel-powered highway vehicle.

Parenthetically, I would like to inject that I understand a suggestion has been made to the committee that the handling of the tax be not on an exemption basis, but on a refund basis in the case of gasoline.

I want to point out to the committee that if this thinking in any way should be extended to the field of special fuels, it would be completely impractical in that the refund would be required on over 95 percent of the product, so that there would be no net revenue if the refund procedures were contemplated or followed in the case of special fuels.

Senator KERR. Was that for the reason that the liquefied fuels are used very little on the highways?

Mr. KREUTZER. Not necessarily, Senator Kerr. Primarily, I believe it is because of the lack of availability on the highways.

Senator KERR. Well, for whatever reason they don't use it, are you telling me that only about 5 percent of the present consumption is in vehicles on highways?

Mr. KREUTZER. Correct, Senator.

If the present language is not corrected, a serious injustice would be done to the many members of the liquefied petroleum gas as a fuel in nonhighway vehicles. It would create a serious discrimination in

favor of competitive fuels and most damaging to the sellers and users of liquefied petroleum gas.

Senator KERR. Is there a present tax on all liquefied petroleum gas?

Mr. KREUTZER. Yes.

Senator KERR. Of 2 cents a gallon?

Mr. KREUTZER. The 2-cent tax under the present law is imposed on the use of liquefied gas in motor vehicles, airplanes, or motor boats. That is the language.

Senator KERR. You refer here to the fact that the tax on diesel fuel is only when used in a diesel-powered highway vehicle.

Mr. KREUTZER. Correct.

Senator KERR. Are you telling us that there is a 2-cent a gallon tax on liquefied petroleum gas, whether it is used on highways or not?

Mr. KREUTZER. Yes, Senator. It calls for it if it is used in a motor vehicle—under the present definitions of the Treasury Department, a motor vehicle is defined as a vehicle which is designed to carry or support a load.

Senator KERR. Regardless of whether it is on the highway or not?

Mr. KREUTZER. Correct.

Senator KERR. And what you are telling us—and I am sure that you have authority for your statement—is that only about 5 percent of this liquefied petroleum gas is used in highway motor vehicles?

Mr. KREUTZER. Yes, sir.

Senator KERR. On our highways?

Mr. KREUTZER. Yes, sir.

Senator KERR. Thank you.

Senator BENNETT. Do I understand the witness, then, to say that he has no objection to the continuation of the present overall 2-cent tax?

Senator KERR. I wouldn't ask him in that way.

Senator BENNETT. All right.

The purpose of his appearance today is not to object to the continuance of the present 2-cent tax, but to object to the expanded—to the extension of the additional 1-cent tax to exclude nonhighway vehicles?

Mr. KREUTZER. Senator Bennett, this is correct. I don't believe that the committee has under consideration the previous tax, or it is appropriate to present that problem today.

Senator KERR. This is addressed to the increase in the present bill?

Senator BENNETT. That is right.

Mr. KREUTZER. Our problem is because of the language used to increase it.

This inequity is accentuated by the fact that the increase in tax is imposed in a program dedicated to highway finance and the tax on liquefied petroleum gas would be collected in connection with nonhighway uses.

We respectfully submit that, in the interest of eliminating this discrimination, the following amendments should be made to H. R. 10660 and 10661:

Page 32, line 12: Insert after the word "liquid" and before the word "sold" the following words: "taxable under subsection (b) and."

Page 32, line 12 and 13: Delete the words "as a fuel for the propulsion of a motorboat or airplane" and substitute therefor the words "otherwise than as a fuel for the propulsion of a highway vehicle."

Page 32, line 18: Delete the word "motor" and substitute therefor the word "highway."

Page 47, lines 14 and 15: Delete the words "motorboat or airplane" and substitute therefor the words "motorboat, airplane, or motor vehicle other than a highway vehicle."

Thank you, gentlemen.

The CHAIRMAN. Thank you very much.

Senator KERR. Mr. Chairman, I want to say that I am very happy that we have heard this witness, because I think he has called attention to a provision in the bill which, upon examination, will be disclosed to be undesirable, as he suggested.

The CHAIRMAN. Is that listed as special motor fuel?

Senator KERR. You mean, identified in the bill?

Mr. KREUTZER. It is called "special motor fuels" in the bill. And included in the list of special motor fuels you will find liquefied petroleum gas.

The CHAIRMAN. But that is one of the special motor fuels?

Mr. KREUTZER. That is correct.

The CHAIRMAN. The next witness is Mr. Harold Hosea, National Association of Motor Bus Operators.

STATEMENT OF HAROLD R. HOSEA, DIRECTOR OF RESEARCH, NATIONAL ASSOCIATION OF MOTOR BUS OPERATORS, WASHINGTON, D. C.

Mr. HOSEA. My name is Harold R. Hosea. I am director of research for the National Association of Motor Bus Operators with headquarters in Washington, D. C. Our organization serves as the national trade association for the intercity motorbus industry; directly or through affiliated State associations, we represent the great majority of companies engaged in transporting passengers by motorbus to, from, and between cities and towns and between points on rural highways. The operations of our members are, in the main, of the type commonly known as over-the-road, although certain of them do operate a considerable volume of suburban service. With a very few minor exceptions, our membership does not include companies providing urban mass transportation services.

Recent studies of the operations of intercity bus companies indicate that there are about 40,000 communities in the United States which are dependent upon our buses for their only means of common-carrier passenger transport. In addition, we provide these communities with package express and pouch-mail services. Hospitals and industrial plants in many of these towns depend on this service for emergency shipments and many of our smaller post offices receive and dispatch all of their first-class pouch mail by intercity bus.

Our industry has consistently supported a proposed expanded highway program beginning with our testimony presented before the Clay Committee and subsequently in our statements before the several congressional committees which have held hearings thereon. During the hearings on H. R. 9075 we indicated our readiness to attempt to absorb the additional taxes proposed in the original draft of that bill despite recognition of the fact that this burden would impose a serious hardship upon many of the carriers and jeopardize the existing essential service in many of the communities on our routes.

I recognize that this last statement requires some further explanation. Contrary to a widely held impression, our industry is essentially one of small businesses. Out of nearly a thousand intercity motorbus operators subject to the jurisdiction of the Interstate Commerce Commission, less than 200 have annual gross revenues of $200,000 or more per year. The vast majority of the remainder are very small enterprises; many of them are family affairs involving the operation of 1, 2, or 3 buses.

The passenger traffic of all of these carriers has been declining rather steadily for the past 10 years, primarily as a result of the tremendous increase in the use of private automobiles. The total decline in the volume of travel over this period has been nearly 30 percent. This fact, coupled with steadily rising costs, has resulted in substantial cuts in service, abandonment of some routes and complete liquidation of a substantial number of carriers. The great majority of the carriers that have survived are in a precarious financial position.

Following a thorough study of intercity bus operations, the Interstate Commerce Commission concluded that, to be financially healthy, the total expenses of carriers (exclusive of income taxes) should not be in excess of 85 percent of gross revenues. An analysis of operations during 1955 showed that more than 90 percent of the larger carriers (i. e., those with annual revenues of $200,000 or more) had expenses totaling more than 85 percent of revenues. Nearly a third of them actually finished the year in the red. Preliminary figures for the first quarter of this year indicate that this situation has worsened.

The condition of the much larger number of small carriers is even more desperate. Figures for 1955 are not available, but data for previous years indicate that, for this entire group, expenses are approximately equal to, if not actually in excess of, revenues.

The officials of several States, alarmed at the rate at which these essential services were being curtailed by continuing deficits, have taken steps to provide some relief. In New York, for example, nearly a fourth of all the bus companies went out of business in a period of 2 years, and those remaining have been granted limited tax relief in an effort to help them maintain essential services. A committee appointed by the six New England governors is now studying the situation in that area for the purpose of recommending a solution to its problem.

It should be noted that the service rendered by intercity bus companies is essential not only for the reasons already outlined, but also because it is of special importance to the low income groups who make up a large proportion of our patronage. This is so because buses provide the most economical form of intercity transportation.

It is clear from the foregoing that the proposed additional Federal levies would have the ultimate effect of offsetting the urgently needed relief which these States have found essential.

Despite this discouraging outlook, our industry intends to exert its best efforts to deal with the problems which may result from such tax measures as the Congress may decide upon. We respectfully request, however, consideration by this committee of three relatively minor and simplerevisions in title II of H. R. 10660 which I shall outline briefly.

As indicated above, it is the smaller carriers who are in the most precarious financial condition, hence the impact of additional taxes would fall most heavily upon them. The operations of the smaller carriers are, in many cases, principally over short routes, and it is this type of service that typically involves the largest deficits. As a matter of fact, the essential regular-route service which these carriers provide for the residents of hundreds of communities almost unifomly results in actual out-of pocket losses. Many of them have been able to continue it only because of their efforts in securing charter-party business which is generally compensatory, and the income therefrom is actually subsidizing the deficit regular-route service.

Section 208 of H. R. 10660, subsection (b), on page 66 of the Senate Public Works Committee print, proposes to amend section 6416 (b) (2) (L) of the Internal Revenue Code in respect of the fuel tax. The effect of this proposed amendment would be to refund to carriers amounts equal to 1 cent per gallon on fuel used in buses operated in regularly scheduled service where 60 percent or more of the carrier's total passenger revenues are derived from fares exempt from the tax on the transportation of persons as provided in section 4262 (b) of the Internal Revenue Code. The current maximum 1-way fare exempt from such tax is 35 cents, a figure established 15 years ago, since which time short-haul bus fares have nearly doubled in general conformity with economic trends. It is requested that the maximum for purposes of this exemption be raised to 60 cents. The need for this revision in connection with the transportation tax has already been recognized in H. R. 7634 which was passed by the House last session and is now pending before your committee.

This proposed revision would have no effect on carriers other than those engaged primarily in suburban service since, as a general rule, under existing tariffs, fares of 60 cents or less do not involve trips much beyond 15 miles. The operations of these suburban operators differ in no material respect from those of local mass-transportation carriers for whom an exemption is already contained in the bill. The House committee report states that "The exemption for local mass transportation is provided because many such transportation systems already are operating near or below the break-even point, and it is feared that the imposition of the additional motor-fuel taxes in this case would have a serious adverse effect on provision for such transportation, which is essential to the large suburban population of the country." This reasoning is equally applicable to the short-haul carriers which I have described, and this minor revision would provide them with much needed relief.

Section 206 of H. R. 10660, which imposes a tax of $1.50 per thousand pounds on trucks and buses with gross weights in excess of 26,000 pounds also contains a comparable exemption for so-called mass-transit operations. This exemption, according to the House committee report, is based on the same reasoning as that applicable to the fuel tax. To qualify for this exemption, a carrier must meet the requirement as to the fares from which its revenues are derived as outlined above in connection with the fuel-tax exemption. It is requested that this requirement be revised by increasing the maximum exempt fare from 35 to 60 cents as outlined above and for the same reasons. Exemption from the proposed weight tax is also contingent upon use by the car-

rier of "transit-type" as distinguished from "intercity-type" vehicles. It is requested that this requirement be eliminated. If the carrier meets the passenger-fare revenue requirement, it is obvious that the operation is basically a short-haul suburban service, and the type of vehicle used is immaterial. Much of this suburban service is operated with intercity-type buses which the small operators have purchased second hand from long-haul intercity carriers because they could not afford to buy new ones. Nearly every large city, including Washington, offers examples of this type of operation, which is essentially similar in every material respect to an urban mass-transportation service.

It is also requested that the minimum vehicle weight of buses taxable under this proposed levy be increased from 26,000 to 28,000 pounds. Taxable gross weight is defined in the bill as unladen weight plus the "maximum load customarily carried." Computation of the weight of many of the buses used in short-haul suburban service would make them taxable under this formula, assuming that allowance is made for the weight of a passenger in each set. As a matter of fact, however, the average intercity bus operates today with a load factor of approximately 50 percent, i. e. only half of its seat-miles are sold.

We respectfully request the committee's consideration of these minor revisions which would provide desperately needed relief for the small carriers and permit them to continue rendering an essential service. They would have virtually no impact on the larger long-haul carriers, and the effect on receipts by the Treasury would be negligible in comparison with total anticipated revenues.

In addition to the detailed matters outlined above, the attention of the committee is directed to a more general question concerning taxation of commercial vehicles. Proponents of the theory that uniform tax rates on fuel, tires, oil, etc., do not result in an equitable distribution of tax burdens between private automobiles on the one hand and commercial vehicles on the other generally base their arguments on the ton-mile tax theory despite the fact that the Bureau of Public Roads and numerous other authorities have discarded it as unsound. I shall not impose upon the time of this committee by reviewing this complex subject since it has been covered quite adequately by other witnesses. The bus industry is in accord with the position of the American Trucking Associations in respect of this matter.

I should, however, like to take the liberty to point out one further very important set of facts that has been almost completely overlooked in the consideration of highway legislation. Virtually all of the discussion has apparently been based on the erroneous assumption that all of the larger commercial vehicles constitute a more or less homogeneous group. The intercity bus is not typical of this group. In the first place, the fully loaded average intercity bus has an axle load well under the 18,000-pound standard suggested by the American Association of State Highway Officials. The larger so-called deck-and-a-half buses are somewhat heavier, but are equipped with three axles and are, therefore, also well within this axle-load limit. Further, there is virtually no problem of overloading. As I have pointed out earlier, the average intercity bus operates today with only slightly more than half its capacity load, and standees are not carried on intercity schedules except in emergencies and then ordinarily only for very short distances.

The intercity bus is by no means an important factor in highway congestion for several reasons. First, intercity buses constitute only 1 out of every 175 so-called heavy commercial vehicles. Second, from the point of view of transporting people, they take the place of approximately 12 private automobiles and, according to competent highway engineers, require less than seven times the space on the highways occupied by a private automobile. They do not delay other traffic on the highways since their acceleration rate and hill-climbing ability is nearly, if not fully equal to that of the typical private car. As to safety, the records of the National Safety Council reveal that private automobile and taxicab accidents resulted in the death of 3.6 persons per 100 million passenger-miles in 1954. The corresponding rate for buses was 0.9 or one-fourth the rate for private cars. It should also be noted that deaths resulting from intercity bus accidents have been reduced by half since 1946.

It is for the foregoing reasons that the intercity bus industry accepted, in general, the proposed tax provisions in the original draft of H. R. 9075, which did not contain any provision for this special levy, despite the serious impact which they would have had upon our already precarious financial condition. It is still our position that the rates proposed in that bill were equitable and that there should be no differential rates imposed on commercial vehicles, particularly in the case of intercity buses which differ in many respects from the typical commercial vehicle as that term is generally used.

In this same connection, it should be noted that our industry supported the proposed increase of 2 percentage points in the tax on the value of trucks and buses as contained in section 203 of H. R. 10660 on the ground that such an increase would equate the tax rate on the value of commercial vehicles with that assessed against private automobiles. However, in section 209, 20 percent of the proceeds of the tax on the value of trucks and buses received before July 1, 1957, and 50 percent of such taxes received subsequent to that date are allocated to the proposed highway trust fund. None of the proceeds of the tax on the value of private automobiles is so allocated. Further, the rate of tax on the cost of private automobiles under present statutes will be reduced from 10 to 7 percent as of April 1957, whereas the 10-percent rate on the value of commercial vehicles continues until 1972. It is our position that the ultimate result of the foregoing is a further inequitable distribution of the highway tax burden between private automobiles and commercial vehicles.

The tax proposals contained in title II of H. R. 10660, together with existing Federal automotive excise taxes, would produce total revenues of about $55.8 billion over the next 16 years according to estimates contained in the House committee report. Of this anticipated total, $38.5 billion would be allocated to the proposed highway trust fund, an amount roughly equivalent to contemplated Federal outlays for the 13-year expanded program, including the expressed intent to accelerate expenditures on the regular Federal-aid systems. The obvious result is that highway users would thus be paying the entire cost of the proposed program plus a further contribution of about $17.3 billion to general Federal revenues. It is noted, however, that, in most of the proposals to date with the exception of the Senate amendment to section 108 of title I as passed by the House

(section 102 of the Senate print), the present Interstate System is redesignated as the National System of Interstate and Defense Highways in recognition of the importance of this system to the national defense. The contemplated improvements to this system would constitute a benefit to the entire population to the extent that they contribute to the national defense, and to the efficiency of the postal and other governmental services. It follows that some proportion of the costs thereof constitute a proper charge against general revenues and, in our view, the proposal which assesses roughly 145 percent of the total Federal portion of the cost of the program against one group, albeit a large one; that is the highway users, involves a basis inequity.

We greatly appreciate this opportunity of stating our views on these most important questions, and we shall be glad to supply any further information which may have been omitted from our presentation.

The CHAIRMAN. We are glad to have you.

Mr. W. S. Bromley, American Pulpwood Association.

STATEMENT OF W. S. BROMLEY, EXECUTIVE SECRETARY, AMERICAN PULPWOOD ASSOCIATION

Mr. BROMLEY. Mr. Chairman and members of the Senate Finance Committee, my name is W. S. Bromley, I am executive secretary of the American Pulpwood Association. I am here today primarily to read a statement prepared by our counsel, Mr. Robert E. Canfield, which, with your permission, I will read.

Before proceeding, I would like to explain one thing. In Mr. Canfield's statement, he makes use of the term "use." In view of the discussion here this morning, I would like to read the definition of the term "use" in section 4482 of H. R. 10660, in which it says that, "The term 'use' means use in the United States on the public highways."

Now, throughout Mr. Canfield's statement, he makes use of the expression "off the highway use." And, of course, that definitely means off the public highways.

Mr. Canfield's statement is as follows:

STATEMENT OF ROBERT E. CANFIELD, NEW YORK, N. Y., REPRESENTING AMERICAN PULPWOOD ASSOCIATION (AS READ BY W. S. BROMLEY, EXECUTIVE SECRETARY, AMERICAN PULPWOOD ASSOCIATION)

My name is Robert E. Canfield, 122 East 42d Street, New York. I represent the American Pulpwood Association. I am appearing on behalf of the pulpwood industry of this country as it is vitally concerned with the proposed highway use taxes which are set up in H. R. 10660 without any recognition of "off the highway use."

Most pulpwood producers use the public highways to some extent. To the extent they use these highways they are willing to pay their share of the cost of constructing and maintaining them and are not likely to object to the principle of financing the construction of public roads by the assessment of taxes set up in H. R. 10660. If the tax was applied only to the extent that vehicles were used on public highways, we would not be here—as we are not opposed to this principle of financing construction of our public highways.

We are opposed to paying increased taxes on tires, gasoline and other fuels, and the vehicles themselves ostensibly collected from users of highways to help pay for them—when as a matter of fact our vehicles use the highways either not at all or only a part of the time they are in operation. Pulpwood producers,

and other logging operators, like farmers, incur their greatest expenses per hour in tire repairs and replacement, in fuels consumed and in general wear and tear and increased maintenance on the vehicles themselves when they are used off the highway. It is certainly not fair to these loggers and other users of private roads and private lands to add to these increased costs a tax that is established to build roads and measured by assumed use of the highways when in fact the highways are not being used at all.

We trust that all members of this committee appreciate our position in this matter. We agree in general with the principle of having the users of the highway systems covered by this bill, pay these increased taxes to justify their use of the highways. To the extent that our pulpwood industry uses the highway systems covered by this legislation we agree that our industry has no reason to expect special treatment or consideration. Unfortunately for us, we are required by the nature of our operations to go back into the woods, where public highways do not exist and where no one would suggest that they should be built, in order to start the transportation of the commodity we deal in. To do so, we have to construct our own roads or use special equipment which can operate without roads. In either event our consumption of fuel, tires, and vehicles obviously is no measure of our use of the highway system which these new highway-use taxes are intended to pay for. It is no more logical for us to pay a tax for public-highway construction measured by our consumption of things in off highway operations than to have taxes paid by actual highway users applied to the construction of the private roads we have to have to do our jobs.

To the extent that pulpwood producers, loggers, and other parties do not use these highways systems, provisions should be made for refunds of the highway-use taxes. Such refunds should be allowed in the same ratio to the amount of tax paid under section 4481 of this bill as the number of hours operated by such vehicles on private roads or private property during the period for which such tax is paid bears to the total number of hours operated by such vehicle during such period. Such refunds would recognize the justice and fairness of returning "highway use taxes" to taxpayers who did not use the highway systems built or being built by the "use taxes" collected.

Many pulpwood operators are farmers. As such they know that under Public Law 466, 84th Congress, refunds for excise taxes and on gasoline used on farms for farming purposes are provided to farmers. They understand the reason for this as well as the reason for paying taxes for the use of public highways. They certainly would not understand the reason for taxing them for supposed use of public highways when, in fact, they don't use them. We concur with Congress on this principle of refund of taxes where, as in farming, consumption is no measure of highway use. It should also be applied to this bill. We urge this committee to amend bill H. R. 10660 so that refunds on taxes called for under this bill would be made in an equitable manner to those who do not use at all the highway systems covered by H. R. 10660—or who of necessity use them only part of the time.

The CHAIRMAN. Thank you very much.

Mr. Brice O'Brien, National Coal Association.

STATEMENT OF BRICE O'BRIEN, ASSISTANT COUNCIL, NATIONAL COAL ASSOCIATION

Mr. O'BRIEN. Mr. Chairman, my name is Brice O'Brien. I am assistant counsel of the National Coal Association.

Under the circumstances, I would like to file my statement for the record, with a very short explanation.

(The prepared statement of Mr. O'Brien, in full, is as follows:)

PREPARED STATEMENT OF BRICE O'BRIEN, ASSISTANT COUNSEL, NATIONAL COAL ASSOCIATION, ON THE HIGHWAY REVENUE ACT OF 1956, H. R. 10660

Mr. Chairman, my name is Brice O'Brien. I am assistant counsel of the National Coal Association, the trade association of bituminous coal-mine owners and operators. The production of our members totals more than two-thirds of all the commercial bituminous coal produced in the United States.

My appearance here for the coal industry is limited to a discussion of those provisions of the Highway Revenue Act which are designed to exempt nonhighway users from the increased taxes. We take no position with respect to the amount or the impact of the proposed tax increases on highway users.

In the coal industry there is a substantial amount of underground mining equipment, such as shuttle cars, cutting machines, drills, etc., which uses rubber tires. Above ground, especially in strip-mining operations, there are large trucks which transport coal from the strip pits to preparation plants, running entirely on special roads built on company property, and there are other large trucks which transport waste material from the preparation plant to refuse piles, again on company-built roads on company property. The operation of this equipment does not entail the use of any public highways. However, in some cases it does entail the use of highway-type vehicles, and tires of the type used on highway vehicles.

At present, based on a study made by the National Coal Association, it is indicated that the bituminous coal industry at the present tax rate of 5 cents per pound on tires and 9 cents per pound on tubes, is paying excise taxes at the rate of approximately $400,000 per year on tires and tubes purchased for off-highway use. Gasoline purchased for off-highway use approximates 8 million gallons, on which at the present rate of 2 cents per gallon $160,000 of excise tax is paid. The present Internal Revenue Code already exempts from taxation use of diesel fuel in vehicles designed for off-highway use.

The tax increases proposed in H. R. 10660 are user taxes designed to pay for the highway program, and the report of the Ways and Means Committee specifically recognizes these increased taxes as user taxes. In a revenue measure which has as its prime purpose a user tax to finance highway improvements, there can be no justification for imposing an increased burden on the operation of vehicles which obtain no benefit from present or future public roads or highways. We raise no objection to the application of the increased tax to tires and fuel used by coal company equipment which does travel on the public highways.

Section 202 of H. R. 10660 merely increases the rate of the present tax on diesel fuel, which is applicable only to fuel used in a highway-type vehicle, whether or not such highway-type vehicle is used on the public highways. Section 204 of the bill limits the increased tax on tires to tires "of the type used on highway vehicles." Subsection 204 (c) limits the new tax on tread rubber to tread rubber used in retreading tires "of the type used on highway vehicles." Section 205 contains a provision which will limit the increased gasoline tax to gasoline which is used as a fuel in a highway vehicle. Section 206 provides that the new tax of $1.50 per year for each thousand pounds of gross weight on large trucks shall be paid "by the person in whose name the highway motor vehicle is, or is required to be, registered under the law of the State in which such vehicle is, or is required to be, registered." In substance, this exempts trucks which do not use the public highways and therefore are not registered or required to be registered under State law.

The exemption of nonhighway users from the increased taxes is important to the coal industry. Without any such exemption, the 3 cents per pound increase in the tax on tires would add $220,000 to the annual cost of tires; the 1 cent per gallon increase on gasoline would add $80,000; and a 1 cent per gallon increase on diesel fuel (on which the industry usage is 50 million gallons per year) would cost the industry $500,000.

The exemption provisions outlined above are adequate to cover most of the coal industry's nonhighway use. There are, however, some highway-type vehicles and some highway-type tires used by the coal industry which never travel on the public highways, and these will be forced to bear the increased taxes. I understand that in some other industries, such as the lumbering industry, this problem is much more severe than is true in the coal industry, because more of their equipment qualifies as highway-type equipment.

We believe it would be equitable to expand the exemption provisions of H. R. 10660 to include all nonhighway use. We further believe that the exemption provisions of that bill, herein discussed, represent the very minimum exemption which should be provided for nonhighway users. We urge that under no circumstances should these exemption provisions be reduced.

Thank you for the opportunity to appear before you.

Mr. O'Brien. The coal industry has a great deal of off-highway use, and we believe that insofar as you can do it, you should exempt from the increases all non-highway use of fuels, tires, and trucks.

However, we are more fortunate than the lumber industry and similar industries, in that most of our nonhighway use occurs in vehicles which do not qualify as highway-type vehicles. Therefore, the provisions which exempt the non-highway-type vehicle use that are already contained in the bill before your committee take care of the substantial majority of our problems.

We hope that under no circumstances will you allow the exemption provisions which are already in there to be weakened or decreased.

Thank you very much for the opportunity of appearing.

The CHAIRMAN. Thank you.

We will recess until 10 o'clock tomorrow morning.

(By direction of the chairman the following is made a part of the record:)

MILTON OIL CO.,
St. Louis, Mo., April 30, 1956.

Senator STAURT SYMINGTON,
Senate Office Building, Washington, D. C.

DEAR SENATOR SYMINGTON: We have just learned that the House of Representatives is beginning debate on H. R. 10660, the new Federal highway bill, which includes provisions for increasing taxes on petroleum products, tires, trucks, tubes, etc., to finance the cost of the new system on interstate highways.

Since you are probably tired of reading pro and con arguments about the road bill and the tax increase to pay for it, we are not going to burden you with arguments over whether these are good or bad. There are, however, provisions in the revenue portion of the bill which will not only continue but aggravate a serious problem for small companies like ours which sells gasoline in bulk quantities to farmers and independent retailers.

We would like to explain how the law on the Federal gasoline tax works and the changes that could be made to help the small-business man without causing any consequential decrease in the amount of revenue which the bill would produce. Under present law, the Federal tax must be paid at the time of sale by the producer. This means that the big oil companies pay the gasoline tax when they sell the product while we independent jobbers must pay the Federal tax when we buy the product. This, of course, is a competitive disadvantage, but the biggest problem to us is the financial loss that we suffer and the strain imposed on us to get additional working capital. Here is how we are affected in a hypothetical case:

If we sell approximately 100,000 gallons of gasoline per month at 26 cents a gallon, more than 50 percent of this is sold to farmers and other credit customers. We lose approximately 2,400 gallons (2 percent) by evaporation and unavoidable spillage between the time of original purchase and sale. This means we lose $720 (under the new 3-cent Federal tax rate) on the Federal tax alone by having to pay the tax at the time of purchase rather than at the time of sale like the big oil companies.

We sell approximately 50,000 gallons per month to farmers—these are credit sales and are collectible in from 4 to 6 months (and in some instances we never get paid). This means we have some $6,000 to $9,000 of our capital tied up at all times in Federal gasoline taxes on credit sales to farmers. Because of our State gasoline tax of 3 cents per gallon, we also have from $6,000 to $9,000 of our capital tied up in State taxes on credit sales to farmers. We do not suffer an evaportion loss on State taxes because we pay the State tax at the time of sale.

As a matter of fact, we have approximately three times more capital tied up in State and Federal taxes on credit sales to farmers than our total gross profit even if we collected 100 percent of all credit sales.

The biggest problem facing small-business men in the oil industry today is the shortage of capital which is caused by rising cost of products, taxes, labor, trucks, tanks, etc., as contrasted to being held to the same profit on a gallon of gasoline that we had 3 years ago.

Now what do we suggest again to change this situation? If the law was changed to impose the Federal gasoline tax at the time of sale by the jobber or wholesale distributor—just like the States handle it—it would give us the same privileges that you give to the big oil companies and would produce just

as much revenue as the Government would otherwise get. The only objection to this suggestion that we have heard is that raised by Internal Revenue, who state that this change will increase the administrative difficulties and expenses of collecting the tax. Undoubtedly, it will cause a small increase in the cost of collection, but it seems to us that the time has come when some consideration should be given to the small-business man taxpayer, rather than worrying about the problems of the tax collector. Internal Revenue apparently did not raise too much objection to handling approximately 5 million gasoline tax refunds from farmers. Why should they howl about handling approximately 8,000 more collections of the gasoline tax from independent small-business men? We presume because it is easier to ignore 8,000 votes than 5 million. For several years now the big oil companies have gotten most everything they wanted from Congress, and it looks to me if the time have come when some consideration should be given to the same oil companies like ours.

We would appreciate your looking into this matter and giving our suggestions your vigorous support when H. R. 10660 comes to the Senate.

Very truly yours,

WALTER HAMBURG,
General Sales Manager.

STATE OF MINNESOTA,
DEPARTMENT OF AGRICULTURE,
St. Paul, April 20, 1956.

Hon. COYA KNUTSON,
United States Congesswoman,
House Office Building, Washington, D. C.

DEAR CONGRESSWOMAN KNUTSON: I have recently examined and studied H. R. 9075, a bill which proposes to amend the Internal Revenue Code of 1954 so as to provide additional revenue from the taxes on motor fuel, tires, trucks, and buses.

While I realize that additional ways must be found to finance highway construction, I believe that section 4481 of this proposed measure would definitely prove to be unfair to farmers, ranchers, and other producers of agricultural products who utilize their personally owned trucks to transport their homegrown products to market. Although such a producer might use his personally owned truck only intermittently during a fiscal year, he would become subject to the entire proposed tax or a proration thereof as soon as the truck were put to use after July 1 of each year.

As an example, assume that a farmer had use for his truck in hauling his commodities only during the month of July each year. As I read the proposed measure he would then become liable for the entire tax.

Because the tax is computed on gross-weight basis exceeding 26,000 pounds, this legislation would affect many of our Minnesota farmers who customarily haul their own products to the market.

I would appreciate your attention to this proposed change if there is a likelihood that the measure will be brought to a vote during this session.

I would be pleased to have your comments on this matter.

Sincerely,

BYRON G. ALLEN,
Commissioner of Agriculture.

UNITED STATES SENATE,
COMMITTEE ON FOREIGN RELATIONS,
May 1, 1956.

Hon. HARRY F. BYRD,
Chairman, Committee on Finance,
United States Senate, Washington, D. C.

DEAR MR. CHAIRMAN: I am enclosing a letter received from Mr. Albert M. Wiltgen, of the Wiltgen Ready Mixed Concrete Co., of Le Mars, Iowa. Mr. Wiltgen's letter is typical of a number of others I have received referring to the so-called Reed amendment to H. R. 10660 on the ready-mix-concrete industry.

All these letters point out that in most cases these industries do not use the Interstate System and therefore should not be classed for tax purposes with industries operating heavy vehicles at relatively high speed over the interstate network.

It will be appreciated if the committee may give consideration to the views expressed by Mr. Wiltgen.

Sincerely yours,

B. B. HICKENLOOPER.

WILTGEN READY MIXED CONCRETE CO.,
Le Mars, Iowa, April 27, 1956.

Mr. BOURKE B. HICKENLOOPER,
United States Senator, Washington, D. C.

DEAR MR. HICKENLOOPER: I understand that the Fallon bill (H. R. 8336), known as the Federal Highway Act of 1956, and that the Boggs bill (H. R. 9075), to be entitled the "Highway Revenue Act of 1956," are receiving favorable consideration in the House committee.

At this point, I believe it well to mention that in January there was transmitted to Members of Congress a statement expressing the views of 11 national groups, including the National Sand & Gravel Association, of which we are a member. One sentence of statement read: "We will support legislation designed to raise such additional revenue as may be necessary to achieve an expanded highway program, provided such tax legislation is equitably applied so as not to place an undue burden on any segment of highway transportation." I believe this indicates broadminded attitude.

We are considerably disturbed over an amendment submitted to the House Ways and Means Committee by Representative Daniel Reed, which would impose a new Federal tax on trucks weighing more than 26,000 pounds, which is estimated to yield $900 million over the next 16 years. We have no clarification of the Reed amendment, but generally speaking, it would seem that Mr. Reed would impose a tax of $1.50 per year per 1,000 pounds on trucks over 20,000 pounds gross vehicle weight (fully equipped vehicle with full load). Trucks weighing less than 26,000 pounds would pay no tax; those trucks over 26,000 pounds, tax would be imposed beginning with the very first 1,000 pounds. We understand the Ways and Means Committee approved the Reed amendment.

It would seem that there are some who assume that all heavy trucks will use the Interstate Highway System and, therefore, should pay a larger share of the tax levy. This is not a correct assumption with respect to sand and gravel and ready-mix concrete industry; industries like ours, that is sand, gravel, and ready-mixed concrete, in most cases, do not use the Interstate System, and should therefore not be classed for taxation purposes with industries operating heavy vehicles at relatively high speed over the interstate network.

We are already paying State license fees and were the Reed amendment to be enacted it would impose another similar tax or license fee by the Federal Government, and would further seem to be an invasion of State taxation jurisdiction by the Federal Government.

Because of the many ready-mixed plants and the severe competition and the impracticability of very long hauls, most of such deliveries are in a radius of 5 to 10 miles from the batching plant, and very few hauls beyond the city limits, except for an occasional haul to some farmer.

Next, ours is a completely seasonable operation with most of the trucks standing idle 4 or 5 months of the year. The business is almost entirely of local character. Costs are an extremely important consideration, and we are in daily competition with job-mixed concrete, roadside aggregate producers, and cost studies are almost a daily routine.

Generally speaking, the Boggs bill seemed to be a fairly acceptable measure and would provide the additional revenue necessary to quite adequately finance the program. This seems to be the opinion of many far more expert in the field than the writer. We will appreciate your consideration of the opinions expressed herein which are in opposition of the Reed amendment for the reasons stated.

I understand that if the Boggs bill with the Reed amendment is considered in the House it will be under the so-called closed rule—a packaged deal or none. I hope this will not be the case in the Senate.

I have often seen an amendment tacked onto a bill and wheeled through for the same reasons, but if that is a good argument, then someone better explain the integrity of it to me more thoroughly than I can understand it today. I full well understand the political angle, but that is not the point. If the Boggs bill is right, it should be able to stand on its own without the unnecessary and unfair burden of the Reed amendment tacked onto it.

Sincerely,

ALBERT M. WILTGEN.

ELLIOTT OIL CO.,
Pine Bluff, Ark., May 2, 1956.

Senator JOHN L. MCCLELLAN,
Senate Office Building, Washington, D. C.

DEAR SENATOR: There are several inequities in the new Fallon bill, H. R. 10660. These inequities do not apply to the large major oil companies, but they materially hurt the independent jobbers.

A provision in the new Fallon bill, H. R. 10660, allowing the jobbers to pay their Federal gasoline tax under the same terms and conditions that the major oil companies pay their tax would remove these inequities.

Under the present law, the Federal gasoline tax is a manufacturers' tax. The major oil companies pay Federal gasoline taxes only on their actual sales. The jobber pays on the number of gallons shown on the bill of lading.

The States recognize that handling losses of gasoline are unavoidable and make a percentage allowance to exempt the jobber from State tax on gasoline lost by handling, evaporation, etc. The Federal Government has no such allowance.

Each year the new cars require a more volatile gasoline, until now practically all gasolines boil at temperatures ranging from 95° to 102°. Gasoline is just like water; when it boils there is a constant loss.

My tanks are painted with white-chalking paint to reduce the temperature. I have the latest and best pressure valves to hold in the vapors. I have correct meters to meter in all the gasoline I buy and sell. These meter readings are checked daily with the actual purchases and sales, yet in spite of all of these precautions, I actually lost 35,753 gallons, which is 0.02317 percent of my 1955 gasoline sales. The Federal gasoline tax on 35,753 gallons is $715.06.

Under the Fallon bill, this loss would have amounted to $1,022.59.

There are 172 independent gasoline jobbers in Arkansas who pay their State gasoline tax direct to the State. These jobbers paid State gasoline tax on 147,767,738 gallons of gasoline. The Federal gasoline tax on 147,767,738 gallons would be $2,955,354.76. If their losses were as low as mine, they still would have paid Federal gasoline tax of $68,475.57 on gasoline that was lost and never used.

The jobber pays the major oil company the Federal gasoline tax within 10 days of date of shipment. The major oil company pays the Treasury the Federal gasoline tax the first of the second month after actual sale. Therefore, it takes more capital for the jobber to operate than the major oil company requires. It certainly can't be the intention of Congress to penalize the small-business man, but the present law does just that, and the Fallon bill increases this inequity 50 percent.

There are approximately 15,000 independent oil jobbers. The average jobber sells 867,196 gallons of gasoline yearly. Presuming that his loss factor is the same as mine, under the Fallon bill, his yearly loss of Federal gasoline tax will be $602,79, or a total for all jobbers of $9,041,850. At the same time, the major companies won't lose one cent.

The major oil companies will not have a cent invested in Federal gasoline tax on gasoline. The average jobber will have an average investment of $4,511.34, or an investment for all 15,000 jobbers of $67,670,100 in Federal gas tax.

These inequities can be removed by a simple amendment to the Fallon bill, allowing all segments to pay Federal gasoline tax under the same terms and conditions.

The above figures are accurate, and I can substantiate them.

May the jobbers of Arkansas, and the Nation, count on you to remedy this inequity?

Your friend,

CLINT ELLIOTT.

ARKANSAS INDEPENDENT OIL MARKETERS ASSOCIATION,
Little Rock, Ark., May 8, 1956.

Senator JOHN L. MCCLELLAN,
Senate Office Building, Washington, D. C.

DEAR SENATOR MCCLELLAN: Under date of May 2 you received a letter from Clint Elliott, Elliott Oil Co., Pine Bluff, Ark., concerning oil jobbers problems relative to the new Fallon bill H. R. 10660.

This is to give the official feeling of the oil jobbers in the State of Arkansas on the above-mentioned matter.

We recognize the need for a national highway program and would add our approval to the general concept as has now been expressed by an overwhelm-

ing majority of Congress. However, a most vital provision should be incorporated in the final draft protecting the small-business man (jobber) from increasing inequities resulting from the present method of collecting Federal gasoline tax.

It is our sincere hope that you will allow jobbers to change their method of remitting taxes to conform with the same method used by major oil companies; that is, to remit the tax on the first day of the second month following sales, rather than within 10 days of date of shipment. Such provisions are incorporated in H. R. 7771, but were not included in H. R. 10660.

The present method being imposed by the Revenue Department results of an average loss of 0.0245 percent of total sales. This amounts roughly to $800 per year per average jobber.

Your consideration of the present existing inequities in the method of collecting the tax would be sincerely appreciated.

Cordially yours,

O. L. Dailey, Jr., *Executive Secretary.*

Westfield, N. J., *May 2, 1956.*

Re H. R. 10660, Federal Highway Act of 1956

Hon. Harrison P. Williams,
House Office Building,
Washington, D. C.

Dear Mr. Williams: I wrote to you April 24, my letter T–256G–56, relative to amended H. R. 9075, Highway Revenue Act of 1956. You will probably recall I pointed out that this was discriminatory against liquefied petroleum gas and I felt that the discrimination was inadvertent and should be removed.

I have since learned that this bill has been changed to H. R. 10660 Federal-Highway Act of 1956 and is now pending for floor action by the House.

Your cooperation in assisting in the removal of the discriminatory references in this bill will be greatly appreciated.

Sincerely yours,

H. Emerson Thomas.

H. Emerson Thomas & Associates, Inc.,
Westfield, N. J., April 24, 1956.

Re amended H. R. 9075

Hon. Harrison P. Williams,
House Office Building,
Washington, D. C.

Dear Mr. Williams: In regard to the above resolution, Highway Revenue Act of 1956, this bill discriminates against certain uses of special motor fuels which include liquefied petroleum gas as contrasted with diesel fuel and gasoline. This is undoubtedly inadvertent, but the way it is worded does make it discriminatory. The tax on special motor fuels is imposed on use in a motor vehicle and this, by the definition of the Treasury Department, would apply to usage of special fuels in motor vehicles used off the highways. For instance, industrial tractors are fueled by both liquefied petroleum gas or gasoline, and under the language of this act the tax would apply on this off-the-highway use of liquefied petroleum gas.

Under similar circumstances, if gasoline were used in this industrial tractor, there would be no tax. We do not believe this was the intention of the committee, for we cannot conceive of any reason for the discrimination created. To eliminate this discrimination, we would like to suggest that language similar to that used in the gasoline tax be used in the special motor-fuel tax. This could be accomplished by rephrasing the paragraph beginning with line 20 on page 14 of the printed copy of the bill, to read as follows:

"In the case of a liquid sold for use or used as a fuel otherwise than in a highway vehicle, the tax imposed by paragraph (1) or by paragraph (2) shall be 2 cents a gallon in lieu of 3 cents a gallon. If a liquid on which tax was imposed by paragraph (1) at the rate of 2 cents a gallon by reason of the preceding sentence is used as a fuel for the propulsion of a highway motor vehicle, a tax of 1 cent a gallon shall be imposed under paragraph (2)."

Your cooperation in removing this discrimination will be greatly appreciated.

Sincerely yours,

H. Emerson Thomas.

INTERNATIONAL UNION, UNITED AUTOMOBILE, AIRCRAFT,
AGRICULTURAL IMPLEMENT WORKERS OF AMERICA (UAW–CIO),
Detroit, Mich., May 1, 1956.

Hon. HARRY FLOOD BYRD,
Senate Office Building,
Washington, D. C.

DEAR SENATOR BYRD: On January 11, 1956, the UAW international executive board in adopting a 1956 legislative program, copy of which was sent you February 11, 1956, urged enactment of a Federal-highway aid program "financed by Federal taxes based on ability to pay, not by sales taxes on gas, oil, tires, trucks, cars, parts, or by tolls."

H. R. 10660, passed by the House April 27, 1956, and now in Senate committee, proposes that the Federal share of the cost of new highways be raised by sales taxes, discriminatory against low-income families.

The proposal would impose $14.8 billion in new sales taxes, and increase sales tax rates. The families whose incomes are below $5,000 per year would pay $3.1 billion more through these new taxes and these higher rates than they would pay if the money were taken out of general revenues during the 16-year building program.

Simultaneously it is reported that an anticipated $2 billion surplus of revenue over expenditures may result in a cut in the Federal income tax, assumed to be popular in this election year.

It is unfair, unwise, and unnecessary to propose an increase of Federal sales taxes and, at the same time, to reduce income-tax rates, thus shifting a substantial part of the total tax burden from upper income families to families with low incomes.

We transmit herewith a memorandum setting forth in more detail our reasons for opposing an increase of sales taxes to pay for much-needed new highways, and our reasons for opposing the preexemption of existing sales-tax revenues for specific Federal expenditures.

Instead of loading an unfair share of the cost of new highways on low-income families, as proposed in H. R. 10660, we urge that it be met out of general revenues, 85 percent of which, under the present Federal tax structure, is derived from taxes based upon ability to pay. We prefer to believe that Congress will not say that progress on highways is possible only by backward steps in taxation.

We also urge you to speak and vote against any attempt to strike or weaken the Bacon-Davis prevailing wage provisions in the bill, or, if the Gore bill, already passed by the Senate, is substituted, to restore the Bacon-Davis provisions in that bill.

Sincerely yours,

WALTER P. REUTHER,
President, United Automobile Workers.

A MEMORANDUM IN OPPOSITION TO THE SALES TAX PROVISIONS OF H. R. 10660 AND IN SUPPORT OF MEETING THE FEDERAL SHARE OF COSTS OF NEW HIGHWAYS OUT OF GENERAL REVENUES WHICH ARE BASED CHIEFLY (85 PERCENT UPON ABILITY TO PAY

H. R. 10660 proposes to pay the Federal share of the cost of new highways by:

(1) Raising rates of existing excise taxes, which in reality are sales taxes imposed at the manufacturing, sale or consumption point, and creating new sales taxes. This part of the proposal would bring in nearly a billion dollars of revenue per year—$14.8 billion in 16 years.

(2) Preempting this sum and an additional $1.5 billion per year ($23.7 billion in 16 years) of the revenue from existing Federal sales taxes.

We are opposed to both parts of this proposal. Our reasons are given below.

I. It would be unfair to impose new sales taxes, and to raise rates of existing sales taxes.

Sales taxes are an unjust and inequitable way of raising revenue. They place an undue share of the tax burden on low-income families; they permit those best able to pay taxes to get away with making a minor contribution to the cost of government.

The State governments and many of the local governments now derive a large share of their tax revenues from sales and similar taxes. Any increase in the Federal sales taxes is an additional imposition on these families, ma-y of whom

now have much less income after taxes than is needed for a decent standard of living.

How unfair these new Federal sales taxes would be can be seen from the following comparison of the distribution of a billion dollars of sales tax revenue with a billion dollars derived from the general Federal tax structure:

[In billions]

Families, whose incomes are—	Under $5,000	$5,000–10,000	Over $10,000
Will pay these amounts:			
To raise $14.8 billion in sales taxes (H. R. 10660)	$7.0	$5.7	$2.1
To raise $14.8 billion from general revenues	3.9	5.2	5.7
In addition will be committed to the following amounts:			
For preempted $23.7 billion in existing sales taxes (H. R. 10660)	11.2	9.1	3.4
For $23.7 billion in general Federal taxes	6.3	8.2	9.2
Total burden:			
Under H. R. 10660	18.2	14.8	5.5
From general revenues	10.2	13.4	14.9

It becomes clear from this comparison that the adoption of these new and increased sales taxes is a way of loading onto the "under $5,000" families a new tax burden that is greater by $3.1 billion than they would have to pay if the money were raised through the general tax structure. At the same time it fixes on these families an additional extra tax burden of nearly $5 billion in excise taxes which cannot be reduced for 16 years no matter what happens to budgets and revenue surpluses in the years ahead. The difference to the lower-income families between this proposal and our proposal is approximately $8 billion.

It is clear, too, that the difference serves no general public purpose; it merely relieves the rich of a share of taxes that they would otherwise have to pay.

The injustice of adopting a proposal like this one at the present time should be clear to everyone because of the discussion in the press of the expected Federal surplus of $2 billion. This surplus, we are being told, will make possible a tax cut in the near future—one can presume before election day. No plan has yet been advanced for making the tax cut; however, we can be sure that at least part of such a plan would be a cut in income taxes.

It is impossible to estimate how the benefits of the projected tax cut would be distributed among the people. It becomes almost a certainty that the tax burden of the upper-income families will be reduced more by an income-tax cut than the the tax burden on such families will be increased by the new sales taxes; the lower-income families, on the other hand, will benefit relatively little through an income-tax cut, but will have to pay a large share of sales-tax increases.

The effect, then, of an increase in excise taxes while other Federal taxes are being cut would be to shift a large part of the cost of the proposed new highway program from the rich to the poorer families of America.

That the 84th Congress could make the lower-income families the victim of a tax-switch of this kind seems almost inconceivable. Yet the House has accepted it. Will the Senate do so, too?

II. The second part of the proposal would earmark part of the revenue from existing sales taxes for roads. It would freeze these taxes into the Federal tax structure, so that, even if other taxes can be cut, these taxes will be maintained at their new, high levels.

No other Federal taxes are earmarked as these taxes will be.

To permit road building to preempt tax revenue in this manner is to put the needs of highway users ahead of the needs of our people for schools and for the many other services which in the minds of most people are equally important; in addition, it tends to chisel away purchasing power for cars, trucks, tires, parts and other equipment used on the highways.

III. The excuse that is given for this tax program is that these sales taxes make those who benefit from the roads pay for them. However, examination of the road program shows that this is not the case.

In the first place, the gasoline tax, which would raise $28.9 billion of the $38.5 billion, hits practically every car user, regardless of whether he is using the highways at the time or not. The worker driving to work will pay the tax just as will the tourist or the truckers. The local transit companies have gotten themselves an exemption from this tax, but no other car on the city streets or country roads is exempt.

Further, the tax on gasoline is the same—3 cents per gallon—as the tax on diesel fuel used by the heavy trucks. However, the number of miles traveled on these roads—and particularly the number of pound-miles of use made of the roads—per gallon of diesel fuel is much greater than per gallon of gasoline. Thus, the truckers who benefit are not taxed their fair share of the cost of the roads. The proponents of the bill argue that this difference is made up by the tax on trucks, buses, and trailers. These taxes will pay for about 8 percent of the cost of the roads. This is hardly a representative share of the use that the big trucks and buses will make of the roads.

The basic objection to financing the bill with sales taxes, however, lies in the fact that these taxes are passed along to, and paid by the consumer, with the heavy part of the burden laid on the lower-income consumers of the country. At the same time, those who profit directly from the use of the roads, like the motel operators, the gasoline and oil corporations, the trucking companies, and the buslines, will pay no taxes out of their profits for building of the roads that make these profits possible.

The need to protect the buying power of lower-income families against unfair taxes is always great. This plan is a specific threat to the buying power of these families, and sets a precedent on which new threats will be based in the years ahead.

The UAW opposes this proposal and urges instead that the cost of the roads be paid from general tax revenues so that the bigger incomes may be required to carry their fair share of the burden, as they must today for the other normal expenditures of the Federal Government.

UNITED STATES SENATE,
Washington, D. C., May 11, 1956.

Hon. HARRY FLOOD BYRD,
Chairman, Senate Finance Committee,
United States Senate, Washington, D. C.

DEAR HARRY: I was very pleased with the prompt action your committee took in making possible a refund of the excise tax on gas used solely for agricultural purposes. This certainly will be a big help to the farmers.

It is my understanding that it has been proposed as part of the highway bill to permit certain other types of nonhighway gas to be sold tax exempt. We have had considerable experience in North Dakota with this type of tax exemption. It never worked largely because of the difficulty of enforcing such a provision.

It is my belief that any tax exemption that is granted to gas used for nonhighway purposes should be based on a refund rather than permitting the gas to be sold tax free. Such a method would offer too many opportunities to the unscrupulous dealer to defraud the Government.

With kindest personal regards,

Sincerely yours,

MILTON R. YOUNG.

CARTAGE EXCHANGE OF CHICAGO, INC.

Chicago, Ill.

The members of the Cartage Exchange of Chicago, Inc., who operate approximately 15,000 trucks, primarily in local cartage work, operate in an exempt area as prescribed by the Interstate Commerce Commission. Said members direct your attention to one of the inequities of the Federal Highway Act of 1956. We are objecting to section 4481 which provides a tax of $1.50 per year per 1,000 pounds for trucks in excess of 26,000 pounds. We feel that this tax discriminates against members of this organization and local cartage operators throughout the United States.

A local cartage operator operates primarily within the confines of the city of his origin. Although he makes some use of the Federal highways, said use is merely incidental thereto. A local operator averages approximately 40 miles a day. A highway operator is engaged primarily in intercity or interstate operations and averages approximately 400 miles per day.

Based on the theory of use, local cartage operators, under this tax, will pay approximately 1 cent per mile. A highway carrier will pay approximately one-

tenth of a cent per mile. We feel that the use of Federal highways is only incidental to our operation thereof, and that since all other tax provisions of this act are based upon use, section 4481 is discriminatory to all local cartage operators throughout the United States.

We recognize the need of a Federal highway program and recognize the necessity of finding ways and means to finance said program. We have no objection to the increase in gasoline, fuel, and lubricating oils, and tax on rubber and the proposed increase in excise taxes which apply in direct proportion to the use of the road. However, it is imperative to us that recognition be given to our problem, and feel that we are entitled to be exempt from the proposed tax of $1.50 per 1,000 pounds for vehicles having a gross weight in excess of 26,000 pounds.

Respectfully submitted for your kind consideration.

ELMER A. KIRCHWEHM, *President.*

SUBMITTED BY B. F. NOSSEL, REGIONAL GOVERNOR, NORTHEASTERN STATES GROUP IN BEHALF OF THE NORTH AMERICAN GASOLINE TAX CONFERENCE

RESOLUTION RECOMMENDING AMENDMENT OF H. R. 10660 TO PROVIDE FOR THE REFUND, RATHER THAN THE EXEMPTION, METHOD OF TAX RELIEF FOR THE NONHIGHWAY USE OF GASOLINE

Whereas the North American Gasoline Tax Conference, an organization for improved methods of gasoline tax administration composed of motor fuel tax administrators, is concerned with the development of sound and workable gasoline tax laws; and

Whereas it is now proposed to increase the Federal excise tax on gasoline from 2 to 3 cents per gallon in connection with an expanded Federal highway program, and

Whereas under H. R. 10660 the additional 1-cent tax would be refunded to users of gasoline for farm purposes; but

Whereas under the same measure other users of gasoline for nonhighway purposes—such as in aircraft, marine craft, industrial plants, warehouses, docks, motorboats, power lawnmowers, etc.—would be exempted from payment of the tax at the outset by a mere statement of intent to use the fuel off the highway; and

Whereas it has been the experience of the NAGTC that the refund method of gasloine tax relief has proved far more satisfactory from the viewpoint of a tax administrator; and

Whereas the exemption system as provided in H. R. 10660 in regard to nonhighway use other than farm use would encourage tax evasion and possible unnecessary administrative burdens; and

Whereas adoption of the exemption system at the Federal level would not be in accord with the system in force in the great majority of the States, namely the refund system: Now, therefore, be it

Resolved, That the members of the Northeastern group of the North American Gasoline Tax Conference[1] strongly recommend that H. R. 10660 be amended to provide for a refund of the proposed Federal excise tax on gasoline used for nonhighway purposes; and be it further

Resolved, That a copy of this resolution be forwarded to the Senate Finance Committee.

Adopted at the 23d regional meeting of the Northeastern States Group of the North American Gasoline Tax Conference at Wilmington, Del., the 11th day of May 1956.

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[1] States and district constituting the Northeastern States group comprise the following: Maine, New Hampshire, Vermont, Massachusetts, Connecticut, Rhode Island, New York, New Jersey, Delaware, Maryland, Pennsylvania, Virginia, District of Columbia.

AUTOMOBILE MANUFACTURERS ASSOCIATION,
Detroit, Mich., May 17, 1956.

Hon. HARRY F. BYRD,
Chairman, Committee on Finance,
Senate Office Building, Washington, D. C.

DEAR SENATOR BYRD: I respectfully request that this letter be made a part of the record of your committee's hearings on H. R. 10660, as an indication of the position of the Automobile Manufacturers Association on this legislation.

As previously indicated to the Public Works Committees of both the Senate and the House of Representatives, we are firmly convinced of the urgent need for a vastly expanded program of highway improvement to meet the demands. of economic development, public safety, and national security. We also believe that substantially increased Federal participation in the financing of such a program is warranted, in view of the emergency nature of the current highway problem.

The basic concepts embodied in H. R. 10660 are, in our opinion, thoroughly sound. The authorizations reflect a realistic appreciation of the Nation's principal highway needs and the financing plan appears sound and reasonable. We endorse such a constructive legislative measure, believing that it will give the long-awaited major impetus to highway modernization in every State.

We recognize that the sound judgment of your committee may dictate some modification of certain provisions of this legislation. However, we earnestly hope that the fundamental elements of the program it envisions will be approved at the earliest possible time consistent with a proper review of the measure.

Sincerely,

JAMES J. NANCE, *President.*

TOPEKA, KANS., *May 14, 1956.*

Senator FRANK CARLSON,
Senate Office Building, Washington, D. C.:

We are very anxious that H. R. 10660 contain a clause to make refunds direct to the customer on the 1 cent extra Federal gasoline tax.

W. B. DALTON,
Chairman Legislative Committee, Kansas Oil Men's Association.

LAWRENCE, KANS., *May 14, 1956.*

Senator FRANK CARLSON,
Senate Office Building,
Washington, D. C.:

Urge you amend Senate bill H. R. 10660 by adopting section 108–J of House bill; also urge you eliminate gross weight fee from financing provisions of any highway legislation.

LAWRENCE TRANSFER & STORAGE CO.,
WILLIAM B. VILLEE.

WICHITA, KANS., *May 14, 1956.*

Senator FRANK CARLSON,
Senate Office Building,
Washington, D. C.:

Request your support to amend the Gore bill on Federal highway legislation by adopting section 108 (J) of House bill H. R. 10660; also to eliminate the $1.50 per thousand pound tax on trucks grossing over 26,000 pounds as it is punitive to private industry.

FRONTIER CHEMICAL CO.,
J. STOVER.

TOPEKA, KANS., *May —, 1956.*

Senator FRANK CARLSON,
Senate Office Building,
Washington, D. C.:

The Kansas trucking industry urgently requests that the Senate Finance Committee delete the $1.50 per thousand-pound tax on trucks now included in

financing provisions of highway bill (H. R. 10660). This tax is in addition to increases on fuel, tires, retread rubber and excise rate supported by this industry to permit badly needed highway expansion program.

Besides its punitive aspects, the trucking industry believes that the $1.50 per thousand-pound gross weight tax on trucks forces the Federal Government into an area of highway financing and regulation historically and properly reserved for the States.

We urge your best personal efforts to eliminate this tax from the highway bill. We also urge that size and weight restrictions of Gore bill be revised to extend only to axle limitations as provided in House version of bill.

Bureau of Public Roads officials state that single and tandem axle limitations are the significant ones in preserving highway structures. Gore bill would freeze all sizes and weights as of July 1. Entire trucking industry objects strenuously to this provision.

JAMES LOCKWOOD,
President, Kansas Motor Carriers Association.

KANSAS CITY, MO., *May 16, 1956.*

Senator FRANK CARLSON,
Senate Office Building,
Washington, D. C.:

We very strenuously solicit your efforts in amending the Senate highway bill by adopting section 108-J of the House bill H. R. 10660 and your efforts to eliminate the punitive gross weight fee now in the proposed Senate bill.

MACK MOTOR TRUCK CORP.

KANSAS CITY, MO., *May 16, 1956.*

Senator FRANK CARLSON,
Senate Office Building,
Washington, D. C.:

We with our 500 employees urge you to help amend the Gore bill by adopting section 108 J of the House bill. Also to eliminate the $1.50 gross weight fee. We will appreciate your earnest consideration.

JACK COOPER TRANSPORT CO., INC.,
JACK COOPER, *President.*

STATE OF ALABAMA,
STATE DEPARTMENT OF REVENUE,
Montgomery 2, May 11, 1956.

Hon. JOHN SPARKMAN,
United States Senate,
Washington, D. C.

MY DEAR SENATOR: It is my understanding that the new Federal highway bill (H. R. 10660) is now being considered by the Senate. According to the wording of this bill, the Federal gasoline tax will be increased from 2 cents to 3 cents per gallon, and carries a provision for tax "exemption" of motor fuels on the additional 1 cent imposed by this bill. This exemption on the additional 1 cent is granted to sales for nonhighway use. There is an essential difference, though, in the manner in which the tax relief is granted. It should be emphasized that the words exemption and refund, as used in H. R. 10660 represent two entirely different concepts of tax relief. Instead of a refund of the tax after the fuel is used, as in the case of farm gasoline, the other users granted this credit would obtain relief from payment of this 1 cent additional tax merely by submitting a declaration alleging that they do not intend to use the fuel for highway purposes. This exemption is obtained at the time of the purchase, before the fuel is used.

In Alabama, we allow a refund to the farmers of 6 cents of the 7 cents State gasoline tax when the gasoline is used for farm purposes. We have found, over a period of years, that the refund method is far superior to the exemption method of tax relief for farm use of gasoline, and motor fuels. We believe that the exemption method leads to widespread tax evasion, and creates enforcement problems, and resulting loss of revenue.

If this exemption on the additional 1 cent increase in the Federal tax for nonhighway use is allowed on an exemption basis, it will tend to create difficulty for us here in Alabama, where the farmers are accustomed to the refund method, which is now used by the State of Alabama. Therefore, we believe that the provision for tax exemption of motor fuels in H. R. 10660 should be amended to conform to the refund provision enacted in Public Law 466, recently passed by Congress and signed by the President, which refunds 2 cents of the Federal excise tax on gasoline for farming purposes.

The refund of the tax after the fuel has been used is the only sensible and workable method to be employed in handling the relief from tax. It is requested that your preferred attention be given to this matter, and through the refund method all persons can be included without too much abuse resulting in loss of revenue and encouraging violations of the law covering the refund.

Yours very truly,

DOUTHITT CAMP,
Chief, Gasoline Tax Division.

HYAMES OIL CO.,
Aliceville, Ala., April 30, 1956.

Senator JOHN SPARKMAN,
Senate Office Building,
Washington 25, D. C.

DEAR SENATOR SPARKMAN: The Federal highway bill (H. R. 10660), which includes provisions for increased taxes on petroleum products, etc., to finance the new highway system, passed the House last week.

There are certain provisions in the revenue section of the bill which create even more serious problems for small-business men like myself—small-business men who sell gasoline wholesale to farmers and dealers.

The way the law now operates, the Federal tax on gasoline must be paid when the producer sells it. This means that independent jobbers, such as I am, must pay the Federal gasoline tax when we buy the product, while the big oil companies which produce the gasoline and sell it through their station outlets and to other wholesalers, pay the Federal taxes when they sell it. This makes the small-business man such as myself, have to get additional working capital to handle our inventories which must include the Federal tax.

This provision of the law which makes us independent gasoline jobbers pay the tax when we buy the gasoline instead of when we sell it (as the big oil companies are allowed to do), also puts another big handicap on us, as small-business men, through evaporation and unavoidable spillage losses.

To give you concrete examples how this discriminatory provision hurts me, let me give you figures on my own business.

I sell about 75,000 gallons of gasoline a month at 25.8 cents per gallon, with about 80 percent of my sales being made to farmers and other credit customers. I lose about 1 percent (750 gallons) by evaporation and unavoidable spillage between the time I buy the gasoline and when I sell it. Under the new 3-cent Federal tax, I will lose $22.50 on the Federal tax alone, because I had to pay the tax on the gasoline when I bought it, rather than paying it at the time of the sale, like the big oil companies handle it.

My sales to farmers are about 25,000 gallons per month—and on credit and are paid in about 3 to 6 months—if I'm lucky. This means I have about $3,000 to $5,000 tied up in Federal taxes on my sales of gasoline to farm customers. I also have between $6,000 and $10,000 tied up in State gasoline taxes (7 cents per gallon) on my credit sales to farmers, but I don't have an evaporation and unavoidable spillage loss, because I pay the State taxes when I sell the gasoline, rather than when I buy the gasoline.

To sum it up, the average oil jobber in our section of Alabama has about three times more capital tied up in State and Federal gasoline taxes on farm credit sales than we have total gross profit—if we collect all our credit accounts.

We still get the same margin of gross profit on basoline that we had a couple of years ago—even though our costs of operation have risen greatly.

You and other Senators can help us greatly if you will have the Federal law changed so that the Federal gasoline tax is paid at the time of sale by the jobber or distributor like the State of Alabama handles it. In other words, let the tax apply and be paid on sales, rather than receipts of gasoline of the jobber. It would give us the same privilege the big oil companies have.

Senator Sparkman, the only objection we gasoline jobbers have heard to this suggestion has come from the Federal tax department which has told us the change would cause them some administrative difficulty. Granted, it would cause some extra work—but shouldn't we small-business men who are taxpayers, be considered, rather than worrying too much about the tax department?

You men in Congress voted a tax refund to farmers which means the Internal Revenue Service didn't object too strenuously to handling about 5 million gasoline tax refunds to farmers—so why should they squawk about handling a few thousand gasoline tax collections for small-business men? We independent oil jobbers who are small-business men, should be given serious consideration on this matter.

Won't you please go into this matter thoroughly and give my suggestions your strong support when the Federal highway bill (H. R. 10660) comes up for discussion in the Senate? I am writing Senator Hill about this also. Please discuss this with him, and let's get Alabama to head the list in getting action on this matter.

If you will recall, when you were here for our annual chamber of commerce dinner a few months ago, you stressed the point you wanted to help the small-business man. Please actively work for us now in pushing forward the suggestins I have given you in this letter.

With personal regards,

DON HYAMES, *Owner.*

TEAMSTERS, CHAUFFEURS, WAREHOUSEMEN AND HELPERS,
JOINT COUNCIL, NO. 10 OF MASSACHUSETTS, MAINE,
NEW HAMPSHIRE, RHODE ISLAND AND VERMONT,
Boston, Mass., May 15, 1956.

Hon. HARRY FLOOD BYRD,
United States Senate, Washington, D. C.

DEAR SENATOR BYRD: We understand that the Senate Committee on Finance is currently considering the "Highway Revenue Act of 1956" and that the committee is being asked to exempt taxicabs from certain provisions of this bill.

Our organization urges that favorable consideration be given to this request for the twofold reason that taxicabs are nonhighway users and that the industry is in no position to afford an increase in operating expense. Local 496 represents several hundred taxi drivers, all of whom drive taxicabs in and around the streets of Greater Boston, and while engaged in their occupation have no occasion to make use of suburban highways. Taxicabs operate under municipal control. They are subject to special fees and regulations in their home communities to which other gasoline consumers are exempt.

An increase in the gasoline tax will work a further hardship on an industry which is already in distress. Unlike most other businesses, the cab industry operates 7 days a week on a 24-hour basis. It must compete for drivers in a labor market where the 40-hour week is prevalent. It has been forced by necessity to rely in a large measure upon part-time drivers, with a consequent drop in revenue. Also unlike most other businesses, its rate of fare is established by municipal regulation and cannot be increased except by appeal to public authority and then only after proving a need at a public hearing. No taxicab company wants this, except as a last resort, because of the fear of encountering diminishing returns.

Taxicab operators are currently trying to solve their problem of driver shortage by making the job more attractive to drivers. This they must do within the limits of an existing rate structure. An increase in operating expense in the form of an additional gasoline tax, will make the problem even more difficult. For the foregoing reasons, we respectfully request that favorable consideration be given to the plea that taxicabs be exempted from payment of additional taxes in the "Highway Revenue Act of 1956."

THOMAS C. HEALEY, *Secretary.*

STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS,
DEPARTMENT OF ADMINISTRATION, DIVISION OF TAXATION,
Providence 3, R. I., May 15, 1956.

Hon. JOHN O. PASTORE,
United States Senate, Washington 25, D. C.

MY DEAR SENATOR PASTORE: It is our understanding that on Thursday, May 17, hearings will commence before the Senate Finance Committee on H. R. 10660. This bill would increase the excise tax on gasoline, diesel and special motor fuels from 2 to 3 cents a gallon. It would also permit certain classes of users an exemption in the matter of the increase of 1 cent tax per gallon. It is this establishment of an exemption system that is of grave concern since we fear its adverse effect on Rhode Island motor fuel tax administration in the years to come.

In the field of motor fuel tax administration, it is felt that any action at the Federal level which would establish an exemption system would become precedent upon which demands would be made at the State level for a similar system.

When you consider the multiple uses of gasoline and motor fuels, the diversified types of apparatus powered or propelled by such fuel, and the various pursuits of those persons using such fuels, you will appreciate that State administrators look with grave concern on the granting of specific exemptions to any selected class or classes of users. Otherwise, there would always be the proximate possibility of opening the door to evasion and fraud.

In Rhode Island the original enactment of a gasoline tax law in 1925 provided exemptions for all nonhighway users. This created a loophole which led to widespread evasion and put a premium on dishonesty. By amendment in 1929, the exemption provisions were repealed by the general assembly, and it was provided that the tax would be paid initially and that those entitled to relief would be allowed to file substantiated claims showing proof of payment and refundable use. Through time-tested experience this procedure has proved so satisfactory that all attempts to restore exemptions have failed to be adopted.

Historically the soundness of this philosophy in gasoline tax administration is demonstrated in that all States which allow such relief, with one exception, use the refund system. The executive committee of the National Association of of Tax Administrators and the members of the North American Gasoline Tax Conference have expressed unanimous opinion that the refund method is the most effective and acceptable administrative method to provide relief to taxpayers.

The refund system provides safeguards against tax evasion, with its resultant loss in revenue. It is most efficient to administer and encourages respect for law and law enforcement as contrasted with the inefficiency and the undesirable opportunities for dishonesty inherent in an exemption system.

It is evident from Rhode Island's experience that the exemption provision of H. R. 10660 are contrary to the best interests of our State, both from the standpoint of revenue and equity to the taxpaying citizen.

Accordingly, we respectfully enlist your good offices to make manifestly clear to the Senate Finance Committee our objection to this proposed feature which grants such type of exemption provisions.

Certainly our objection to the exemption provisions is not out of line. Rather, it is self-evident that it is consistent with the laws of the overwhelming majority of States which impose a similar tax.

Most respectfully yours,

FRED M. LANGTON,
Tax Administrator.
THOMAS L. F. KELLEY,
Chief Tax Examiner (Motor Fuel).

STATEMENT OF GEORGE J. BURGER, WASHINGTON REPRESENTATIVE, BURGER TIRE CONSULTANT SERVICE, AND VICE PRESIDENT, NATIONAL FEDERATION OF INDEPENDENT BUSINESS, WASHINGTON, D. C., ON H. R. 9075, HIGHWAY REVENUE ACT OF 1956

I am George J. Burger, Washington representative for the Burger Tire Consultant Service whose head office is located at 250 West 57th Street, New York, N. Y.

This is a national service, with subscribing members in most of the States throughout the Nation. It was established in February 1941. Its main and principal objective is to protect independent tire sales and servicing institutions.

For the information of the committee, I have been an independent member of the rubber tire industry beginning in the spring of 1909, and for a quarter of a century or more owned and operated my own independent tire sales and servicing institution.

Further, I can say without fear of contradiction that I have had an acquaintanceship for over a quarter of a century with independent tires sales and servicing stations throughout the Nation. This was due to the fact that in 1923, 1924, and 1925 I was one of the incorporators of and president of the National Tire Dealers Association, and in the fall of 1935 one of the incorporators and the first secretary-manager of the National Association of Independent Tire Dealers, both corporations organized under the laws of the State of New York.

At no time during my career in the tire industry was I ever employed by a tire manufacturer, so my remarks here today will be centered on any and all relief due exclusively to the independent tire sales and servicing institutions.

I am also vice president in charge of legislative activities of the National Federation of Independent Business, a nonprofit organization organized under the laws of the State of California.

In our membership of approximately 100,000, all independent business and professional men—all individual members—it goes without saying that in this large membership it may be found there are many thousands of independent members of the rubber tire industry.

I am not testifying or making any proposals here as vice president of the National Federation of Independent Business on either the highway construction program or the taxing program offered to finance this construction. The federation's policy limits its officials to taking positions on legislation only after the membership has been polled and a majority has set its direction in such poll.

We have not polled our members on the questtion whether or how many miles of new roads, or what types of new roads must be built. We have not polled them on the question of how these construction bills should be financed. Through increased taxation, through reservation of current excise automotive taxes for roadbuilding or through bond issues. I can, however, state this much on the basis of membership polls:

1. That our members have demanded that any highway program passed include safeguards preserving freedom of competition by service establishments in locations accessible ot new highways and that provision be made to outlaw any service monopoly along new highways.

2. That our members have demanded that Congress put independent tire dealers on an excise tax collection equality basis with their direct competing manufacturers. I note this bill doesn't do this but rather increases the excise tax collection advantage now held by these tire manufacturers. I would assume this vote would by implication cover all areas where this inequity may exist.

3. That our members have repeatedly opposed all moves to increase taxes on grounds that the tax load is already so steep so as to all but break the back of independent business.

What I am vitally concerned with, and I might also say the federation is concerned with is the maintaining of independent establishments in the tire sales and servicing field. This is very vital to the welfare of our Nation in case, God forbid, we should ever face another all-out world war. Mr. Jeffers, as Rubber Administrator in 1943 or 1944 warned a congressional committee as to the advisability of keeping these tire independents in the business world.

I say this because it was through sweat and tears that these independents developed tire rebuilding in the face of what could be termed serious opposition from some in the rubber tire industry. It was the pioneering spirit of these independents in the tire sales and servicing field that brought about, up to this moment, a satisfactory and serviceable condition in the rebuilding or repairing of tires.

I might add further, Mr. Chairman and members of the committee, with my close to 50 years active experience in the rubber tire industry, this is the last remaining stronghold that small business in the rubber tire industry has.

I say this because from the best available statistics the rubber-tire industry is dominated by the Big Four rubber companies and through this has monopolized business that rightfully belonged to the independent tire trade.

Just recently the Federal Trade Commission, to be exact, on January 13, 1956, charged 3 major rubber companies with monopolizing sales that rightfully

belonged to the independent tire trade—tires, batteries, and accessories—in a 2-year period, totaling $147 million, in which the rubber companies paid an override commission to these big oil companies, amounting to $12 million.

To prove further in my statement the necessity for keeping these independents in the rubber tire industry—the Federal Trade Commission on January 13, stated that 3 of these big rubber companies were operating 1,900 retail stores in metropolitan areas throughout the Nation—all in active competition with the independent tire sales and servicing institutions.

It is significant and important to note that the Senate Small Business Committee in its report in 1952 stated these 3 firms operated 1,700 stores, which shows a steady increase in the operation of these big rubber companies to reduce the position of the independent tire sales and servicing institutions, and the legislation now before your committee for consideration in inflicting further penalties through tax measures on the independent tire sales and servicing institutions may spell further doom to the independents in the tire sales and servicing field.

We have already filed charges with the antitrust agencies of an attempt by some of these big rubber companies to monopolize tire rebuilding also at the same time.

If further taxes are levied on the stocks of independent tire sales and servicing institutions—and now also on those in the tire rebuilding field—you can realize what an advantage the big interests are going to have over the independent, and furthermore, the increased financial load that the independent must carry. This load will be materially increased by the provision in the present legislation which will make the floor stock tax retroactive to July 1, 1956, on the stocks on hand in independent establishments, giving an even greater advantage to the manufacturer's retail stores.

Further in connection with the newly proposed tax on tire-rebuilding materials we can find no justifiable reason for a tax on services—because that is what tire rebuilding is. There is no other commodity we know of where a tax is placed on service or repair for consumer use.

We wish to further call the attention of the committee in its consideration of the tax to be levied on camelback or repair materials—that the numerous systems of tire rebuilding or retreading do not require the same amount of raw materials.

Therefore, Mr. Chairman, this would only lead to further confusion in the mind of the consuming public.

We mention this because it could lead to a situation that could be demoralizing all along the line.

In view of the alarm of the many States as to increasing highway accidents—the committee should move very cautiously in levying extra taxes on all branches of the tire industry as this may result in the public going to extremes in the use of unsafe tires—which would increase the accident rate on the highways. This is a very serious situation which might develop.

Small business, as I review the scene in my national operation in a dual capacity, is making a valiant struggle to keep itself in the business world, so I urge don't throw a further roadblock in front of the independent tire sales and servicing institutions such as would be done in levying a tax on service.

In this respect it is to be noted that in a report recently made by Secretary of the Treasury, Mr. Humphrey, he said: "Taxes are so high they are curtailing to some extent the basis of freedom of America—incentive."

(Whereupon, at 1:40 p. m., the committee recessed, to reconvene at 10 a. m., Friday, May 18, 1956.)

HIGHWAY REVENUE ACT

FRIDAY, MAY 18, 1956

UNITED STATES SENATE,
COMMITTEE ON FINANCE,
Washington, D. C.

The committee met, pursuant to recess, at 10:10 a. m., in room 312, Senate Office Building, Senator Harry Flood Byrd (chairman) presiding.

Present: Senators Byrd, Kerr, Frear, Millikin, Martin of Pennsylvania, Flanders, Williams, and Bennett.

Also present: Colin F. Stam, chief of staff, Joint Committee on Internal Revenue Taxation; and Elizabeth B. Springer, chief clerk.

The CHAIRMAN. The committee will come to order.

The first witness is Mr. Otis H. Ellis, of the National Oil Jobbers Council.

I will ask you to be as precise as you can, Mr. Ellis, because the Senate is meeting this morning, and we may have to leave at any time.

STATEMENT OF OTIS H. ELLIS, GENERAL COUNSEL, NATIONAL OIL JOBBERS COUNCIL

Mr. ELLIS. Mr. Chairman, my name is Otis H. Ellis. I will skip a portion of my prepared statement in the interest of brevity, with the request that the complete statement be included in the record.

The CHAIRMAN. Without objection, the complete statement will be included.

(The statement of Mr. Ellis, in full, is as follows:)

STATEMENT OF OTIS H. ELLIS, GENERAL COUNSEL, NATIONAL OIL JOBBERS COUNCIL, ON H. R. 10660

My name is Otis H. Ellis. I am engaged in the general practice of law in Washington, D. C., and maintain offices at 1001 Connecticut Avenue. I am appearing heretoday on behalf of the National Oil Jobbers Council in my capacity as general counsel for that organization.

The National Oil Jobbers Council is a trade group composed of 26 State and regional associations of independent jobbers and distributors of petroleum products. These 26 associations, covering 32 States, represent approximately 12,000 of the 15,000 petroleum jobbers and distributors in the United States.

It is possible that some members of the committee are not familiar with the functional operation of an independent jobber of petroleum products, and it might be well to define, or clarify, this operation.

An oil jobber is a marketer of petroleum products, engaged in wholesale distribution of gasoline to service stations, as well as the distribution of gasoline in bulk quantities to commercial consumers and farmers. In addition, jobbers distribute fuel oil to homeowners and commercial consumers. Some jobbers own and operate retail service stations; others own and lease retail service stations to independent dealers. A number of jobbers also engage in the sale and distribution of tires and tubes, and maintain retread facilities in their retail outlets.

Independent jobbers and dealers (or peddlers) distribute approximately 80 percent of the household burning oils consumed in this country. Jobbers and commission distributors sell to service stations approximately 40 percent of their total gasoline supplies. We estimate that approximately 50 percent of the petroleum fuels used by farmers is sold by independent jobbers.

The word "independent," as it applies to a jobber, means that he owns his own bulk plant, trucks, and other facilities necessary to distribute petroleum products, and is not a subsidiary of or financially controlled by a so-called major oil company. I go into this detail in order to point out to the committee the extent of participation in the marketing segment of the petroleum industry by the independent jobber. The jobber and the independent service station operator are the small-business men of petroleum marketing.

From a general business standpoint, the bill before you at this time affects the jobber in three respects: (1) It will continue and further aggravate an inequitable tax structure on gasoline as between the big oil company and the small distributor, (2) it will increase the jobbers' operating costs, and (3) it will impose upon the jobber additional requirements for capital in order to finance the increased costs of his inventory and credit sales of motor fuels and tires.

At this point, I would like to make it clear my appearance is not for the purpose of attempting to defeat H. R. 10660, although there are many principles involved in the bill as well as many specific provisions that we dislike. My comments are directed toward two changes in the mechanics or methods of imposing taxes on gasoline which will neither impair the general objectives nor cause revenue reductions of relative consequence.

Under existing law the 2-cent Federal tax on gasoline is imposed at the time of sale by the "producer." The producer is the refiner and, from the standpoint of volume, this really means the major oil companies. The word "producer," as defined by section 4082 of the code, includes "blenders" and "importers," however, the volume of gasoline handled by these last two categories is relatively insignificant. H. R. 10660 increases the gasoline tax to 3 cents per gallon and continues to impose the tax at the time of sale by the producer except when the producer sells gasoline to any person for use by such person otherwise than as a fuel in a highway vehicle, in which instance the tax will be only 2 cents (this does not apply to gasoline sold for use on a farm for farming purposes). These provisions will be found on page 55 (sec. 4081. Imposition of tax, pars. *a* and *b*) of the bill approved by the Senate Public Works Committee,.

Our principal objections are directed to these two paragraphs. First, we believe that imposing the gasoline tax at the time of sale by the producer gives the major oil company a decided competitive advantage over the jobber, who must pay the tax at the time of purchase, because the jobber suffers losses by way of evaporation and unavoidable spillage between the time of purchase and resale and, in addition, has a portion of his working capital tied up in Federal gasoline taxes—none of which burdens are imposed on the major oil company. Secondly, the provision that a producer (not a jobber or other independent seller of petroleum products) can and must sell gasoline for nonhighway use at 1 cent per gallon less than the jobber or independent dealer is clearly inequitable. I would like to discuss these objections in that order.

The principal competitor of the independent jobber is the major oil company. As a result of better access to capital for growth and expansion and the competitive advantages of integration, the major oil company (or "producer") has enough advantage over the jobber without the additional advantage of not being required to pay the Federal gasoline tax until the time this product is sold. If the level of imposing this tax was changed to the time of sale by the jobber or wholesale distributor, it would not only equalize this competitive advantage which the big oil company has over these small-business men, but in addition thereto, it would relieve the small jobber or distributor from having a portion of his working capital tied up in Federal taxes as well as his tax losses from evaporation and unavoidable spillage.

Let us take as an example the average gasoline jobber. This jobber sells 100,000 gallons of gasoline per month at 26 cents per gallon. Six cents of the sale price represents the State tax, 3 cents represents the Federal tax, 14 cents represents the cost of the gasoline and 3 cents being the jobber's gross margin of profit. Approximately 50 percent, or 600,000 gallons, of his annual sales are to farmer customers, the remaining 50 percent to service stations and other commercial consumers. Now let us see how this jobber is affected in ways that his big

business competitor is not. As an average proposition, the jobber will lose approximately 2 percent of his gasoline by way of evaporation and unavoidable spillage—this percentage will undoubtedly increase as gasoline become more volatile due to the higher octanes now being marketed. On the basis of 2 percent (annual sales of 1,200,000 gallons) he loses in Federal gasoline taxes alone, $720 per year—almost enough to keep one of his children in college. If this jobber lives in a State where the State tax is imposed at the time of purchase, he also suffers an additional loss, although most States allow him a certain percentage to offset State tax losses on evaporation and spillage. Now let us look at the effect of taxes on the jobber's working capital. On the basis of a permanent 50,000 gallon inventory, the jobber has $1,500 tied up because of the 3 cent Federal tax. While these amounts may not appear to be of much consequence to a committee that thinks in terms of millions and billions, it is a significant item to a small independent businessman who is faced with the constantly rising cost of products, labor, trucks and tanks as well as personal living expenses.

The same jobber must also have the capital to carry his credit sales to service stations and commercial consumers for a minimum period of 30 days—this represents $11,500 (not including Federal tax). On his farm sales of 50,000 gallons per month, he must extend credit for periods ranging from 4 to 6 months. On the basis of a 5 month's average of credit, this means an additional $63,500 of capital or credit requirements. While the change that we suggest will not vary the capital requirements from the time of sale by the jobber, the change would, however, equalize the advantages now solely enjoyed by his major oil competitor.

The only objections to this proposed change, that we have heard, have been voiced by the Internal Revenue Service. Their first objection is that by imposing the gasoline tax at the time of sale by the jobber or wholesale distributor, it would create additional administrative problems and expense. Let us examine that argument to see if the expense and problems created are sufficient to offset the losses imposed on the jobber. The change that we recommend would only add approximately eight- to ten-thousand gasoline taxpayers to the Federal rolls. This number is infinitesimal when compared to 50 or 60 million income-tax returns, hundreds of millions of returns on sales of automotive equipment, household equipment, entertaining equipment, recreational equipment, tires and tubes, theater admissions, cabaret and nightclub checks, club dues, communications, transportation taxes, safe deposit boxes, documentary taxes, and many others. In brief, this added quantity would not even cause a small "burp" in the mechanical devices used by the Department in the keeping of its records. The 48 States of the Union have not as yet gone bankrupt and they are engaged in collecting similar taxes from these very same jobbers. The States are adequately protected by bonds and presumably, if our proposed change is made the jobber would also be required to give bond for faithful payment of the Federal gasoline tax. Certainly, changing the level of the tax would not encumber $1,500 of the Government's money for each jobber concerned, and certainly it would not cost the Department of Internal Revenue $720 per year to collect this tax from the jobber. This is the amount a small, typical jobber loses by virtue of evaporation and spillage alone, not to speak of the losses he must suffer because of bad credit risk. It appears to the jobber that it is high time that someone started giving more special consideration to the losses and capital requirements imposed on the small taxpayer and less consideration to those charged with the responsibility of collecting the taxes.

The second objection of the Revenue Service is that if the tax on gasoline is changed to the wholesalers' level, wholesalers and retailers of other commodities now taxed at the manufacturers' level would want similar treatment, thus opening the door to the necessity of processing more and more tax returns. Let us consider this argument for a moment. At first blush, one would consider that there are no taxes on petroleum products imposed at the time of sale to the consumer. This, of course, is incorrect, since the tax on diesel fuel and special motor fuel is taxed at the time of sale to the consumer (if sold for use on the highways or as fuel for a motor boat, motor vehicle, or airplane). As a matter of fact, a substantial number of the very same jobbers that I am talking about are filling out returns on these commodities and paying the taxes thereon directly to the Federal Government. Has this precedent resulted in a deluge of requests from those who sell other commodities taxed at the manufacturers' level? The only other commodity group that I know of are the independent dealers who are selling tires and tubes in competition with retail outlets maintained by the manufacturers. Since a number of my jobbers handle tires and tubes we are familiar with this problem. But they also know that tires and tubes, unlike gasoline do not evapo-

rate during the interim between purchase and resale. It is unfair to compare a manufacturer's tax on gasoline to a manufacturer's tax on automobiles, tires and tubes, and other hard goods. Hard goods of this type can be purchased by a reseller on consignment, thus, eliminating capital being tied up prior to resale and secondly, such items are subject to sales under title retention agreements or conditional sales contracts which enable the seller to repossess the product in the event the purchaser does not pay. Such conditions do not obtain in handling gasoline for resale, and it is therefore our belief that this community is entitled to special consideration despite the fact that it might be more convenient to some people in the Treasury Department.

The policymakers in the Treasury Department apparently did not suffer apoplexy when the Congress recently passed the farmers' gasoline tax refund bill which will require the processing of approximately 5 million applications for refund, and I do not see why they should be so disturbed over the fact that approximately 8,000 small-businessmen seek to obtain the same consideration as is given to the big oil companies.

Our proposed change could be effected by making the following changes in section 4082 of the code, such changes being placed in H. R. 10660 immediately after line 22 on page 55:

Section 4082 (a) of such code relating to definition of producer is hereby amended by striking out "or blender" and inserting in lieu thereof "blender, or wholesale distributor."

Section 4082 (of such code) is hereby amended by adding at the end thereof a new subsection as follows:

"(d) Wholesale distributor.—As used in this subpart, the term 'wholesale distributor' includes a jobber, consignee, distributor, or commission agent, or any person selling gasoline to retailers or users who purchase in bulk quantities for delivery into bulk storage tanks."

A few other minor changes would be necessary to conform the foregoing to other language in the bill.

Our second recommendation for change is directed to paragraph (b) of section 4081, page 55 of H. R. 10660. Under this paragraph, a "producer" of gasoline would charge 2 cents a gallon tax to any person purchasing gasoline for use other than as a fuel in a highway vehicle. If Internal Revenue follows its usual procedure for regulating this type of exempt sale, it will mean that the "producer" would be required to obtain an exemption certificate from each purchaser. The paperwork incident to this method of handling would be a voluminous burden, not only on the seller but on Internal Revenue as well. To further compound the confusion, this provision means that a jobber or retailer would be required to charge the full 3 cents per gallon on gasoline sales for nonhighway use, thus again placing him at a disadvantage with his major competitor. This provision would result in dumping practically all of the non-highway-use gasoline business in the laps of the major oil companies. While the jobber's customer would be entitled to a refund of 1 cent per gallon, such refund would have to be processed back through the jobber to the producer and then to Internal Revenue. I believe that Internal Revenue would agree that it would be much better to strike out this paragraph, require the full tax on all sales of gasoline, and then permit refunds based on applications from the purchaser in the same manner as refunds will be made to farmers under the law recently passed, except such refunds could be made on a monthly or quarterly basis. Such an arrangement, would in our judgment, not only equalize all sellers to this category of business, but would in addition, minimize the paperwork and detail imposed on all persons concerned, including the Government.

In conclusion, I would like to point out these factors: The changes which we recommend are not changes wherein we seek advantage over any other taxpayer handling the same product that we handle—we merely seek to be put on the same basis now enjoyed by the big oil companies; the changes do not defeat or impair the purposes of the highway bill, nor will such changes have any adverse effect of relative consequence on the revenue proposed to be produced. If these recommended changes are approved, it will be one instance where the Congress has done something for a group of small-businessmen without imposing any difficulties on big business, and without costing the Federal tax collectors one single dime that they are rightfully entitled to receive.

Mr. Ellis. I am engaged in the general practice of law in Washington, D. C., and maintain offices at 1001 Connecticut Avenue. I am ap-

pearing here today on behalf of the National Oil Jobbers Council in my capacity as general counsel for that organization.

The National Oil Jobbers Council is a trade group composed of 26 State and regional associations of independent jobbers and distributors of petroleum products. These 26 associations, covering 32 States, represent approximately 12,000 of the 15,000 petroleum jobbers and distributors in the United States.

Now, for the information of you gentlemen who do not know what a jobber is, we are primarily wholesale distributors. My people represent around 10,000 of the approximately 12,000 jobbers in the United States. We are independent in that we own our own trucks, bulk-plant facilities, handle our own credit, purchase our own products, and sell them for what we can get for them.

We are in no manner dominated, controlled, financially or otherwise, by any of the major oil companies.

I point that out because a number of so-called commission agents and distributors are really an extension of the arm of a major oil company.

We sell about 80 percent of the household burning oils that are used in this country. We supply about 40 percent of the total gasoline supplies to the service stations, and it is estimated that we sell approximately 50 percent of the total petroleum products sold to the farmers of the Nation. We are the creditors—we are the people who extend the credit to the farmers for the petroleum products which they use.

Now, then, from a general business standpoint, this bill—and I might add, I am directing my attention to the revenue aspects only—the bill before you at this time affects the jobbers in three respects:

It will continue and further aggravate an inequitable tax structure on gasoline as between the big oil company and the small distributor.

It will increase the jobber's operating costs, and it will impose upon the jobber additional requirements for capital, in order to finance the increased cost of his inventory and credit sales of motor fuels and tires.

I want to state right now that I am not appearing here in opposition to H. R. 10660, although there are many principles, and some of the specific provisions of the bill, that we dislike and we object to. My comments are directed to two changes in the mechanics or methods of imposing taxes on gasoline which will neither impair the general objectives of this bill, nor will they cause revenue reductions of any relative consequence.

Now, under existing law, as you know, the 2-cent Federal tax on gasoline is imposed at the time of sale by the producer. Now, for all practical purposes, the producer is the refiner or the big oil company. It is not the jobber.

H. R. 10660 increases the gasoline tax to 3 cents a gallon, and continues to impose this tax at the time of sale by the big oil company to the people I represent. There are some exceptions, which I have noted in my statement, but I won't bother about those.

Now, the principal objections are directed to these paragraphs in the bill, that is, subparagraphs (a) and (b) of section 4081 in this bill.

First, we believe that in imposing the gasoline tax at the time of sale by the producer gives the major oil company a decided competitive advantage over the jobber, who must pay the tax at the time of purchase, because the jobber suffers losses by way of evaporation and unavoidable spillage between the time he purchases the gasoline and the time he sells it.

In addition to that, he has a substantial portion of his working capital tied up in these Federal gasoline taxes, none of which burdens are imposed on the major oil company or refiner.

Under this law as it exists, under the current situation, and as this thing further extends it, the big oil company is not liable for the Federal tax on gasoline until they sell the product. We have to pay it when we buy the product. Yet we compete in the market place with the major oil company.

Now, the second proposition is the provision that a producer—that is, a major oil company, and not a jobber—can and must sell gasoline for nonhighway use at 1 cent per gallon less, or at the 2-cent rate, rather than the new rate of 3 cents.

Now, then, I think you can clearly see what happens to us. When our prime competitor, Mr. Big, can go out here and sell this gasoline to a road contractor who is going to build these highways that we are providing the money for, and he doesn't charge him but 2 cents Federal tax, my people come along—and it depends on how Internal Revenue will write the regulations, but even if we sell at 1 cent less, because it is an exempt sale, what do we have to do?

We have got to go back to the old hot tractor fuel days, we have got to chase that contractor down, get an exemption certificate signed, hold it in our files for 4 years, in case Internal Revenue wants to come around and look at it, make application back to the refiner that we bought our gasoline from, to get the 1 cent back, agree to hold those exemption certificates for 4 years.

We think it is absurd and silly. And what contractor is going to mess around buying gasoline from us, where he has got to execute exemption certificates for this 1 cent, when he can buy it without that; unless Internal Revenue proposes a new regulation, he can buy it from Mr. Big without that. We say we are at a competitive disadvantage seriously on that score.

Now, to get this thing clear, let me take a typical jobber. This jobbers sells a hundred thousand gallons of gasoline per month at 26 cents a gallon. Six-tenths of that sale price represents the State tax—I am taking an average—3 cents represents the Federal tax; 14 cents represents the cost of the gasoline; and 3 cents is the jobber's gross—not net—gross margin of profit. Approximately 50 percent, of 600,000 gallons of his annual sales, are to farmer customers. The remaining 50 percent are to service stations and other commercial consumers.

Now, let's see how he is affected in ways that his big business competitor is not. As an average proposition, the jobber will lose approximately 2 percent of his gallonage by way of evaporation and unavoidable spillage. That percentage is going up.

You can see from the advertising in the paper that the octane gases are being increased, and with those gases, it becomes more volatile, and our evaporation losses are going to be greater, despite everything we can do to cut them down.

Now, on the basis of 2 percent on the annual sales of 1,200,000 gallons, he loses on Federal taxes along $720 per year, almost enough to keep one of his kids in college. If this jobber lives in a State where the State tax is imposed at the time of purchase, he also suffers an additional loss, although most States allow him a certain percentage to offset State tax losses on evaporation and spillage.

Now, let us look at the effect of taxes on the jobber's working capital. On the basis of a permanent 5,000-gallon inventory—and I am talking about a little jobber now, I am not talking about some that we have got that sell 10 million or 20 million gallons of gasoline a year—the jobber has $1,500 tied up permanently in his capital because of the Federal tax. Mr. Big doesn't have that. While these amounts may not appear to be of much consequence to a committee that thinks in terms of millions and billions, it is a significant item to a small-business man who is faced with the constantly rising costs of products, labor, trucks, tanks, as well as his personal living expenses, not to speak of the additional costs imposed on us by this bill, and the additional costs of gasoline, the new higher octanes, plus the threatened additional costs of crude oil going up another 50 cents a barrel, which is going to be another 2 cents a gallon we will have to pay that we won't get a fraction of a dime for.

Now, this same jobber must also have the capital to carry the credit sales to service stations and commercial consumers for a period of 30 days. This represents $11,500, not including Federal tax. On his farm sales of 50,000 gallons per month, he must extend credit for periods ranging from 4 to 6 months. On the basis of a 5 months' average of credit, this means an additional $63,500 of capital or credit requirement which he must have.

While the change that we suggest will not require the capital requirements from the time of sale by the jobber, the change would, however, equalize the advantages now solely enjoyed by his major competitor.

The only objections, now, to this proposed change that we have heard have been voiced by the Internal Revenue Service. Their first objection is that by imposing the gasoline tax at the time of sale by the wholesaler distributor, it would create additional administrative problems and expense. Let us examine that argument to see if the expense and problems created are sufficient to offset the losses imposed on the jobber.

The change that we recommend would only add approximately eight to ten thousand more gasoline taxpayers to the Federal rolls. This number is infinitesimal when compared to 50 or 60 million income-tax returns, or whatever amount it is, hundreds of millions of returns on sales of automotive equipment, household equipment, and entertainment equipment, recreational equipment, tires and tubes, theater admissions, cabaret and nightclub checks, club dues, communications, transportation taxes—all the rest of them.

This, as I point out here, wouldn't make a small burden on the mechanical devices used by Internal Revenue for keeping their records down there.

Now, the 48 States of the Union haven't gone bankrupt as yet, and they are engaged in collecting similar taxes from the same jobbers that I am talking about. Certainly, a change in the level of the tax would not encumber $1,500 of the Government's money for each jobber concerned, and certainly it would not cost the Department of Internal Revenue $720 a year to collect this tax from the jobber. And that is what it costs the jobber to carry it.

Senator BENNETT. May I ask the witness a question at this point.

You are asking that your tax be reduced $720 a year, because you say that is a tax on spillage. So the tax you would report to the Federal Government, if your suggestion would be adopted, would be $720 a year less, wouldn't it?

Mr. ELLIS We are asking that you impose the tax at the time we sell the product.

Senator BENNETT. Yes; so that would be after the spillage?

Mr. ELLIS. That is right.

Senator BENNETT. So it would cost the Federal Government $720 a year in reduced taxes to change the system? I am not saying whether that is right or wrong, I just want to make the point clear.

Mr. ELLIS. That, in essence, is correct.

And I would like to state further that we don't think the Federal Government is entitled to that, in the first place, because we are paying taxes on merchandise which was really intended to be carried forward to the consumer, merchandise that we don't even have at the time we get ready to sell it.

Now, the Standard Oil Company of New Jersey doesn't pay this $720. Are we saying that the Standard Oil of New Jersey is therefore robbing the Government because they don't pay it?

Senator BENNETT. I am not arguing on that point.

Mr. ELLIS. I understand; I just wanted to clarify it.

Senator BENNETT. You have just made the point that a change in the collection point would not cost the Government $720, and I wanted to get the record clear that it would cost the Government $720, because they would not be able to collect the tax on the 2-percent spillage that you now pay.

Mr. ELLIS. That is correct.

Senator KERR. May I ask a question.

As I understand, the situation that you refer to is one in which some taxpayers pay this tax and others do not, by reason of the fact that some of them pay on what they refine, and others pay on what they retail; isn't that what it amounts to?

Mr. ELLIS. It amounts to this, Senator: The refiners, under the law now—which, for all practical purposes, are the larger integrated oil companies—pay the tax at the time they sell the products.

Senator KERR. You mean, at the time the refiner sells it?

Mr. ELLIS. Yes, sir.

Senator KERR. All right. Go ahead.

Mr. ELLIS. We pay the tax at the time we buy the product.

Senator KERR. The jobber?

Mr. ELLIS. The jobber; yes, sir.

Now, we compete with that refiner. Let us, for example, say the Texas Oil Co., or anybody. We compete with them in the market place. The Texas Oil Co. will sell gasoline to farmers. They sell gasoline to service stations. They sell gasoline to commercial accounts, customers that my jobbers are also competing for.

Now, then, my jobber pays the tax at the time he buys the gasoline, so all——

Senator KERR. From the refiner?

Mr. ELLIS. That is right, from that refiner.

Senator KERR. But now if the Texas Co. takes gasoline to its own service stations, it doesn't pay tax on it at the refinery, does it?

Mr. ELLIS. That is right.

Senator KERR. It pays it on the gallons that are counted up on that retail pump?

Mr. ELLIS. Right, sir.

Senator KERR. As I understand the situation you are talking about, it generally is this: Where the same company owns the retail outlets, and the refinery, the computation of the tax they pay is on the number of gallons that go out of that retail pump?

Mr. ELLIS. Right.

Senator KERR. Where a jobber buys its gasoline from another company who is a refiner, they pay tax at the refinery?

Mr. ELLIS. Right.

Senator KERR. The purpose is for that tax to be added to the retail price of the gasoline?

Mr. ELLIS. Right.

Senator KERR. But in view of the fact that a part of that gasoline is lost in handling, is spilled, and doesn't get clicked up on that retail pump, you do not get reimbursed for the gasoline you lose, so that you lose not only the gasoline but the tax you paid to the renfier on it?

Mr. ELLIS. Exactly correct.

Senator KERR. And in view of the fact that the tax is on the use of it, what you are saying is that it should be determined by the amount that goes out of that retail pump when a jobber furnishes the retailer, just like it is when the refiner that owns both the refinery and the pump, pays on it as it goes out of that retail pump?

Mr. ELLIS. Right.

We say the tax should be imposed at the time we sell the gasoline, just like the tax is imposed at the time the refiner sells it.

Senator KERR. In order for there to be equity as between you, the independent jobber, and the refiner, who is both a refiner and a jobber and a retailer——

Mr. ELLIS. Right, sir.

Senator KERR (continuing). Either you should be permitted to pay your tax at the gasoline pump, as he does, or he should be required to pay the tax at the refinery, as you do?

Mr. ELLIS Yes, sir; one or the other. But we don't ask that it be imposed on the major oil companies; we think it would be equally as inequitable to make them pay taxes on something that evaporates, just as inequitable as it would be for us.

Senator KERR. You think it is really a retail tax on something the consumer buys?

Mr. ELLIS. Right; although it is levied at the manufacturer's level.

Senator BENNETT. I would just like to make the point, Mr. Chairman, that the jobbers are willing to pay the tax when they sell it and pass this loss and spillage burden on to the retailer.

Senator KERR. How is that?

Senator BENNETT. The witness has testified that they are willing to pay the tax when they sell gas to the retailer and pass on the spillage and inventory burden to the retailer——

Senator KERR. No.

Senator BENNETT. Yes. That was his testimony; he wants to pay the tax when he sells the gasoline.

Mr. ELLIS. When we sell the gasoline.

Senator KERR. What he wants to do is pay the tax on the gasoline he sells, and not the gasoline he buys.

Senator BENNETT. That is right.

But he is in the middle of a process, and if it is unfair to ask him to pay the tax when he buys the gas, then it is equally unfair to ask his retail customer to pay the tax when he buys the gas, because the same process operates after he dumps gasoline into the retail storage tanks; there is a loss, a spillage, and a cost of inventory.

So what I hope this man is going to say to us, he wants this whole tax thing transferred from a tax at the point of sale to a retail excise tax, collectible only at the point of retail sale, otherwise he is asking that he be given an advantage over his retail customers.

Mr. ELLIS. Let me clear that up, Senator.

I represent jobbers, and I have no authority to ask this for the retailer. As far as we are concerned, that is perfectly all right.

Senator BENNETT. Isn't it equitable?

Mr. ELLIS. Certainly it is.

Senator BENNETT. You are making the comparison that the refiner doesn't pay the tax until he pumps the gasoline out of a retail pump. So, if you are going to be fair to your customers who get the gasoline pumped out of a retail pump, you are asking that this whole gasoline tax business be changed from a tax on the manufacturer, which it is now, to a tax—to a retail excise tax—to be collected and accounted for by the retailer, whether he is a department of a manufacturer or an independent. And I think that does impose a tremendous administrative burden.

Mr. ELLIS. Might I comment on that, Senator?

Senator BENNETT. Sure.

Mr. ELLIS. As I say, I represent jobbers, I can't come in here and speak for dealers.

I recognize the equity of what you are talking about. There is some spillage by the dealer, and unavoidable evaporation. Of course, the amount doesn't apply to my jobbers, but that is relative. The principle is the same.

Senator BENNETT. Isn't the percentage about the same?

Mr. ELLIS. No, it isn't.

You see, we are handling gasoline in tank trucks under boiling sun out here to harvest machines, and everything else. Go lay your hands on one of those tank trucks some day; those things are boiling.

Now, the dealer has a tank that is underground. In the usual proposition, he won't have more than 20,000 gallons, if that much, in storage, most of them not even 5,000 of storage underground. And that is fast moving, it is put under there, it is not volatile, it is underground and cool.

Senator KERR. If you are granted the relief you ask for, it would not put a greater burden on the retailer than he now bears?

Mr. ELLIS. That is certainly correct.

Senator KERR. Because you now collect from him the tax on the gas you deliver to him?

Mr. ELLIS. Right.

Senator KERR. But you have paid the tax on the gas which has been lost between the point of purchase and the point of delivery?

Mr. ELLIS. Exactly correct.

Senator KERR. So that if you were given this relief and the tax were put at the jobber or wholesale level instead of the refiner level, the burden on the retailer would be—the position of the retailer would be identical with what it is now?

Mr. ELLIS. Exactly correct.

From the standpoint of internal revenue, there would only be about 8,000 people to collect the tax from, as contrasted to approximately 300,000 people, if it were levied at the time of the retail sale.

Now, I might say this, Senator: We sell to dealers, they are our customers and our friends. Now, last year when this whole hassle came up, I called a representative of the national gasoline retailers organizations.

I said, "This is the position I am going to take. Now, if you all want to go further with this thing to ask for it being levied at the time of the sale by the retailer, why, I will go along with you. But I just want to call you and tell you what I am going to do, to alert you to the possibilities down here."

And while no official action was taken by the organization, they are aware of it, they are a vigorous organization, they have appeared here in Washington on other matters. And I am just assuming, if they wanted it bad enough, they would be down here doing what I have done.

I have been at the National Oil Jobbers Council meeting, which is in session right now down in Atlanta, Ga. I flew in here last night to appear before this committee today, and I will crawl back on a plane this afternoon to go back to it. That is how interested we are.

Now, if they are not interested enough to come in here and ask for it, I can't answer for them. But you are exactly correct, they are in the same position, it is the same relative degree of difference that we are in when it comes to paying taxes on gasoline loss by evaporation and spillage.

Senator BENNETT. Well, would you be satisfied with a provision in the law which gave you an evaporation-spillage allowance rather than change the present pattern, which would require—the change you are recommending would require the refiner to pay taxes on all the gasoline except that which he sold to a jobber, and then would require you to pay taxes on your sales, and if you had an allowance, as you say you have in some States, to accommodate the spillage, don't you think the responsibility of making out the tax forms would cost you more than the $7.50 a month it cost you to carry the $1,500 inventory that you say you have piled up in the added tax cost of your gasoline?

Mr. ELLIS. We would accept a reasonable percentage allowance to compensate for this. However, I will say this: I was trying to be reasonable, I knew I was up against an awful problem with the Internal Revenue, and I knew they were going to fight me at every step of the road to cut off any administrative, additional administrative expense on them.

So if you say, "Give us 2 percent evaporation allowance," they are going to holler about that. So I thought, surely they had rather process 8,000 returns than to fool with 2 percentage allowance. We will take either one we can get, Senator. But I was trying to choose the route that I thought might be more palatable to these folks down

here at the Internal Revenue who are considering more of the effect on them collecting taxes than they are on a poor bunch of independent devils who are trying to stay in business, paying taxes. That is what it boils down to. I am being honest about it.

Senator BENNETT. I have developed the point I wanted to make, Mr. Chairman.

The CHAIRMAN. Anything further, Mr. Ellis? Our time is very limited.

Mr. ELLIS. I think we have covered all but one point, and I will make it as brief as possible.

That is the possibility, under this bill, which provides that when gasoline is sold by a producer to these nonhighway users, to a person for use other than any highway vehicle, the tax will be 2 cents a gallon instead of 3 cents a gallon.

Now, when we pay that tax when we buy it, we have got 3 cents tied up. So I don't know how Internal Revenue is going to finally write the regulations down there, whether they are going to require the refiner, who charges only a 2-cent tax on that category of trade, to get an exemption certificate to justify the exempt sale, or whether they are going to require us to sell it with the additional 3 cents in it and ask the buyer to apply for a refund—I don't know what they are going to do.

But we know from experience with these types of exempt sales they usually ask for exemption certificates.

Now, I have got jobbers in the State of Nebraska with room after room full of old exemption certificates on hot tractor fuel that Internal Revenue has never been over to look at, never. Now, what they think is the simplest way to do it, is sell this gasoline, whether it is for highway use or nonhighway use, with the 3 cents a gallon in it—we don't know whether they use it one way or the other—then let the purchaser, if he uses it for other than the 3-cent tax purpose, such as an airline, highway contractor, stationary engine, or whatever it be, let that purchaser make application for a refund for the 1-cent a gallon in the same manner that the farmer makes application for a refund under the law you have recently passed.

The only difference I would suggest would be this, that particularly in the case of airlines and users of large volumes of gasoline, that they could get their refund, say, on a monthly or not more than a quarterly basis.

You are going to save paperwork for us, for the big refiner, for the Internal Revenue, everybody concerned, and I think it will save money.

Now, that is our objection. I will boil it down to this one statement:

My suggested change, which is set forth in paragraph 11, can be put in this bill with little or no trouble, simply by the inclusion of the term "wholesale distributor" within the definition of "producer," and slight conforming language.

That about concludes it, Senator.

One statement, and I will quit, and that is this:

What we are asking for here is the same privilege and right as the big oil companies have that we compete with. We are not asking for any big loss of funds. We are not here telling you, "Don't put the tax on our trucks, we have got over 200,000 of them." We are not here saying, "You shouldn't put the tax on the tires our trucks drive, because

they will be worn out on farm roads and city streets, and not on the Interstate Highway System." We are not in here saying, "Don't tax our trucks that peddle fuel oil, because they never set a tire on the interstate highway." We are not talking about that.

We are asking for some equity in the tax law, that is all.

The CHAIRMAN. Thank you, Mr. Ellis.

Mr. Burton Behling, Association of American Railroads.

STATEMENT OF BURTON N. BEHLING, ECONOMIST, ASSOCIATION OF AMERICAN RAILROADS; ALSO REPRESENTING AMERICAN SHORT LINE RAILROAD ASSOCIATION

Mr. BEHLING. Mr. Chairman, in the interest of saving the committee's time, I will skip over portions of my statement, asking that the entire statement be placed in the record.

The CHAIRMAN. Without objection, it will be so ordered.

(The statement of Mr. Behling, in full, is as follows:)

STATEMENT BY BURTON N. BEHLING, ECONOMIST, ASSOCIATION OF AMERICAN RAILROADS, ON H. R. 10660

I am Burton N. Behling, economist, Association of American Railroads, representing this association and also the American Short Line Railroad Association. As general taxpayers and from the standpoint of sound competitive conditions in transportation, the railroads are vitally concerned with H. R. 10660.

In financing a Federal highway program, such as that set forth in title I, three basic principles are paramount:

1. The program should be supported with new revenues sufficient to cover additional expenditures so as to avoid deficit financing.
2. Costs of the program should not be imposed upon general taxpayers nor stifle prospects for reduction of existing heavy burdens on general taxpayers.
3. Both of these principles will be observed if all the costs of an expanded Federal highway program are borne by highway users through charges graduated according to relative use and cost responsibility. As the direct beneficiaries of improved highways, motor vehicle operators are the only logical source of funds to cover the costs.

SENATE AND HOUSE VERSIONS OF TITLE I OF H. R. 10660

As passed by the House, title I would authorize or declare an intent to authorize a total of $36.640 billion over the 13-year period 1957–69, including amounts for the Interstate System, for the regular Federal-aid programs on the primary, secondary, and urban systems, and for Federal domain roads.

Title I as proposed by the Senate Committee on Public Works would authorize amounts for the Interstate System over the 13-year period, but only through the year 1961 for the other Federal-aid systems and the Federal domain roads. However, continuing Federal expenditures for these purposes beyond the next 5 years may be expected. If the annual amounts proposed to be authorized in the Senate version of title I are projected over the entire 13-year period, the total would come to $36.734 billion, or about the same amount as in the House version.

Since on this comparable basis the Senate and House versions of title I are almost identical, the financing may be examined with reference to the estimates contained in House Report No. 2022 accompanying H. R. 10660.

THE EXISTING FEDERAL EXCISE TAXES

A problem is presented by the persistence of the idea in some quarters that the funds for financing the expanded Federal highway program could and should largely be obtained by dipping into revenues from the existing Federal automotive excise taxes. First, it should be remembered that these excises were levied, along with the many others now composing the Federal excise tax structure, to meet general fund requirements of the Government.

It is a further important fact that the present level of annual Federal expenditures for highways is approximately equal to that part of current revenues from the Federal taxes on motor fuels that bears upon highway users, so that in a budgetary sense such revenues and expenditures offset each other. This necessarily means that any additional diversions of excise tax revenues would be a drain on the Federal budget which would have to be made up in some other way or which would require deferral of possible reductions in the general tax load to avoid deficit financing.

Rather than siphoning off for highway expenditures any more of the excise tax revenues, all additional requirements for financing the highway program should properly come from new levies upon highway users as such. Then, whenever it may become appropriate to reduce Federal tax burdens generally, the other automotive excise taxes could appropriately be given balanced consideration along with other elements of the whole Federal structure of general taxes.

INADEQUACY OF A FUEL TAX ALONE

If Congress should decide to use the proceeds of the existing 2-cent taxes on motor fuels as the starting point for developing a highway financing plan, the basic consideration is that a fuel tax, standing alone, grossly discriminates against automobiles in favor of heavy commercial vehicles.

A tax on motor fuel has a proper place in a structure of highway user charges, but it cannot by itself produce equitable results as between light and heavy vehicles, for while a heavy vehicle consumes more fuel per mile than a light vehicle it consumes far less fuel in relation to its weight and special highway demands.

For this reason every State has found it necessary to supplement its fuel tax with special graduated charges upon the heavy vehicles.

How very inadequate a fuel tax is in this respect is demonstrated by comparing its effect upon an ordinary automobile and a typical heavy combination vehicle. For each gallon of gasoline it consumes, an automobile with a gross loaded weight of approximately 2 tons and obtaining 15 miles to the gallon, realizes about 30 ton-miles of highway use. In contrast, an over-the-road, 4-axle tractor-semitrailer combination, with a gross weight of 30 tons and obtaining about 5 miles to the gallon, gets approximately 150 ton-miles of highway use from a gallon of gasoline.

The heavy vehicle on the basis of weight and mileage thus gets approximately 5 times as much highway use as does the automobile or other light vehicle for each cent of fuel tax it pays. Stated otherwise, per mile of highway use the 30-ton vehicle should pay 15 times as much as the 2-ton automobile, but in fuel tax it would pay only about 3 times as much.

The deficiency of the fuel tax is even more strikingly apparent when extended to reflect the much greater mileage accumulated in a year by the heavy vehicle. The 2-ton automobile operates an average of about 10,000 miles a year, resulting in annual highway use of about 20,000 ton-miles. Contrast this with a 30-ton freight vehicle which operates about 50,000 miles a year, resulting in a total of about 1,500,000 ton-miles annually. Many over-the-road freight vehicles are operated much more than 50,000 miles a year.

For these essentially different vehicles, therefore, the comparative annual highway use is as follows:

	Relative use
Automobile, 20,000 ton-miles	1
Heavy freight vehicle, 1,500,000 ton-miles	75

Since the heavy vehicle obtains about 75 times as much annual highway use as the automobile, properly graduated highway user charges should require the heavy vehicle to pay in a year's time at least 75 times as much as the ordinary light vehicle. By means of a fuel tax, however, the heavy vehicle's annual payment would amount to only 15 times as much as that paid by the automobile, or one-fifth of its proportionate share.

These comparisons also reveal the fallacy in applying additional across-the-board charges to all vehicles. Such charges cannot offset the inherent deficiency of the fuel tax, but would only compound that deficiency in another way. Rather than multiplying inequities with additional levies across the board, like the other Federal automotive excise taxes for example, the need is to balance the fuel tax deficiency with special, graduated user charges applied to the large and heavy vehicles only.

DEFICIENCIES OF TITLE II

When measured by the tests of adequacy and equity noted above, the financing provisions of title II of H. R. 10660 have the following major defects:

1. There would be large Federal budget losses because revenues from existing general fund taxes would be siphoned into the highway trust fund in amounts exceeding the current level of Federal expenditures for highways, which, as stated above, now approximately equals revenues from existing taxes on highway use of motor fuels. In addition to all revenues from the existing fuel taxes, including those from nonhighway use, H. R. 10660 would also divert to the highway trust fund over the 1957–72 period general fund revenues from existing taxes on tires ($3,435 million), on tubes ($153 million), and part of the revenues from the existing manufacturers' excise on trucks, buses and trailers ($1,356 million), or a total of $4,944 million. (See H. Rept. No. 2022, table 1, p. 46).

2. Federal highway expenditures over the 1957–72 period, as estimated in the House Report (p. 51), do not include any amounts for Federal domain roads, although H. R. 10660 as passed by the House proposes such authorizations which if carried forward would amount to at least $1,520 million over the 16-year period of the highway trust fund financing.

3. The expenditure estimates in the House report make no allowance for authorizations of Federal highway aid beyond the fiscal year ending June 30, 1969, although revenue estimates for the highway trust fund extend 3 more years to June 30, 1972. Unless it could be assumed that no further authorizations would be made after 1969, expenditures will substantially exceed the estimate given in the House report for the period to June 30, 1972. Hence, any authorizations after 1969 would have to be supported by taxes additional to those provided in title II in order to avoid deficits in the highway trust fund.

4. For the reasons stated above, rather than a surplus of $591 million as indicated in the House report (p. 52), the proposed highway program would involve deficit financing to the extent of at least $5,873 million, even without allowing for expenditures from any authorizations for the fiscal years 1970, 1971, and 1972.

5. Title II not only fails to provide for adequate total revenues; it also fails to establish an equitable structure of user charges. Specifically, the charges imposed upon heavy vehicles are grossly inadequate on the basis of their relative highway use and cost responsibilities, while ordinary motorists are burdened with an excessive share.

The operator of a heavy 4-axle tractor-semitrailer combination would pay in a year's time only about 21 times as much as a passenger car owner, whereas, as previously indicated, the heavy vehicle operator should pay at least 75 times as much on the basis of weight and mileage factors of relative use.

6. Title II would impose upon vehicles of 26,000 pounds or more a fee of $1.50 per year for each 1,000 pounds of taxable gross weight. While this would be a step in the right direction of charging heavy vehicles more adequately for their use of the public highways, the charge is far too low, and, moreover, this charge by weight does not recognize differences in miles traveled.

7. Another objectionable feature of title II is the proposal to levy an additional tax of 3 cents a pound on all tires for highway vehicles and on retread material. Such an across-the-board levy applicable to all motor vehicles would only compound and not offset the inherent deficiencies of the across-the-board fuel tax. What is required is a special tax limited to heavy-vehicle tires only, so that the heavy vehicles will be required to pay more nearly their proper share of highway costs.

ESSENTIALS OF A SOUND FINANCING PLAN

Major changes are required in the provisions of title II in order to provide adequate revenues and establish an equitable structure of user charges. In accord with these requirements, a user charge structure composed of the following elements is suggested:

1. A gasoline tax of 3 cents a gallon, including the existing 2 cents and 1 additional cent. If any part of this tax applies to nonhighway use of gasoline, such proceeds should not be counted as available for highway financing. There is no need or justification for any other kind of across-the-board tax.

2. Since diesel-powered highway vehicles obtain at least 50 percent more miles per gallon than gasoline-powered vehicles of the same class, mile-for-mile equality of charging for highway use requires that the rate of tax on highway diesel fuel be at least 50 percent higher than on gasoline. Thus, if the gasoline-tax rate

is 3 cents a gallon, the rate on diesel fuel for highway use should be at least 4.5 cents, to put these 2 use taxes at parity as a measure of highway use.

3. An equitable highway user charge structure must include graduated supplemental charges on the large and heavy commercial vehicles to balance the deficiency of the motor-fuel tax standing alone and to place upon such vehicles charges commensurate with their highway use and reflecting the cost of their extraordinary road requirements. These supplemental charges might properly consist of a weight fee and a tax on heavy-vehicle tires and retreads. If it is desired to raise approximately equal amounts from these two revenue sources, the respective charges could be:

(*a*) A weight fee at the rate of $7 per year for each 1,000 pounds of taxable gross weight, instead of $1.50 as now provided in title II.

(*b*) A tax on heavy-vehicle tires only, of size 9.00–20 and larger, at the rate of 50 cents a pound and an equivalent tax on camelback material for retreading such tires. Such a tax would have the necessary characteristics of a supplemental user charge reflecting the size, weight, and mileage of heavy commercial vehicles and, as applied at the manufacturers' level, would have the advantages of administrative feasibility and ease of collection.

REVENUE YIELD

The suggested user charge structure (together with the 2-percent increase in the manufacturers' excise tax on trucks, buses, and trailers as proposed in title II) would yield estimated revenues of $1,748 million in the fiscal year 1957 as follows:

	Millions
Gasoline tax (3 cents a gallon)	$1,221
Diesel-fuel tax (4.5 cents a gallon)	45
Weight fee ($7 per 1,000 pounds)	210
Large-tire tax (50 cents a pound)	225
Manufacturers' excise (2 percent of factory price)	47
Total	1,748

Over the 16-year period of the highway trust fund proposed in title II, and allowing for a 25-percent growth factor in the average annual yield, the estimated revenues would amount to approximately $35 billion.

These estimated revenues are approximately $2.5 billion less than Federal highway-aid expenditures as estimated for the 16-year period in the House report on H. R. 10660, and, with expenditures contemplated on the Federal-domain roads included, the deficiency is about $4 billion.

Since estimates of this nature—and the Secretary referred to this yesterday—projected 16 years ahead are subject to unforeseeable conditions, it is evident that your committee and the Congress would have need to review the matter from time to time. But, regardless of the uncertainties in estimating future revenues, the most important consideration at this time is that the component parts of the user taxes levied should be equitably related at the start. We believe that the suggested levies described above meet that requirement and would not discriminate against either the light or the heavy highway vehicles.

Mr. BEHLING. I am Burton N. Behling, economist, Association of American Railroads representing this association and also the American Short Line Railroad Association. As general taxpayers and from the standpoint of sound competitive conditions in transportation, the railroads are vitally concerned with H. R. 10660.

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1. The program should be supported with new revenues sufficient to cover additional expenditures so as to avoid deficit financing.

2. Costs of the program should not be imposed upon general taxpayers nor stifle prospects for reduction of existing heavy burdens on general taxpayers.

3. Both of these principles will be observed if all the costs of an expanded Federal highway program are borne by highway users through charges graduated according to relative use and cost respon-

sibility. As the direct beneficiaries of improved highways, motor-vehicle operators are the only logical source of funds to cover the costs.

In the next section, Mr. Chairman, certain comparisons are made between the House and Senate versions of title I. That is a matter that the Secretary of the Treasury covered yesterday, so that when put on a comparable 13-year period they come about the same way.

Then I go over to the middle of page 2.

A problem is presented by the persistence of the idea in some quarters that the funds for financing the expanded Federal highway program could and should largely be obtained by dipping into revenues from the existing Federal automotive excise taxes. First, it should be remembered that these excises were levied, along with the many others now composing the Federal excise tax structure, to meet general fund requirements of the Government.

It is a further important fact that the present level of annual Federal expenditures for highways is approximately equal to that part of current revenues from the Federal taxes on motor fuels that bears upon highway users, so that in a budgetary sense such revenues and expenditures offset each other.

This necessarily means that any additional diversions of excise tax revenues would be a drain on the Federal budget which would have to be made up in some other way or which would require deferral of possible reductions in the general tax load to avoid deficit financing.

Rather than siphoning off for highway expenditures any more of the excise tax revenues, all additional requirements for financing the highway program should properly come from new levies upon highway users as such. Then, whenever it may become appropriate to reduce Federal tax burdens generally, the other automotive excise taxes could appropriately be given balanced consideration along with other elements of the whole Federal structure of general taxes.

If Congress should decide to use the proceeds of the existing 2-cent taxes on motor fuels as the starting point for developing a highway financing plan, the basic consideration is that a fuel tax, standing alone, grossly discriminates against automobiles in favor of heavy commercial vehicles.

A tax on motor fuel has a proper place in a structure of highway user charges, but it cannot by itself produce equitable results as between light and heavy vehicles, for while a heavy vehicle consumes more fuel per mile than a light vehicle it consumes far less fuel in relation to its weight and special highway demands.

For this reason every State has found it necessary to supplement its fuel tax with special graduated charges upon the heavy vehicles.

How very inadequate a fuel tax is in this respect is demonstrated by comparing its effect upon an ordinary automobile and a typical heavy combination vehicle. For each gallon of gasoline it consumes, an automobile with a gross loaded weight of approximately 2 tons and obtaining 15 miles to the gallon, realizes about 30 ton-miles of highway use. In contrast, an over-the-road, 4-axle tractor semitractor combination, with a gross weight of 30 tons and obtaining about 5 miles to the gallon, gets approximately 150 ton-miles of highway use from a gallon of gasoline.

The heavy vehicle on the basis of weight and mileage thus gets approximately five times as much highway use as does the automobile

or other light vehicle for each cent of fuel tax it pays. Stated otherwise, per mile of highway use the 30-ton vehicle should pay 15 times as much as the 2-ton automobile, but in fuel tax it would pay only about 3 times as much.

The deficiency of the fuel tax is even more strikingly apparent when extended to reflect the much greater mileage accumulated in a year by the heavy vehicle. The 2-ton automobile operates an average of about 10,000 miles a year, resulting in annual highway use of about 20,000 ton-miles. Contrast this with a 30-ton freight vehicle which operates about 50,000 miles a year, resulting in a total of about 1,500,000 ton-miles annually. Many over-the-road freight vehicles are operated much more than 50,000 miles a year.

For these essentially different vehicles, therefore, the comparative annual highway use is as follows:

	Relative use
Automobile, 20,000 ton-miles	1
Heavy freight vehicle, 1,500,000 ton-miles	75

Since the heavy vehicle obtains about 75 times as much annual highway use as the automobile, properly graduated highway user charges should require the heavy vehicle to pay in a year's time at least 75 times as much as the ordinary light vehicle. By means of a fuel tax, however, the heavy vehicle's annual payment would amount to only 15 times as much as that paid by the automobile, or one-fifth of its proportionate share.

These comparisons also reveal the fallacy in applying additional across-the-board charges to all vehicles. Such charges cannot offset the inherent deficiency of the fuel tax, but would only compound that deficiency in another way. Rather than multiplying inequities with additional levies across the board, like the other Federal automotive excise taxes for example, the need is to balance the fuel-tax deficiency with special, graduated user charges applied to the large and heavy vehicles only.

Then in this section, Deficiencies of Title II, when measured by the tests of adequacy and equity noted above, the financing provisions of title II of H. R. 10660 have the following major defects:

1. There would be large Federal budget losses because revenues from existing general fund taxes would be siphoned into the highway trust fund in amounts exceeding the current level of Federal expenditures for highways, which, as stated above, now approximately equals revenues from existing taxes on highway use of motor fuels.

In addition to all revenues from the existing fuel taxes, including those from nonhighway use, H. R. 10660 would also divert to the highway trust fund over the 1957–72 period general fund revenues from existing taxes on tires, $3,435 million; on tubes, $153 million, and part of the revenues from the existing manufacturers' excise on trucks, buses, and trailers, $1,356 million, or a total of $4,944 million. (See H. Rept. No. 2022, table 1, p. 46.)

2. Federal highway expenditures over the 1957–72 period, as estimated in the House report (p. 51), do not include any amounts for Federal domain roads, although H. R. 10660 as passed by the House proposes such authorizations which if carried forward would amount to at least $1,520 million over the 16-year period of the highway trust fund financing.

3. The expenditure estimates in the House report make no allowance for authorizations of Federal highway aid beyond the fiscal year ending June 30, 1969, although revenue estimates for the highway trust fund extend 3 more years to June 30, 1972. Unless it could be assumed that no further authorizations would be made after 1969, expenditures will substantially exceed the estimate given in the House report for the period to June 30, 1972. Hence, any authorizations after 1969 would have to be supported by taxes additional to those provided in title II in order to avoid deficits in the highway trust fund.

4. For the reasons stated above, rather than a surplus of $591 million as indicated in the House report (p. 52), the proposed highway program would involve deficit financing to the extent of at least $5,873 million, even without allowing for expenditures from any authorizations for the fiscal years 1970, 1971, and 1972.

5. Title II not only fails to provide for adequate total revenues; it also fails to establish an equitable structure of user charges. Specifically, the charges imposed upon heavy vehicles are grossly inadequate on the basis of their relative highway use and cost responsibilities, while ordinary motorists are burdened with an excessive share.

The operator of a heavy 4-axle tractor-semitrailer combination would pay in a year's time only about 21 times as much as a passenger-car owner, whereas, as previously indicated, the heavy-vehicle operator should pay at least 75 times as much on the basis of weight and mileage factors of relative use.

6. Title II would impose upon vehicles of 26,000 pounds or more a fee of $1.50 per year for each 1,000 pounds of taxable gross weight. While this would be a step in the right direction of charging heavy vehicles more adequately for their use of the public highways, the charge is far too low, and, moreover, this charge by weight does not recognize differences in miles traveled.

7. Another objectionable feature of title II is the proposal to levy an additional tax of 3 cents a pound on all tires for highway vehicles and on retread material. Such an across-the-board levy applicable to all motor vehicles would only compound and not offset the inherent deficiencies of the across-the-board fuel tax. What is required is a special tax limited to heavy-vehicle tires only, so that the heavy vehicles will be required to pay more nearly their proper share of highway costs.

Now, we suggest a financing plan for your consideration.

Major changes are required in the provisions of title II in order to provide adequate revenues and establish an equitable structure of user charges. In accord with these requirements a user charge structure composed of the following elements is suggested:

1. A gasoline tax of 3 cents a gallon, including the existing 2 cents and 1 additional cent. If any part of this tax applies to nonhighway use of gasoline, such proceeds should not be counted as available for highway financing. There is no need or justification for any other kind of across-the-board tax.

2. Since diesel-powered highway vehicles obtain at least 50 percent more miles per gallon than gasoline-powered vehicles of the same class, mile-for-mile equality of charging for highway use requires that the rate of tax on highway diesel fuel be at least 50 percent

higher than on gasoline. Thus, if the gasoline tax rate is 3 cents a gallon, the rate on diesel fuel for highway use should be at least 4.5 cents, to put these two use taxes at parity, as a measure of highway use.

3. An equitable highway user charge structure must include graduated supplemental charges on the large and heavy commercial vehicles to balance the deficiency of the motor fuel tax standing alone and to place upon such vehicles charges commensurate with their highway use and reflecting the cost of their extraordinary road requirements. These supplemental charges might properly consist of a weight fee and a tax on heavy-vehicle tires and retreads. If it is desired to raise approximately equal amounts from these two revenue sources, the respective charges could be:

(*a*) A weight fee at the rate of $7 per year for each 1,000 pounds of "taxable gross weight," instead of $1.50 as now provided in title II.

(*b*) A tax on heavy-vehicle tires only, of size 9.00-20 and larger, at the rate of 50 cents a pound and an equivalent tax on camelback material for retreading such tires. Such a tax would have the necessary characteristics of a supplemental user charge reflecting the size, weight and mileage of heavy commercial vehicles and, as applied at the manufacturers' level, would have the advantages of administrative feasibility and ease of collection.

Now, just a brief word about the revenue yield of the tax structure that we propose.

The suggested user charge structure (together with the 2 percent increase in the manufacturers' excise tax on trucks, buses and trailers as proposed in title II) would yield estimated revenues of $1,748 million in the fiscal year 1957 as follows:

	Millions
Gasoline tax (3 cents a gallon)	$1,221
Diesel fuel tax (4.5 cents a gallon)	45
Weight fee ($7 per 1,000 pounds)	210
Large tire tax (50 cents a pound)	225
Manufacturers' excise (2 percent of factory price)	47
Total	1,748

And the detail is there shown, among other things, that the tax would require the money, but the supplemental changes are designed to have the heavy vehicles pay their due share of the total highway costs.

Over the 16-year period of the highway trust fund proposed in title II, and allowing for a 25 percent growth factor in the average annual yield, the estimated revenues would amount to approximately $35 billion.

These estimated revenues are approximately $2.5 billion less than Federal highway-aid expenditures as estimated for the 16-year period in the House report on H. R. 10660, and with expenditures contemplated on the Federal domain roads included the deficiency is about $4.0 billion.

Since estimates of this nature—and the Secretary referred to this yesterday—projected 16 years ahead are subject to unforeseeable conditions, it is evident that your committee and the Congress would have need to review the matter from time to time. But regardless of the uncertainties in estimating future revenues, the most important

consideration at this time is that the component parts of the user taxes levied should be equitably related at the start. We believe that the suggested levies described above meet that requirement and would not discriminate against either the light or the heavy highway vehicles.

That completes my statement, Mr. Chairman.

The CHAIRMAN. Thank you very much, Mr. Behling.

Mr. BEHLING. Not for the record, Mr. Chairman, but for the members of the committee, we should like to offer two additional materials for their examination, the first of which refers to this matter of the fuel tax deficiency that I mentioned in the paper, and gives statements from disinterested highway authorities on that, and also the need for the differentially higher rate on diesel fuel.

The second material is a roundup of editorial comment on the financing of highways, with particular reference to the desirability of having the heavy vehicles that have extraordinary road requirements pay their due share of the total costs.

The CHAIRMAN. Thank you, sir. We will give consideration to those matters.

Mr. William A. Bresnahan, of the American Trucking Association, Inc.

STATEMENT OF WILLIAM A. BRESNAHAN, ASSISTANT GENERAL MANAGER, ACCOMPANIED BY E. V. KILEY, DIRECTOR OF RESEARCH, AMERICAN TRUCKING ASSOCIATION, INC., WASHINGTON, D. C.

Mr. BRESNAHAN. Gentlemen, my name is William A. Bresnahan, I am assistant general manager of the American Trucking Association, Inc., with headquarters at 1424 16th Street NW., Washington, D. C. The gentlemen with me is E. V. Kiley, our director of research.

Our organization is a federation made up of affiliated State associations in every State and the District of Columbia, plus 11 national conferences. The federation is representative of all types and classes of truckowners, large and small, local and long-distance, and private and for-hire.

We appreciate this opportunity to appear before you to explain the position of America's truckowners and to offer for your consideration the facts which we believe sustain that position.

In considering new taxes, we believe it is reasonable to first consider briefly the existing taxes.

At both the State and Federal levels, the owners of motor vehicles are subject to all of the general taxes levied against everyone for the general support of government. In addition, at the State level, motor vehicle owners have been assigned special responsibility in the form of special motor vehicle taxes for paying the bulk of the cost of roads and streets.

At the Federal level, motor vehicle owners also have been assessed special motor vehicle taxes which, over the years, have exceeded Federal highway expenditures by $15 billion. To that extent, motor vehicle owners have been making a special payment toward general support of government which the other forms of transportation, including the form represented by the last witness, have not been called upon to make.

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Whether there has been or should be a direct connection between Federal highway expenditures and these special taxes levied against highway users is a matter of viewpoint, and both views can find support in logic as well as in different chapters of the legislative history of both the taxes and the expenditures.

These special Federal highway user taxes are in the form of levies on new vehicles, fuel, tires, parts and accessories which, generally speaking, have not been applied against other forms of transportation.

Disregarding the fact that in the past these levies have exceeded highway expenditures by $15 billion, we call attention to the fact that under the existing tax laws they currently are yielding revenue at a rate which over the life of the proposed program would be more than enough to pay for the proposed highway program without any increases in taxes.

The highway program will cost $38 billion. Existing special motor vehicle taxes, without any increases, will yield $41,116,000,000, and this is recognized as a very conservative estimate.

We believe that these facts should be kept in mind in approaching the proposition of increases in special motor vehicle taxes.

In approaching this problem, the trucking industry has attempted to be reasonable and realistic.

Although the highways are needed for national defense and many other purposes, and although the current taxes on motor vehicles would be adequate if applied entirely to the highway program, we announced at the very beginning that if Congress found it necessary to increase motor vehicle taxes, truckowners were prepared to have the rates increased if they applied to all alike. We asked only that trucks not be singled out for discriminatory treatment.

The Boggs bill, as originally introduced in the House this year, was consistent with this viewpoint. Following the traditional pattern of Federal motor vehicle taxes, it applied blanket increases in the taxes on fuel and rubber, and increased the excise on new trucks, buses, and trailers from 8 percent to 10 percent to coincide with the rate on new passenger cars. It would have generated new revenue of about $12½ billion—the amount involved in last year's defeated Fallon bill.

Although the original Boggs bill substantially increased the tax burden of truckowners, our industry gave support to the measure because it did not single trucks out for discriminatory treatment.

We believe that those who were opposed to the Boggs bill because it applied the same rate of tax on all types of vehicles failed to appreciate the extent to which the resulting tax payments automatically apply very substantial dollars-and-cents differentials against the large vehicles.

The excise tax on new vehicles demonstrates the degree to which large differentials automatically are paid by trucks even though the rate is the same, since the cost of the large commercial unit is so much greater than the average small passenger car.

Based upon the f. o. b. factory prices used in a 1953 study by the Bureau of Public Roads, the 10 percent excise tax would amount to about $158 for the light car.

The same 10 percent tax on trucks would mean a tax payment of $1,050 for a 3-axle truck combination; $1,321 for a 4-axle truck combination; $2,400 for a 5-axle truck combination; and $2,600 for a 6-axle truck combination.

Similar dollars-and-cents differentials automatically result with respect to fuel and rubber taxes even when the rate of tax is the same.

The typical large truck obtains only about 4 miles to the gallon as compared with about 16 miles or better for the typical light car. This means that the fuel tax automatically results in a tax per mile operated that is 4 or 5 times higher for large trucks than for small vehicles.

The rubber tax is based upon weight and automatically results in a much higher tax payment by the large truck combinations because the truck tire is considerably larger and heavier, and since a car can be operated with 4 tires, and from 10 to 22 tires are required to operate the truck combinations, depending upon the number of axles.

Under the original Boggs bill, the annual taxes of the typical light passenger car would be increased by $6.42.

Increases on typical trucks would have been:

2-axle truck	$64.69
3-axle trailer truck	139.51
4-axle trailer truck	261.55
5-axle trailer truck	325.56
6-axle trailer truck	385.50

These increases, of course, are on top of the existing Federal taxes and the State highway user taxes.

Everyone agrees that the tax payments of large vehicles should be greater than the payments of small vehicles, and they obviously are much greater. The difficulty is in determining how much greater the payment should be.

This is a highly complex and controversial issue. This was emphasized by the testimony at the House hearings by the Bureau of Public Roads, and following the hearings the Ways and Means Committee further emphasized it by adding an amendment to the original Boggs bill which instructs the Bureau of Public Roads to make a thorough study of the question and report back to Congress.

In the meantime, there are several factors which clearly indicate that the original Boggs bill resulted in a reasonable division of the tax burden as between large and small vehicles.

When the aggregate payments under the original Boggs bill are reduced to payments per mile operated, the payments of the average trailer-truck are better than 4 times the per-mile payments of the average passenger car—a ratio of 4 to 1.

Modern toll roads provide a practical basis for appraising the fairness of this 4 to 1 ratio. The toll charges on the turnpikes vary according to the type and size of vehicle and there is some variation, of course, in the relative ratios. However, the tolls fixed by the practical people who build and operate the turnpikes result in a payment by the large trucks that is just about 4 to 1.

Last year some supporters of proposals to depart from the traditional Federal across-the-board tax structure and apply different and higher rates on trucks relied heavily upon estimates that construction of the new highways would result in savings of 4 cents a mile for large trucks.

It certainly is to be expected and hoped that some savings will result from an improved system. Estimates of what these savings might be, however, are pure speculation. More than that, they are

pure fantasy to the considerable extent that they reflect estimated wage savings resulting from time savings. Over-the-road labor contracts are on a trip basis, so that labor cost remains the same regardless of any savings in actual running time of the vehicle.

Even if it is assumed that savings can be accurately forecast, and that 4 cents a mile for trucks is an accurate figure, and that savings are a proper yardstick for assessing taxes, it should not be overlooked that the reference to a saving of 4 cents a mile for large trucks also contained an estimated saving of 1 cent a mile for passenger cars.

So here again we have a ratio of 4 to 1, this time in estimated savings. Therefore, to the extent that estimated savings are to be considered a factor in determining tax levels, the estimated savings of 4 to 1 are scarcely a valid argument against across-the-board taxes and, if anything, lend support to the tax ratio of 4 to 1 which results when the tax rates are across the board.

The most significant test of the 4-to-1 ratio that would have resulted from the original Boggs bill is a comparison with the highway taxes levied by the States. Those who objected to the fact that the original measure increased the tax rates across the board relied most heavily on the argument that in the State tax structures, the license plate fees graduated upward with the weight of the vehicle.

They do, of course. However, those who made this argument overlooked the fact that identical rates in the Federal tax structure automatically result in payments that increase with the size and weight of vehicles, and here again the 4-to-1 ratio comes into play.

On the basis of the national average, State highway user taxes result in a taxpayment by typical large truck combinations of aproximately four times as much per mile operated as the average passenger car.

Therefore the State tax structures do not quarrel with, but instead support the taxpayments that would result under the Boggs bill as originally introduced.

These facts, indicative of the reasonableness of the original Boggs bill, when coupled with the admission in the House bill that the question of equity in Federal highway user taxes must be further studied, render the additional truck taxes tacked on to the Boggs bill arbitrary and unjustified. They cannot be supported either from the standpoint of sound economics or engineering.

We have provided each of you with a chart which compares a light passenger car with a 5-axle tractor-truck, showing the effect of the original Boggs bill and the 2 last-minute changes made in the executive sessions of the Ways and Means Committee.

(The chart referred to is as follows:)

Comparison of annual tax increases which will be paid by a passenger car and a 5-axle truck

Original Boggs bill:	
Passenger car	$6.42
5-axle truck	325.56
1st committee addition (additional 3-percent excise on new trucks beginning Apr. 1, 1957):	
Passenger car	6.42
5-axle truck ($325.56 plus $143.92)	469.48
2d committee addition (truck fee of $1.50 per thousand pounds):	
5-axle truck	325.56
Passenger car	6.42

Mr. BRESNAHAN. The first comparison shows that under the original Boggs bill, the annual increase for the light passenger car was $6.42, as compared with an annual increase of $325.56 for the trailer truck.

The second comparison deals with the increase in truck taxes resulting from the first committee addition, and this requires a brief explanation.

Three percent of the existing excise taxes on new cars and trucks is scheduled under the law to be removed next year. Under the House bill trucks and buses would continue to pay this 3 percent over the 16-year life of the taxing program. In the case of trucks and buses, then, this will be a new tax and it was treated as such by the House committee.

As you can see, this results in increased annual taxes on the trailer truck of $469.48 as compared with the same $6.42 for the light passenger car.

Our industry has made no strong objection to extension of this 3 percent of the excise tax which otherwise would be removed. We do not believe it was justified, but it is something that the truck operators have been paying already and they are willing to regard it as the pound of flesh which the truck operator frequently is expected to give.

It is our understanding that this change was proposed by committee members who believed the original Boggs bill was fair, but in an effort to satisfy those who wanted to place something extra on trucks in the form of a Federal fee. The proposal was adopted by the committee, but the action did not prevent subsequent adoption of a Federal fee of $1.50 per 1,000 pounds of gross weight on vehicles weighing more than 26,000 pounds.

The added effect of this Federal fee is apparent in the final comparison on the chart.

We are not certain how the proponents of this fee happened to draw the line at 26,000 pounds. Nor do we know why, having drawn this arbitrary line, a vehicle weighing more than 26,000 pounds would be required to pay the fee on that portion of the weight below 26,000 pounds as well as on the portion above that level. As it is, a vehicle weighing 26,000 pounds or less would pay no fee, while a vehicle weighing 26,001 pounds would pay a fee of $40.50.

Senator KERR. May I interrupt the witness at this point?

What would be your feeling if that were amended so that the additional fee of $1.50 per 1,000 pounds applied only to the weight of the vehicles in excess of 26,000?

Mr. BRESNAHAN. Although we don't think it is justified, certainly that would be much fairer than it is.

Senator KERR. I personally can see no possible justification for the imposition of the full load on the 26,500-pound fellow and no load on the 25,900-pound fellow. It seems to me that if there should be a tax on vehicles above that rate, there should be a tax on those below it, and the exemption of 26,000 pounds, if it is justified, should not only be available to the fellow with 26,000 pounds or less, but to the fellow that has more than that.

Mr. BRESNAHAN. We couldn't agree with you more, Senator.

For the typical 5-axle trailer-truck shown in the chart this fee would mean an additional $96 a year, bringing its total increase to $565.48, as compared with an increase of $6.42 for the typical light car.

The average truckowner views the tacking on of this fee as the last straw. He was prepared to take a deep breath and swallow the other taxes, but he considers this fee a completely unjustified prejudgment of the study called for in the House bill and a tax burden that goes beyond reason.

In behalf of truckowners of all types throughout the country, we urge that this fee be removed.

Even without the fee, the increase for the typical 5-axle trailer-truck will be $469.48, and this will be on top of an existing annual Federal tax of $688.78.

This means that even without the fee, the special Federal motor vehicle taxes, not paid by other forms of transportation, will make a total annual payment of $1,158.

And I would like to interject there that only part of that will go for the highways, and that the motor vehicle owner, including the truckowners, will not only be paying the entire cost of this new highway program but will continue to put $17 billion into the general fund over the life of this program, and other forms of transportation are not required to pay such taxes.

In addition to these special Federal taxes, the same unit will pay State highway user taxes averaging about $2,100.

Thus, the combined Federal-State highway user taxes paid by such a vehicle each year will amount to $3,258 without the objectionable Federal fee. We know the public is not aware of the magnitude of these truck taxes and we do not believe the proponents of the fee in the House committee fully appreciated their scope.

Our industry urges the Senate to take notice of the size of this tax burden and to refuse to impose the additional burden of the proposed fee of $1.50 per thousand pounds of gross weight.

Mr. Chairman, that concludes my statement, but in compliance with the telegram, we do have a supplemental statement that we would like to file for the record, and I would like to mention it very briefly.

The CHAIRMAN. Please make it very brief. We are running away behind.

Mr. BRESNAHAN. Yes, sir.

It will show that the tax proposals made by the previous witness are based upon a theory of tax comparison that has been condemned by the Bureau of Public Roads and other experts for a long time; and, secondly, that the diesel—the difference in the mileage obtained by a diesel unit, which was the basis for the suggestion for a differential in the tax rate, is offset at this Federal level by the fact that all of the other taxes in their effect on gasoline and diesel units work against the diesel unit, and offset any advantage it has under the fuel tax.

The CHAIRMAN. The supplemental statement will be inserted in the record.

Thank you very much.

(The supplemental statement supplied by Mr. Bresnahan is as follows:)

SUPPLEMENTAL STATEMENT OF WILLIAM A. BRESNAHAN, ASSISTANT GENERAL MANAGER, AMERICAN TRUCKING ASSOCIATIONS, INC., ON THE DIESEL FUEL TAX

Last year it was proposed in the House that the per gallon tax on diesel fuel used to propel highway vehicles be fixed at a higher rate than the tax on gasoline, as an offset against the somewhat greater mileage obtained per gallon of fuel

by a diesel vehicle as against a comparable gasoline-powered unit. This idea was promoted primarily by the railroads which, incidentally, have never been required to pay any tax on the large volume of diesel fuel used to power locomotives.

In any event, when the House learned the true facts about the question of diesel fuel this year, the idea of a higher rate of tax against such fuel was discarded and the bill passed by the House taxes gasoline and highway diesel fuel at the same rate. The trucking industry believes that this is the way it should be, and is vigorously opposed to any proposal to tax diesel fuel at a higher rate.

Unquestionably an average diesel vehicle will obtain more miles per gallon than an average similar gasoline vehicle. The range of difference has been observed by several studies of actual operations and a fair median, stated in percentage, indicates about 35 to 40 percent more miles per gallon for diesel vehicles as compared with a corresponding gasoline unit.

This fact, considered in the abstract, is the basis for suggestions that the difference in miles per gallon should be offset by adjustment of the tax rate on diesel fuel.

We submit that there are other offsetting factors, overlooked completely by advocates of a diesel differential, which argue strongly against a differential, particularly within the framework of the Federal motor vehicle tax structure.

These offsetting factors are well known to those who are close to the picture. That is why there are no complaints of inequity from the users or manufacturers of gasoline trucks who would be the logical complainants if inequity existed.

The fuel tax is one of the four major Federal taxes applicable specifically to motor vehicles. With respect to fuel taxes, across-the-board rates admittedly work in favor of the diesel. But how about the other three taxes?

Take the excise tax of 10 percent that would apply to all vehicles. Data taken from the previously mentioned study by the Bureau of Public Roads show that a diesel-powered truck combination may cost $17,258 as compared with $13,212 for a comparable gasoline-powered unit. This means a tax of $1,726 against the diesel unit as compared with a tax of $1,321 against the gasoline unit—or 31 percent higher for the diesel unit.

Take the tire tax. Reports from motor carriers using both gasoline and diesel units and keeping accurate records of their operations show that gasoline units obtain from 10 to 20 percent more mileage from their tires than the diesel units. These differences are based on comparable units operating under similar conditions and with the same pay loads, and are caused by the different effect of the motive power of the diesel as applied through the drive axles of the vehicles.

Take the tax on motor vehicle parts of 8 percent. Parts for a diesel unit are such more expensive than parts for a comparable gasoline unit. In fact, the cost of a major overhaul of a diesel unit will approximate the cost of a brand new comparable gasoline unit.

If fuel tax rates were to be adjusted to offset advantages to the diesel unit would not the same logic dictate that the other tax rates be adjusted to offset the disadvantages against the diesel unit?

We also call your attention to the fact that the Federal highway tax applies not only to gasoline and diesel fuel, but also to other special fuels like liquid petroleum gas, which is being used in growing quantities, particularly by trucks in Texas and Louisiana, the leading States in production of such fuels.

According to Mr. R. D. Phillips, president of the General Gas Corp., Baton Rouge, La., which is one of the largest producers and distributors of liquified petroleum gas in the country, and which operates about 250 trucks using LPG, gasoline yields from 33 to 43 percent more miles per gallon in comparable trucks than does LPG. But proponents of a higher tax on diesel fuel have not suggested a lower tax on special fuels.

In State highway tax structures, the regisration fees or other taxes which supplement the fuel tax applied equally to comparable diesel and gasoline vehicles. On the other hand, the Federal taxes which supplement the fuel tax work significantly against the diesel unit. Clearly, then, there is no justification for applying a fuel tax differential in the Federal tax structure.

Even in the States, where any disadvantage accruing to the diesel unit in fuel taxes is not offset by the disadvantages of other taxes, only seven scattered States have put differentials into effect. This is because of practical economics and tax considerations which also argue against a differential.

The empty weight of a diesel unit is greater than the empty weight of a comparable gasoline unit, which means a lower payload for the diesel. This fact,

plus the much greater cost of the diesel unit, means that the diesel is practical only under certain special conditions and even then the operation is marginal. It is no exaggeration to say that a difference in the tax rate could actually place the diesel at a damaging disadvantage in relation to the gasoline unit.

If this were not true, there would be many more diesel units in operation today than is the case, particularly since there was no Federal tax at all on diesel fuel until just 4 years ago.

Today less than one-tenth of 1 percent of all motor vehicles in this country are powered by diesel and special fuels. Diesels constitute only seven-tenths of 1 percent of all of the Nation's 9,412,000 trucks of all kinds.

Diesels are less than 2 percent of the 3½ million trucks that have been attacked by the American Automobile Association. They are only 1 out of 10 of the trailer truck combinations—the biggest trucks in operation.

Obviously there has been no mad rush to capitalize on so-called advantages of the diesel. In fact, there are clear-cut signs that the diesel is losing ground. This is obvious from the records of factory sales over the last 5 years, which show the diesel to be a declining portion of the new truck tractor units sold.

That the diesel is struggling for its existence also was emphasized in the December 1955 issue of the official journal of the Society of Automotive Engineers.

"The market for diesel engines is slowly disappearing," the article stated. "Many fleet operators are finding that they can put more gasoline-powered vehicles on the road and show more net profit on their investment over 5 or 6 years than they could with diesels. As fuel refinery techniques are improved and better low-cost fuels become available, and as rising compression ratios increase the efficiency of gasoline engines, diesels will fade out of the picture unless a completely new low-cost design can be developed."

It is to be expected, of course, that the diesel manufacturers will do everything in their power to keep pace despite such gloomy forecasts, but a differential in the Federal fuel tax against the diesel would be a crippling blow.

While a differential of 1 cent a gallon against the diesel, as proposed last year, would wreak havoc among the manufacturers and users of diesel vehicles, the amount of revenue it would raise for the highway program would be relatively insignificant.

An extra penny on diesel fuel would mean less than 2 percent of the new motor vehicle revenue contemplated by H. R. 10660. It would mean only one-half of 1 percent of the total motor vehicle revenue that would be spent under the Fallon plan.

Since such a differential is not necessary in the interest of equity, and since it would be so small from the standpoint of revenue, it hardy seems wise to risk the squeezing to death of a small and struggling segment of industry.

Critics of the provisions of the original Boggs bill, and proponents of higher tax differentials against trucks, seldom base their case on a rational analysis of highway costs. They invariably resort to comparisons of taxes paid per gross ton-mile operated, which is determined by multiplying a vehicle's total weight by total miles.

Granting that both weight and miles are factors properly bearing on taxation, both the fuel tax and the rubber tax are materially affected by these factors. It is true, of course, that neither the existing Federal taxes nor the increases proposed in the original Boggs bill apply higher taxes against trucks in direct ratio to gross ton-miles. Neither do the State highway taxes and the tolls on the turnpikes, and we can assure you that both States and the turnpike authorities have heard of the ton-mile theory. It has been promoted with remarkable vigor by antitruck interests for a quarter of a century.

There are many fallacies in the ton-mile theory. The most outstanding is the fact that taxation in direct ratio to the product of total vehicle weight times total miles could be valid only if all highway costs were directly affected by gross vehicle weight.

This, of course, is not the case. It is recognized that the bulk of highway costs are not affected at all by weight. Moreover, to the extent that weight is a factor, it is the weight of individual wheels or axles that is of greatest importance and not the total weight.

For example, a relatively small two-axle truck weighing a total of 25,000 pounds and with 20,000 pounds on the rear axle has a higher stress factor on the road than a multiaxle unit with a much higher gross weight but with no axle exceeding 18,000 pounds.

The ton-mile theory has been examined in detail and, after such examination, has been rejected by outstanding students in the field of highway taxation.

Among them was the late Federal Coordinator of Transportation, Joseph B. Eastman, member of the Interstate Commerce Commission for 25 years, Director of Defense Transportation during World War II, and generally considered the country's outstanding transportation expert.

After an exhaustive 6-year study of highway taxation and proposed methods of allocating highway costs among different types of motor vehicles, Mr. Eastman completely discarded the ton-mile method as unsound.

"The principal merit in the ton-mile method, but one which does not suffice to commend it for use, is its ease of computation," he said in his four-volume report.

Among other things, he pointed out that the ton-mile theory "ignores in important respects the effects of differences in the ways in which loads are transmitted to pavements and roadway structures, and in the utilization of road facilities."

"It has, therefore, little merit," he concluded.

The United States Bureau of Public Roads also has devoted much time and study to the problem of highway taxation. It has condemned the ton-mile method in the following unmistakable and clear-cut language:

"The gross ton-mile approach has the virtue of simplicity, since average annual mileages and average operating gross weights can be approximated with reasonable accuracy from available data.

"It also has the superficial and deceptive advantages of appearing to account, in part at least, for several measures of relative benefit. * * *

"It is far from precise, however, since 10 automobiles will occupy a great deal more space than 1 truck of the same total gross weight.

"The gross ton-mile unit also tends in the direction of compensating for differential costs, but does so very inaccurately, since:

"(1) Wheel load rather than gross load is the major element to be considered in estimating relative thicknesses of surface required for vehicles of different size.

"(2) Neither required thickness nor required cost of surface varies directly with the load factor, and

"(3) Other added costs are related only vaguely, if at all, to gross weight.

"There is also some element of variation with the value of the service, but here again the relationship is very obscure.

"For example, in the case of two trucks of different sizes hauling the same commodity, the value of the cargo is proportional to the carried load, and is likely to be far from proportional to the gross load.

"When different commodities are involved, or passenger hauling is compared with that of freight, the relation of gross ton-miles to value of service becomes meaningless.

"The word 'ton-mile' has a scientific connotation, and therein, perhaps, lies much of its appeal."

In his 1950 testimony before a subcommittee of the United States Senate, Commissioner Thomas H. MacDonald, former Chief of the United States Bureau of Public Roads, exposed one of the major weaknesses in the argument of the ton-mile tax advocates when he said:

"The assertion that the product of weight of vehicles and distance traveled is a reasonable measure of the value of service is apparently accepted by the advocates of the ton-mile theory, without the presentation or analysis of any data to support the statement.

"When, however, we run the gamut from the lightest passenger car to the heaviest tractor-trailer combination, we can find no reason to say that, for these various types and sizes of vehicles, the value received from the use of the highways is proportional to their weight."

Commissioner MacDonald put his finger on the most serious deficiency of the ton-mile method when he declared: "There can be no pretense that the gross ton-mile analysis produces an accurate appraisal of the costs occasioned by vehicles of different sizes and weights."

The only indication to the House Ways and Means Committee which seemed to question in any way the validity of the 4 to 1 tax ratio was a table prepared by the United States Bureau of Public Roads showing the results of highway user tax studies in 9 States and the prevailing tax rates in 11 States. The 11 States consisted of the 9 plus Oregon and Idaho.

The transcript of the hearings before the Ways and Means Committee shows that the Bureau submitted the table as illustrating the results of the Bureau's

analysis of studies that had been made with no statement as to the validity or accuracy of the findings. However, Secretary Weeks did state before the committee that the Bureau itself had made no studies showing the percentage of highway costs that should be borne by different classes of vehicles. As a matter of fact, this is one of the matters under intensive research by the Bureau and by the Highway Research Board and represents the type of information that is to be developed and on which periodic reports are to be made to the Congress by the Bureau.

The Bureau's lack of comment on the validity of the findings in the nine States, or the absence of any statement indicating it considered the studies to be conclusive, is completely understandable. Among other things, the nine studies are based on highway tax theories, or highway construction standards, which are contrary to the Bureau's published findings or comments in the past. In the majority of the nine State studies the ton-mile method of tax allocation was used. This is a method that the Bureau repeatedly has condemned as unsound. The other State studies based their findings on construction standards for so-called basic roads which are unrealistic in the light of minimum highway construction standards necessary to do no more than provide roads strong enough to withstand the deleterious effects of the elements.

We agree with the Bureau of Public Roads that these findings are incomplete. We do not believe that they in any way proved that inequities existed in the provisions of the original Boggs bill which would have increased the Federal taxes on an across-the-board basis.

Apparently the committee had a similar reaction. On page 54 of the report accompanying H. R. 10660 it states:

"The Committee on Ways and Means spent considerable time in analyzing the relative effect of different types of vehicles on the cost of road construction and maintenance. In this connection it has examined results from highway and finance tax studies made in nine States to determine the relative portion of the burden of the increased highway cost which should be borne by various classes of vehicles. While this material was useful to the committee in arriving at the distribution of the tax burden provided in this bill, it was felt that the data available were not adequate for the basis of final conclusions."

The CHAIRMAN. The Chair wants to emphasize that the Senate is now in session; it has been in session for an hour and 15 minutes. When this meeting was called, it was not expected that the Senate would be in session. When the voting starts we will have to go, and it will take all afternoon. And we want to request that the witnesses make their statement brief.

The next witness is Stuart G. Tipton, Air Transport Association.

STATEMENT OF STUART G. TIPTON, AIR TRANSPORT ASSOCIATION OF AMERICA

The CHAIRMAN. All the witnesses understand they can make insertions in the record to any extent they desire.

Mr. TIPTON. Mr. Chairman and members of the committee, I have a very boiled-down statement of 3 pages, and I think the quickest way to do it and save the committee's time is to read it.

My name is S. G. Tipton. I am president of the Air Transport Association of America, which is composed of substantially all of the scheduled airlines of the United States. As users of large quantities of aviation gasoline and of substantial amounts of aircraft tires and tubes, the airlines appreciate the opportunity to testify before this committee on this important legislation.

We support H. R. 10660 as passed by the House of Representatives, with one exception. We urge that section 209, which provides for the creation of a highway trust fund, be amended so that revenues received by the Treasury Department from the Federal gasoline tax as

applied to aviation gasoline and from the Federal tax on aircraft tires and tubes, not be included in the trust fund.

H. R. 10660 affects the airlines in the following manner. It retains at the present 2-cent level the tax on gasoline used by them in the operation of their aircraft. The 1-cent increase does not apply to this gasoline. It retains at the present 5 cents per pound level the tax on aircraft tires. Finally, it exempts from the proposed new tax of 3 cents a pound on tread rubber, the material used in recapping or retreading aircraft tires.

A reading of the explanation of the Ways and Means Committee regarding the tax provisions of H. R. 10660, contained in House Report No. 2022, indicates that the House of Representatives intended that the new taxes proposed in the bill should apply only to highway users. Since gasoline used by airline aircraft, and tires and tubes used on such aircraft, are not consumed on the highways, the bill quite properly does not make the tax increases apply to them. Perhaps the clearest explanation is contained in the following statement by the Ways and Means Committee:

> Limitations are imposed * * * which for the most part have the effect of restricting the application of these new or increased taxes to cases involving vehicles used on, or suitable for use on, highways (H. Rep. 2022, p. 39).

Section 209 of the bill establishes a highway trust fund. That section also allocates to the trust fund the receipts from all of the new or additional highway user taxes imposed by title II of the bill. This allocation is certainly consistent with the principle approved by the House of Representatives that the users of the highways constructed under this legislation should pay for them.

However, section 209 also allocates to the highway trust fund the receipts from certain existing taxes which cannot by any stretch of the imagination be regarded as highway-user taxes. I am referring specifically to the present 2-cent tax on aviation gasoline and the present tax on aircraft tires and tubes. In the manner in which it is now drawn, section 209 (c) (1) would allocate the total amounts of the tax receipts from these sources to the highway trust fund. It is clear to us that this is not only an improper allocation, but that it is contrary to the intention expressed in the statement of the Ways and Means Committee on the trust fund provision. The Committee's statement reads, in part, as follows (p. 48):

> Title II of H. R. 10660, also allocates to the highway trust fund the equivalent of the revenue derived from *certain existing high-use taxes*. As recommended by the President, the present 2-cent tax on gasoline and other motor fuels is allocated to the highway trust fund. In addition, beginning July 1, 1957, the bill allocates for the use of the highway program an amount equal to the collections from the present 5-cent-per-pound tax on tires and from the present 9-cent-per-pound tax on inner tubes. The Committee on Ways and Means believes that it is proper to use the existing taxes on tires and inner tubes to aid in the financing of an expanded highway program, since they are just as clearly highway-user taxes as are the motor fuel taxes which Congress has traditionally recognized as such. [Italics added.]

It is clear that the Ways and Means Committee intended that the recipts from the gasoline tax and from the tax on tires and tubes, collected from highway users, should be assigned to the highway trust fund. It is equally clear that it was intended that the receipts from these taxes, as applied to gasoline consumed in aircraft, and tires and tubes used on aircraft, should not be assigned to the trust fund.

Airline aircraft fly on Federal highways but they are highways of the sky—the Federal airways system. The taxes the airlines pay to the Federal Government on aviation gasoline and aircraft tires and tubes are their payment for the use of the Federal airways system.

According to official Government statements the federally provided airways system costs approximately $75 million a year. The military agencies are the predominant users of these airways. The airlines are next in line, and all other civil avaition constitutes the remainder.

At the present 2-cent rate, the airlines will pay approximately $20,-500,000 in Federal gasoline taxes in 1956, an estimated $22,700,000 in 1957, $26 million in 1958, and $29,200,000 in 1959. Corresponding increases are produced for future years.

The airlines pay approximately $100,000 per year in Federal taxes on aircraft tires and tubes—or $1,600,000 over the 16-year period covered by the highway trust fund.

A careful study of the relative use of the airways system by the three clases of users I just mentioned, indicates that the airlines, through the Federal gasoline tax and the tax on aircraft tires and tubes, are paying their fair share of the cost of the airways system. It would be unfair and inequitable, and contrary to the underlying principle on which the Ways and Means Committee statement is based, to allocate any part of this tax payment to the highway trust fund.

To summarize, we strongly support title II of H. R. 10660, with the reservation that section 209 should be amended to exclude from the highway trust fund the receipts from the Federal gasoline tax as applied to aviation gasoline, and from the Federal tax on aircraft tires and tubes.

I should like to file with the clerk a draft of an amendment which would accomplish that result.

(The draft of the amendment is as follows:)

ATTACHMENT TO TESTIMONY OF AIR TRANSPORT ASSOCIATION ON TITLE II OF H. R. 10660

Amend section 209 (c) (1) (A) by adding immediately before the comma in line 5 on page 51, the following: "except taxes on special motor fuels sold or used for the propulsion of airplanes," and by adding immediately before the semicolon in line 6 on page 51, the following: "except the tax on gasoline sold or used as fuel for the propulsion of an airplane."

Amend section 209 (c) (1) (E) by adding immediately before the parenthesis in line 20 on page 51, the following: ", except aircraft tires and aircraft tire inner tubes."

Mr. TIPTON. That concludes my statement, Mr. Chairman.

The CHAIRMAN. Thank you very much.

Senator FREAR. May I ask just one question?

Would your association accept a proposal that all taxes, including the 2 cents as well as the additional 1, and the increased tax on tires, in lieu of any subsidy of the Federal Government to the airlines, use that part as a subsidy?

Mr. TIPTON. We would accept the return of the gasoline tax that we pay?

Senator FREAR. Yes.

Mr. TIPTON. In lieu of subsidy?

Senator FREAR. Yes.

Mr. TIPTON. At the present time in the domestic United States the subsidy for airlines goes largely and almost entirely to the local service

airlines and to the helicopters. The total for the domestic operation would be somewhat higher, but not very much higher than the present Federal gasoline tax collections. I would have to study that so as to be able to make a reply to your question.

Senator FREAR. I wish you would. We would like to have it.

Mr. TIPTON. I would be glad to do so.

The CHAIRMAN. Thank you very much, Mr. Tipton.

In lieu of appearing, the statement of Mr. George W. Anderson, executive vice president of the American Transit Association, is submitted for the record by counsels Lynn Howell and Raoule Desvernine.

(The statement of George W. Anderson, executive vice president of the American Transit Association, submitted by counsels Lynn Howell and Raoule Desvernine, is as follows:)

STATEMENT OF GEORGE W. ANDERSON, REPRESENTING THE AMERICAN TRANSIT ASSOCIATION IN RE REVENUE PROVISIONS OF H. R. 10660

Mr. Chairman and gentlemen of the committee, my name is George W. Anderson, executive vice president of the American Transit Association, 292 Madison Avenue, New York, N. Y.

On July 12, 1955, I appeared before the Committee on Public Works of the House of Representatives to present the transit industry's position with respect to the revenue provisions of the highway legislation then under consideration, and on February 20, 1956, I appeared before the Committee on Ways and Means of the House of Representatives and offered similar testimony with reference to the revenue provisions of H. R. 9075. Subsequently I was afforded an opportunity to work closely with the technical staff of the Committee on Ways and Means, with particular reference to the language which is now contained in section 208 (b) (L) of H. R. 10660, beginning on page 48, line 16 of title II of the bill.

The entire transit industry is gratified that H. R. 10660 gives recognition not to only the present financial position of the industry, but the equally important fact that transit vehicles are basically nonusers of the Federal system of interstate and defense highways covered by H. R. 10660. Such recognition is found not only in the aforementioned section of the bill, but also in the provision exempting certain transit-type buses from the $1.50 per 1,000 pounds tax on highway motor vehicles having a gross weight of more than 26,000 pounds. This exemption is found in section 4483 (c), beginning on page 40, line 19 of title II of the bill.

The American Transit Association is a voluntary trade association whose 275 operating members transported about 80 percent of the 9 billion transit riders taken last year by 85 million people.

Obviously, I am not authorized to speak for the 85 million people who ride transit vehicles in the United States each year. However these people ultimately pay any increased taxes levied upon transit.

Transit companies operate buses, trolley cars, streetcars, rapid transit cars, or various combinations thereof in cities and towns of various sizes throughout the United States, including the major cities.

The surface operations of most of these companies are confined to city streets which are generally not part of the Federal-aid highway system or the proposed National System of Interstate and Defense Highways.

About 42 of the approximately 1,600 transit companies operating in the United States are publicly owned and operated including those serving some of our major cities such as New York, Chicago, Detroit, Cleveland, Boston, San Francisco, and Seattle.

These publicly owned systems are specifically exempted from the payment of any of the present or proposed excise taxes on fuels, oils, tires, tubes, retread material, new motor vehicles, or parts and accessories for these vehicles.

Now I would like to discuss briefly the financial condition of the industry. Since 1940 despite a 24-percent increase in urban populatiton throughout the country, transit riding has declined about 13 percent and the riding per capita has decreased about 30 percent in that period of time. Last year we had about a 30-percent decrease in riding on a per capita basis compared to 1940.

Our problem stems largely from the competition of automobiles. About two-thirds of all the automobiles are owned by people living in urban areas. Since the urban streets and highways comprise about 8 percent of our total roads, we have the problem of approximately two-thirds of our vehicles being operated on a very small percentage of our highways.

This creates traffic congestion. It has meant that transit vehicles have been slowed down, our riding has suffered, and we are striving earnestly to overcome that problem.

What has happened in many of the cities is that we have had a greater number of vehicles entering the downtown area with fewer people and it is people and not vehicles that make downtown areas prosperous. Therefore, we are encouraged to find that planners, city officials, retailers, real-estate people, and many other groups are becoming increasingly aware that our problem in downtown congested areas is trying to move people and not vehicles.

I am not saying that because the automobile is our competitor that the automobile should be eliminated or barred from the downtown area. It would be ridiculous for me to make such a contention. However, we do feel that a better balance between the use of the automobile and the public vehicle in the downtown area should be restored. It is encouraging to note that the several planning groups I referred to are becoming increasingly aware of the important part that transit must play in relieving congestion in the downtown area.

Unlike some of the other forms of transportation the automobile is practically our only competitor. We do not compete with the railroads, the airlines, or the intercity buses. In fact, with very few exceptions, the transit companies do not even compete with each other. Generally speaking, a metropolitan area is served by one system.

What has been the trend of the industry's finances since 1940?

Although its revenues have increased 96 percent, operating expenses including depreciation are 115 percent above their 1940 level.

Last year the industry as a whole earned something like 1.75 percent on its investment. That is an industry average. Some companies are doing better than others, but many small transit companies have been forced out of business.

The situation has become so critical that commissions have been appointed to study the bus operations in the States of Massachusetts, New York, and Wisconsin. Tax relief to transit on a statewide basis has been granted recently in Wisconsin, Michigan, Texas, and Illinois.

I think it is interesting to note that quite recently six closely related associations of municipal officials formed a national committee on urban transportation and are studying all phases of tax problems, attention being given to transit vehicles as well as to trucks and automobiles.

Our financial problem is aggravated by the fact that it has become increasingly difficult to pass on higher costs to our riders as we must ultimately do.

I think many of the members of this committee are familiar with some fairly small transit operations where the fares have reached 15 cents and in some cases 20 cents. If costs are further increased, fares in many cases must be raised with the possibility of further loss of riders.

I mentioned a moment ago that generally it is purely coincidental when a transit operation involves use of Federal-aid highways.

In St. Louis, for example, the company that serves the general metropolitan area of St. Louis has made a study, and 2 percent of their operations involve Federal-aid highways and I think that is fairly typical.

If we are required to pay higher taxes in increasing amounts, the transit rider—who is generally a member of the low-income group—is forced to subsidize some of these other highway users.

In most instances you will find that private transit operations pay all of the local taxes that other businesses pay and in a great many instances an additional gross receipts tax.

I am very happy to state that there is a considerable movement today to relieve companies of many of those taxes, but what I am trying to point out here is that the streets over which they operate in the main are paid for locally and they contribute their share of those payments. Hence, we do not feel that we should be required to pay Federal taxes for highways which we do not use.

An investigation which we made last year, at the request of the Treasury Department, disclosed that the privately owned portion of the transit industry in 1954 consumed 403,200,000 gallons of various types of motor fuels. We estimate that the current fuel consumption of the same part of our industry to be something slightly less than the aforementioned amount. On this basis, the

total amount of refunds which the transit industry would be entitled to under the present language of the bill would be something less than $4 million annually.

We estimate that at present approximately 2,800 transit buses operated by the privately owned portion of the transit industry would be subject to the proposed tax of $1.50 per 1,000 pounds on vehicles having a gross weight of more than 26,000 pounds. The average gross weight of each of these vehicles would be about 30,000 pounds. On this basis, the provision exempting certain transit-type vehicles from this tax would result in a loss in revenues of only about $126,000 annually.

Transit companies are strictly regulated as to rates of fare, frequency of service and other phases of their operations by a State regulatory agency in each of about one-half of the States and by a municipal body in each of the remaining States. Where a State regulatory agency exercises control, the transit company is almost invariably also subject to the provisions of a municipal franchise ordinance covering its operations. Under the standard systems of classified accounts which these regulatory bodies prescribe for use by transit. statistics regarding the vehicle mileage operated, route mileage covered, details concerning fuel consumption, and many other operating data are readily available. Because of transit's status as a regulated public utility, these items are all matters of public record.

I sincerely trust that the aforementioned provisions of H. R. 10660 which were written into the bill by the House Ways and Means Committee after very careful study, will remain intact in the bill which your committee finally reports to the Senate. The relief which would result would ultimately benefit transit riders, who otherwise would be required to pay the increased taxes in the form of higher fares.

The CHAIRMAN. The Chair would like to insert in the record at this point a letter from the Bottled Gas Corporation of Virginia, Mr. E. O. N. Williams, president, who is also chairman of the National Affairs Committee, Liquefied Petroleum Gas Association, Inc.

(The letter and accompanying papers are as follows:)

BOTTLED GAS CORPORATION OF VIRGINIA,
Richmond, Va., April 30, 1956.

Hon. HARRY FLOOD BYRD,
Senate Office Building, Washington, D. C.

DEAR SENATOR BYRD: Further in connection with my letters to you of April 17 and 27 concerning House Resolution 10660, I understand that this bill was passed by the House on April 27 without eliminating the discriminatory feature, which I feel is unfair to our liquefied petroleum gas industry. Page 6420 of the Congressional Record, House, dated April 26, specifically states that this tax is applicable to motor vehicles which are "designed to carry a load." The type of vehicle which our industry is particularly interested in in connection with this act is the industrial forklift truck used in and about warehouses. As you probably know, a forklift truck carries a load from one place in a warehouse to another on its protruding forks. Gasoline is exempted from this 1-cent increase in tax when vehicles are propelled by gasoline for off-the-highway usage. It is true that usage of LP-gas in industrial tractors at the present time is limited and the revenue derived by the Government is not substantial. However, liquefied petroleum gas usage in industrial tractors is comparatively a new utilization for our young industry and this 1-cent tax differential will present a block to our industry's development in this direction. If House Resolution 10660 is enacted into law in its present form, liquefied petroleum gas will be the only industrial lift-truck source of power paying a 3-cents-per-gallon tax. Two of the other fuels—diesel and electric—pay no tax. If it is at all possible for this discrimination to be eliminated when the bill comes before your Senate Finance Committee, I should greatly appreciate your having this discrimination eliminated. For your ready information and possible assistance, I am enclosing a copy of the portion of the Congressional Record of pages 6407 and 6420, along with the present language of House Resolution 10660 (formerly House Resolution 9075) and a copy of our proposed amendment to House Resolution 10660, which will take care of the objection of our industry.

With kind regards,

Sincerely yours,

E. O. N. WILLIAMS,
Chairman, National Affairs Committee,
Liquefied Petroleum Gas Association, Inc.

[From Congressional Record, p. 6407]

1. DIESEL AND SPECIAL MOTOR FUELS

The tax on diesel fuel already applies only in the case of diesel-powered highway vehicles. Title II makes no change in this. The tax on special motor fuels at the present time applies in the case of fuel used for the propulsion of motor vehicles, motorboats, and airplanes; however, the bill provides that the new 3-cent tax is to apply only to special motor fuel used in the propulsion of motor vehicles. The tax on special motor fuel used in the propulsion of motorboats or airplanes will remain at 2 cents. The effect of these provisions is to relieve non-highway-type vehicles and other equipment from the additional 1-cent-a-gallon tax in the case of both the diesel fuel and special motor fuel taxes.

Under the bill, the tax rates applicable to diesel and special motor fuels will revert to 1½ cents a gallon on July 1, 1972, the same rate which under Public Law 458 will be effective on April 1, 1957.

[From Congressional Record, p. 6420]

2. SPECIAL MOTOR FUELS

In the case of special motor fuels, such as benzene, benzol, and liquefied petroleum gas the 2-cents-a-gallon tax under present law is imposed with respect to such fuel sold for use in the propulsion of a motorboat, airplane, or motor vehicle. The increased tax of 1 cent a gallon imposed by title II will apply only to such fuels used for the propulsion of a motor vehicle. According to the long-established interpretation of the Internal Revenue Service, a motor vehicle does not include a vehicle ordinarily used to pull or push, but not to carry, a load. Accordingly, vehicles, such as farm tractors, construction equipment, and bulldozers are not motor vehicles for purposes of the special motor fuels tax. However, if a vehicle is designed to carry a load, it is now considered to be a motor vehicle, and fuels used in its propulsion, under this interpretation will be subject to the increased tax on special motor fuels, regardless of the fact that the vehicle is not used on highways.

Both of the foregoing taxes are retailers' taxes imposed at the time of the sale to the user.

3. GASOLINE

The existing tax on gasoline is a manufacturers tax imposed at the time of the sale by the manufacturers at the rate of 2 cents per gallon. A refund is provided under the provisions of Public Law 466, approved April 2, 1956, for gasoline used on a farm for farming purposes. The farm refund is not affected by title II of this bill. The increased tax of 1 cent per gallon imposed under the provisions of title II will apply when such fuel is sold for use in highway-type vehicles. As stated above, generally a highway-type vehicle is a vehicle subject to the manufacturers excise tax on trucks, buses, and automobiles. This means that the increased tax will apply to fuels sold for use in a highway truck, regardless of the fact that the truck is not used on highways. Much of the heavy equipment used in mining, logging, and other nonhighway operations will not bear either the increased manfacturers sales tax or the 1-cent increase in the tax on gasoline. Nor will gasoline used in stationary engines, tractors, bulldozers, or equipment such as road graders, bear the increased tax."

PRESENT LANGUAGE H. R. 9075 (PRESENTLY H. R. 10660)

SEC. 2. INCREASE IN TAXES ON DIESEL FUEL AND ON SPECIAL MOTOR FUEL.

(a) DIESEL FUEL.—Subsection (a) of section 4041 (relating to tax on diesel fuel) is amended by striking out "2 cents a gallon" and inserting in lieu thereof "3 cents a gallon."

(b) SPECIAL MOTOR FUELS.—Subsection (b) of section 4041 (relating to special motor fuels) is amended by striking out "2 cents a gallon" and inserting in lieu thereof "3 cents a gallon," and by adding after paragraph (2) the following:

"In the case of a liquid sold for use or used as a fuel for the propulsion of a motorboat or airplane, the tax imposed by paragraph (1) or by paragraph (2) shall be 2 cents a gallon in lieu of 3 cents a gallon. If a liquid on which tax was imposed by paragraph (1) at the rate of 2 cents a gallon by reason of the preceding sentence is used as a fuel for the propulsion of a motor vehicle, a tax of 1 cent a gallon shall be imposed under paragraph (2)."

(c) RATE REDUCTION.—Subsection (c) of section 4041 (relating to rate reduction) is amended to read as follows:

"(c) RATE REDUCTION.—On and after July 1, 1972—

"(1) the taxes imposed by this section shall be 1½ cents a gallon; and

"(2) the second and third sentences of subsection (b) shall not apply."

(Sec. 8, p. 29:)

(b) SPECIAL CASES.—Section 6416 (b) (2) (special cases in which tax payments considered overpayments) is amended by striking out the period at the end of subparagraph (1) and inserting in lieu thereof a semicolon, and by adding at the end thereof the following:

"(J) In the case of a liquid in respect of which tax was paid under section 4041 (b) (1) at the rate of 3 cents a gallon, used or resold for use as a fuel for the propulsion of a motorboat or airplane; except that the amount of such overpayment shall not exceed an amount computed at the rate of 1 cent a gallon;

PROPOSED AMENDMENTS TO H. R. 9075 (PRESENTLY H. R. 10660)

SEC. 2. INCREASE IN TAXES ON DIESEL FUEL AND ON SPECIAL MOTOR FUELS.

(a) DIESEL FUEL.—Subsection (a) of section 4041 (relating to tax on diesel fuel) is amended by striking out "2 cents a gallon" and inserting in lieu thereof "3 cents a gallon".

(b) SPECIAL MOTOR FUELS.—Subsection (b) of section 4041 (relating to special motor fuels) is amended by striking out "2 cents a gallon" and inserting in lieu thereof "3 cents a gallon," and by adding after paragraph (2) the following: "In the case of a liquid taxable under subsection (b) which is sold for use or used otherwise than as a fuel in a highway vehicle, the tax imposed by paragraph (1) or by paragraph (2) shall be 2 cents a gallon in lieu of 3 cents a gallon. If a liquid on which tax was imposed by paragraph (1) at the rate of 2 cents a gallon by reason of the preceding sentence is used as a fuel for the propulsion of a highway vehicle, a tax of 1 cent a gallon shall be imposed under paragraph (2)."

(c) RATE REDUCTION.—Subsection (c) of section 4041 (relating to rate reduction) is amended to read as follows:

"(c) RATE REDUCTION.—On and after July 1, 1972—

"(1) the taxes imposed by this section shall be 1½ cents a gallon; and

"(2) the second and third sentences of subsection (b) shall not apply."

(Sec. 8, p. 29:)

(b) SPECIAL CASES.—Section 6416 (b) (2) (special cases in which taxpayments considered overpayments) is amended by striking out the period at the end of subparagraph (1) and inserting in lieu thereof a semicolon, and by adding at the end thereof the following:

"(J) in the case of a liquid taxable under section 4041 (b) (1) and in respect of which tax was paid at the rate of 3 cents a gallon, used or resold for use otherwise than as a fuel in a highway vehicle; except that the amount of such overpayment shall not exceed an amount computed at the rate of 1 cent a gallon;

The CHAIRMAN. Frank H. Floyd, Local Cartage National Conference.

STATEMENT OF FRANK H. FLOYD, GENERAL MANAGER, LOCAL CARTAGE NATIONAL CONFERENCE, INC., WASHINGTON, D. C.

Mr. FLOYD. Knowing full well your request for briefness, I will try to be brief, but in view of the fact that my prepared statement has some very good examples, I will read it as rapidly as I can.

The CHAIRMAN. I hope you will condense it.

77618—56——11

Senator BENNETT. I hope Mr. Floyd realizes that 11 members of the committee are not here to hear him read his statement, and there are 5 men ahead of him yet. I would hope that the chairman would ask all of the witnesses if they would not agree to file their statements and make brief oral statements not over a minute or two, because if we recess this hearing—we are already tied up for the next week, if we recessed it it would be doubtful as to when we can get these people back. And Mr. Floyd's statement—and I have had a lot of experience with such things—will require at least 10 minutes to read.

Mr. FLOYD. Approximately, sir.

The CHAIRMAN. I think that is an excellent suggestion. The Chair hesitates very much to ask it. I have always believed in the fullest hearings. But this is not our fault. We didn't expect to have a meeting of the Senate.

You could make a very brief oral statement and file your statement.

Mr. FLOYD. Since there are a few additional remarks, might I summarize, and then file a supplementary statement.

The CHAIRMAN. If you will file it within the next 2 days it will be given full consideration by the committee when the bill is voted on in executive session scheduled for Monday morning at 10 a. m.

Mr. FLOYD. That I would try to do.

(The complete prepared statement of Frank H. Floyd is as follows:)

STATEMENT OF F. H. FLOYD, GENERAL MANAGER, LOCAL CARTAGE NATIONAL CONFERENCE, INC., ON H. R. 10660

My name is F. H. Floyd. I am the general manager of the Local Cartage National Conference, Inc., affiliated with the American Trucking Associations, Inc., and with offices located at 1424 16th Street NW., in Washington, D. C.

This conference specializes in the representation, nationally, of common and contract motor carriers engaging in two distinct, but closely related types of transportation. These two types are commonly referred to as:

1. Local cartage or local trucking; and
2. Heavy haulers or heavy and specialized carriers.

Local trucking consists of numerous kinds of truck operations in and about our cities, such as rail and truck line pickup and delivery service, package deliveries, express and baggage handling, and many other types of common or contract motor carrier operations. It is important to emphasize that so far as my remarks are directed to local cartage or local trucking operations, they shall concern only vehicles that operate wholly within our cities and their commercial zones as such zones have been established by the Interstate Commerce Commission pursuant to the act of Congress known as the Transportation Act and by which the Congress conditionally exempted such carriers and vehicles from statutory regulation except for safety of operation.

Those carriers or operations which I shall refer to as heavy haulers or heavy and specialized carriers also engage, to a very large extent, in operations within such commerical zones. However, they also engage in extensive hauling operations beyond such so-called exempt commercial areas in irregular route or irregular movements of special articles or commodities which I shall hereafter describe. Hence the necessity to discuss these two types of carriers separately.

Our conference represents numerous carriers of both types located in almost every city of the Nation. This membership is largely composed of operators who are relatively small as to number of pieces of equipment used and area of operation. We have affiliated associations in such cities as New York, St. Louis, Detroit, Kansas City, and many other cities and towns of lesser population.

For our membership, who are much concerned about this proposed legislation, I wish to express appreciation for your courteous allocation of time to us for presentation of our views concerning H. R. 10660. I shall be as brief as possible in presenting those views because I am fully aware of the terrific workload of the honorable members of this committee.

I am particularly anxious to emphasize this one point. We are keenly aware of the need for constant improvement and extension of our streets and highways

to meet the demands of this great Nation and its millions of people each of whom has an opportunity to own an automobile, as well as to be its President; and our duty to provide for their welfare in case of national emergencies.

For this reason we raised no objection to the provisions of the bill commonly referred to as the Boggs bill in its original form, and prior to the addition of the so-called one-fifty provision because the tax increases proposed seemed to be fair, equitable, and across the board—and even though such tax increases were to be largely used for the building of highways which local trucks are prohibited from using.

It is at once apparent that we are here petitioning you to consider only one thing—the terrible inequity of the $1.50 tax provision in the bill you are now considering. We believe this $1.50 tax is extremely discriminatory because it singles out the trucking industry as the sole provider, and is wholly unjustified when due consideration is given to the amount of taxes collected from the industry under the various Federal levies as indicated in the detailed studies of the American Trucking Associations.

We therefore urge upon the honorable members of this committee the need for their most profound consideration of the inequitable and discriminatory features of this $1.50 provision and the need and ample justification for completely striking it from the bill now under consideration.

Should your committee find and believe, however, that some reason justifies consideration of the retention of this $1.50 tax provision in this bill, then we most respectfully petition you to consider the special plight of the local truckmen who, bereft of regulation that insures to some extent a fair floor on rates, many times find themselves in far worse straits than the local transit systems which have received such outstanding consideration in the bill as adopted by the House.

Spot checks indicate that such discriminatory provision would double the present license cost for local trucks in the cities of St. Louis and Detroit that engage in the general trucking business within those localities. As such cost of operation has increased each year—local carriers have been forced to curtail their services through elimination of the less profitable business—for example—a householder may now find it necessary to search long and diligently to find a trucker who will do some small hauling job because the cost per hour has become so great that the cost of such service is almost prohibitive. Thus, the imposition of this further tax on local trucking would again be the cause for driving an additional number of such trucking companies out of the business through insolvency because of inability to pass along to the householder and other small shipper or receiver this increased cost.

We previously pointed out that with some very minor exceptoins vehicles operated by local truckmen are prohibited from use of the highways that will be constructed from the taxes to be raised by this bill—but even so—local truckmen have raised no outcry over the imposition of the present Federal taxes or as they are proposed to be increased—because such taxes are believed to be equitably imposed, for example, if their vehicle operates 20 miles per day (a fair average mileage for vehicles operated by local truckmen) they pay according to the use of such vehicle determined by the consumption of gas or use of rubber or equipment. But they do cry out against the proposed imposition upon them of this $1.50 tax which will be used to build highways that they will be prohibited from using.

We are not unmindful of the fact that some of the funds collected from this source will be made available for urban extensions but using the past as a measuring stick we would point to the fact that most of the comparatively few such urban improvements have been in "bypasses" or "expressways," neither of which can, or will be used by the local truckmen to any appreciable extent.

Furthermore, the definition of taxable gross weight in section 4482 (b) of this bill also seems to immediately stamp this $1.50 tax as having been improperly conceived because it resulted in the delegation to the Secretary of the Treasury the duty to arrive at the proper amount of the tax which he should then impose upon whom he pleases, and to change such imposition when he pleases, and further to then apply the tax to highway motor vehicles, which in turn is defined to "mean any motor vehicle which is a highway vehicle"—which defines nothing. This raises the question—Is a city vehicle a highway vehicle?

At this point we respectfully point to that class of carriers referred to as heavy haulers or heavy and specialized carriers who are engaged in the transportation of such items as Army tanks, heavy machinery, and "articles or commodities which, because of their shape, size, or weight, require the use of special equip-

ment for their loading, unloading, or transportation." For example, trailers are specially constructed and used by these carriers capable of transporting almost anything from comparatively light plane fuselages or wings to enormously heavy objects. Capacities of 80 or 100 tons are not unusual. Quite often such large objects are moved only very short distances and only within our cities. I want to respectfully point to an exceptional movement for the Florida Light & Power Co. of a stator from rail head to plant (only several miles) which weighed 465,000 pounds. Using the "definition" provided in section 4482, how would the Secretary determine the tax applicable to such equipment? Would that movement for a comparatively few miles require a tax to be paid of some $700 or $800 for that one move when that equipment might not again be used for a year or more, if ever? And if so, would that "maximum load" fix one weight to govern all such similar vehicles as provided in section 4482? Or what other unfair, unjust, or inequitable combinations of taxation might be imposed on such carriers of heavy commodities under the inequities and discriminations which could result from the imposition of this $1.50 tax as defined in section 4482?

We again most respectfully petition the honorable members of this committee to consider:

1. Striking out in its entirely the provisions of section 4481 of the bill relating to the "imposition of tax," and section 4482 relating to "definitions," or, in the alternative;

2. Make the tax provided in section 4481 inapplicable to motor vehicles operating wholly within the commercial zones of any city as established by the Interstate Commerce Commission; and

3. As to heavy haulers or heavy and specialized carriers to fix the amount of such tax applicable to their vehicles in such reasonable and equitable amount as shall be determined after public hearings with such carriers and their representatives.

Mr. FLOYD. Mr. Chairman and members of the committee, in making this oral statement, then, I will try to confine myself to the two principal things that seem to be of outstanding importance to us. And the reason we are making a supplemental statement to that made by the American Trucking Association who have preceded us and who have prepared considerable figures, which I am sure are of much value—we are in agreement with those statements, but we are representative of two distinct classes of carriers that have, we believe, outstanding reasons for making additional appearances.

One of those classes of carriers is known as local cartage or local trucking operations. The reason we think we have a particular reason to come here and discuss only one objection—namely, the $1.50 tax, which we say is inequitable—is because a great deal of their vehicles are confined in their operations entirely to the city streets, or within cities and their commercial areas. As a matter of fact, as we say in our statement, they are even prohibited from using these highways which this tax money is to be used for financing.

For that reason we think that there is a just reason for giving some special consideration to that particular class of operator. Many of their trucks never leave a city street, and many of them never travel more than 15 miles in a whole day's work. And as a consequence, this tax might be imposed upon them in an amount that we think would be very inequitable. And for that reason we do oppose only the $1.50 tax; that is our only objection as to that.

As to other classes of carriers which are called the heavy and specialized carriers—and I had intended to ask your indulgence to permit me to hand a little copy of a booklet to each of the members of the committee, because I can't describe it, really, unless we use this booklet to describe and indicate the type of operators they are—hauling very heavy and very large objects. For example, on the cover page of that booklet you will find a picture of the transportation of

one object weighing 586,000 pounds, I believe. The question is how the tax might be imposed upon a carrier of that sort. And in that book you will also find, at page 9, a picture of equipment built during the war for a special purpose, built to carry 600 tons, built for the Army, and used, perhaps, for one movement, as we get the story, where they transported, I believe, 300 tons over the desert sands. It prevented the building of a 15-mile highway to accomplish the purpose. And then there is the case in Florida where a stator was moved for the Florida Light & Power Co. from railhead to plant, only several miles, which weighed 465,000 pounds, and the only way it could be gotten there was by this specially constructed vehicle.

On this proposal we see no measuring stick whatever for the imposition for that type of tax, except as the Secretary may decide to impose the tax on that carrier. If he imposes it on the basis outlined in that bill, that would cost $800 on that one trip of less than 5 miles, and only costing a federally supported or aided highway to the extent shown in that picture where we had to cross it, otherwise we built our own roads.

Summarizing, sir, if you please, just the one thing. We say we represent a lot of little folks, such as the little operator down in Keysville, Va., which I know the Senator will quickly recognize. Those folks are really in a very bad spot, and they do ask your indulgence and consideration only to the extent that an inequity would be imposed upon them through this $1.50 tax. And we have made recommendations at the end of our statement that we hope you will consider. And we thank you very kindly.

The CHAIRMAN. Thank you very much, Mr. Floyd.

The next witness is Mr. R. R. Ormsby.

STATEMENT OF ROSS R. ORMSBY, PRESIDENT, RUBBER MANUFACTURERS ASSOCIATION, INC., NEW YORK, N. Y.

Mr. ARMSBY. Mr. Chairman, my statement is 10 to 12 minutes, but in the interest of saving time I think I can cut it down shorter than that.

My name is Ross R. Ormsby. I am president of the Rubber Manufacturers Association, Inc., New York, N. Y. I appear here on behalf of the tire manufacturers who are members of the Rubber Manufacturers Association, Inc., and in support of title II of H. R. 10660, the Highway Revenue Act of 1956.

Now, our industry was the first to announce its support of the Boggs bill when it was introduced in the House, and it later supported this legislation by an appearance before the House Ways and Means Committee. The proposed 8-cent-a-pound tax on tires of necessity in the equivalent of approximately a 10 percent ad valorem tax, which is the rate now levied on luxury items. We are conscious of the fact that in 1955 the Federal Government collected from $2.5 billion in the form of taxes on gasoline, oil, tires, automobiles, and trucks.

We think that the estimate of the Ways and Means Committee are conservative and low. They are based on a growth factor of 3 percent per year for the next 16 years. Now, we believe that this is a reasonably acceptable factor for the total United States economy, but we think it falls far short of the actual past experience in the automotive field. We believe that the revenue obtained through these

taxes will be approximately $26 billion more than the House Ways and Means Committee estimated.

The CHAIRMAN. Over the next 16 years?

Mr. ORMSBY. Over the next 16 years. The facts are contained in our full statement.

The growth in the automotive field for the period 1952 to 1955, for instance—the automotive tax collections were more than 10 percent per year, and also in the period of 1947 to 1950, when the rates were uniform but lower than those currently in effect, the average annual increase was 12½ percent a year.

So that over the next 16 years we think that the use of a 3 percent growth factor is low and conservative.

Also we believe that the taxes applied to the rubber products are fair and equitable among the highway users. The increased annual cost to the average passenger-car owner using the most popular tire and tube, the 6.70–15, would be about 76 cents. And the cost to him for the proposed new tax on tread rubber would be about 8 cents a year, making a total of 84 cents in additional or new taxes on rubber products used in passenger tires.

As applied to the commercial vehicles, the proposed tax is fair. The typical truckowner will buy in 1 year 9 new tires. Well, the average passenger car owner only buys one tire. And our figures show that the truckowner will pay about 50 times more than the passenger car owner in taxes.

Considering the thousands of tire dealers and retreaders throughout the country who own inventories of tires and tread rubber, the imposition of floor-stock taxes will create severe financial hardships in many cases, although the total revenue collected by this means is estimated to be only three-tenths of 1 percent of the total rubber taxes dedicated to the highway trust fund by title II of H. R. 10660. Since it appears that the total estimated revenues are very conservative, it is suggested that the floor-stock taxes on tires and tread rubber might be eliminated without affecting the total program.

However, if the floor-stock taxes are retained, then provision should be made to defer their payment for at least 90 days after the due date. H. R. 10660 provides that the floor-stock taxes are effective July 1, 1956, but makes no specific provision for deferred payment. During the recent House debate, Congressman Boggs pointed out that it was his intention at least a 90-day period would be permitted to pay the floor-stock taxes. This deferred payment is essential to minimize the financial burden for thousands of tire dealers and to prevent a dangerous reduction in tire inventories in the midst of the heavy selling season.

Now, we believe also that the rubber taxes as proposed in the House bill are fair and equitable to all highway users. We strongly support this highway program. We believe that highway transportation is vital to our defense. We believe that this fine, modern system of Federal-aid highways included in this proposal of 40,000 mile interstate and defense system will make for a better and safer life for our citizens. We believe that the construction of the national Interstate Highway System should proceed uniformly in all of its parts so that the entire job throughout the country will be completed at the same time. And we strongly urge that this program go forward.

The CHAIRMAN. One question. You think there will be a 10 percent growth?

Mr. ORMSBY. Ten percent a year.

Senator FREAR. In lieu of the 3 percent?

Mr. ORMSBY. That is right.

The CHAIRMAN. It is based on 3 percent?

Mr. ORMSBY. That is right. And we think in the automotive field that that is low.

The CHAIRMAN. And you state that there has been a 10 percent increase from 1952 to 1955?

Mr. ORMSBY. That is right. And also in the period of 1947 to 1950, it was in excess of that.

Senator FREAR. This last page has a chart on it.

Senator MARTIN. You are putting in the whole statement?

Mr. ORMSBY. The whole statement, including the chart.

The CHAIRMAN. These statements that are not delivered in full will be carefully studied by the committee.

Mr. ORMSBY. Thank you very much.

(The complete prepared statement of Ross R. Ormsby is as follows:)

STATEMENT OF THE RUBBER MANUFACTURERS ASSOCIATION, INC.

My name is Ross R. Ormsby. I am president of the Rubber Manufacturers Association, Inc., New York, N. Y. I appear here on behalf of the tire manufacturers who are members of the Rubber Manufacturers Association, Inc., and in support of title II of H. R. 10660, the Highway Revenue Act of 1956.

The tire manufacturing industry was the first to announce its support of the Boggs bill when it was introduced in the House. It later supported the legislation in the House and continues to believe very strongly that this country is in urgent need of the system of Federal interstate and defense highways for which title II of H. R. 10660 would provide needed revenue. At the last session of Congress we also expressed strongly our belief in the pressing nature of this need. We believe now, as we did then, that this highway program is vital to the economic development and general well being of all segments of our population as well as to the country's military defense.

As provided in title II of H. R. 10660, this system of highways can be financed on a pay-as-you-go basis, being paid for by revenues collected during the actual period of the construction. We are very conscious of the fact that Federal excise-tax increases imposed on tires during World War II were doubled. These increases were designated as temporary in nature. After World War II no reduction in these taxes was granted although excise taxes on many luxury items were cut in half. The proposed 8-cent-a-pound tax on tires—a necessity—in title II of H. R. 10660, is the equivalent of approximately a 10-percent ad valorem tax, which is the rate now levied on luxuries. We are also very conscious of the fact that in 1955 the Federal Government collected some $2.5 billion in the form of taxes on gasoline, oil, tires, automobiles, and trucks. Nearly all of this derived from highway users.

The report of the Committee on Ways and Means of the House of Representatives includes an estimate that the present and proposed new or increased taxes under this bill will result in tax receipts of almost $56 billion for the fiscal years 1957–72.

Of this $56 billion, it is proposed to allocate $38,498 million to the highway trust fund.

We consider this estimate to be very conservative and based on growth factors which may well turn out to be substantially lower than what actually materializes. If this is so, the revenues as presently estimated are likely to be greatly understated. Significantly, almost all estimates made 15 years ago of the economic growth of this country and of the increased use of automotive products have been much too low. For example, in 1940 it was predicted that in 1955 there would be 35 million passenger cars on the road; actually there were about 50 million. These improved highways themselves will contribute greatly to accelerated use of automotive products.

It is our opinion that the revenue estimates made by the House Ways and Means Committee are conservative. The figures are shown in table I, page 46, of House Report No. 2022. They show that the existing highway-user taxes are expected to bring in $23,684 million in the 16-year period and the increased and

new taxes will yield $14,814 million for a total of $38,498 million to be dedicated to the highway trust fund.

This table is footnoted as follows, in explanation of the estimates:

"Essentially based on an assumed average rate of growth of about 3 percent compounded for the entire period. The rate of growth is not uniform, however, over the period. In the earlier years it is above 3 percent and in the later years below 3 percent."

A growth factor of 3 percent per year for the next 16 years is a reasonable acceptable factor for the total United States economy but it falls far short of the actual past experience in the automotive field. All the taxes dedicated to the highway trust fund are automotive or highway user taxes.

It is interesting to note that in the period of 1952 through 1955, during which period present excise tax rates applied, the average increase in all Federal automotive excise tax collections was more than 10 percent per year.

If this factor of 10 percent were applied over the 16-year period, estimated revenues for the highway trust fund would rise to $64,559 million, or $26,061 million more than estimated by the House Ways and Means Committee.

The 10 percent annual average increase applies to the Federal automotive excise taxes for 1952–55. During the period 1947 to 1950 when the tax rates were uniform but lower than those currently in effect, the average annual increase was 12.5 percent.

This record of automotive excise tax payments indicates an exprience rate of growth more than three times greater than used by the Ways and Means Committee.

Therefore, if past growth is any criterion, the difference between the Ways and Means Committee revenue estimates and what is a possibility if we continue our rate of growth, or the difference of $26 billion, is a good cushion against any estimate that this program is not on a pay-as-you-go basis.

Since the House by its overwhelming vote has concluded that additional taxes upon rubber products are required to help finance the highway program, it is our belief that in its present form title II of H. R. 10660 provides rubber taxes that are equitable, spreading the costs of the program fairly among highway users.

Title II of the bill would increase the present Federal excise tax on tires from 5 cents a pound to 8 cents a pound and impose an entirely new tax of 3 cents per pound on rubber used in retreading tires. For the information of the committee, our industry estimates that the 1955 domestic shipments of tires and tubes amounted to 3,647 million pounds. The estimated domestic shipments of tread rubber in 1955 amounted to 371,500,000 pounds.

Indicative of what we feel is the conservative nature of the House Ways and Means Committee's estimate is their estimate that the tax on retread rubber will produce $8 million revenue in the year 1957. Our industry estimate is that this tax will actually produce $10.1 million, or over 26 percent more than the committee's estimate for that year.

We believe H. R. 10660 is equitable in making the new tax on tread rubber equivalent to the tax increase on new tires, i. e., 3 cents per pound. This disturbs no commercial relationships now existing.

The proposed additional tax of 3 cents a pound on new tires is an increase of 60 percent over the present tax, a larger proportionate increase than that proposed for any other commodity in the bill. The increased annual cost to the average passenger-car owner using the most popular size of tire and tube—the 6.70–15—would be about 76 cents. The cost to him of the proopsed new tax on tread rubber would be about 8 cents a year, making a total of 84 cents in additional or new taxes on rubber products is used in passenger tires.

As it applies to commercial vehicles the proposed tire tax is fair. The impact on the very small trucks used largely by farmers and small merchants is relatively slight, as it should be. In the case of heavy commercial vehicles, including large trucks, tractor-trailer combinations and buses, the greater tire weights and larger number of wheels naturally mean tax burdens that are relatively much greater.

Industry statistics show that the operator of a typical truck rig will buy during the period of about 1 year 9 new tires while the average passenger car owner will buy only 1 new tire. Since the average truck tire used on heavy commercial vehicles weighs almost 5 times as much as the popular size passenger tire, during the course of a year the trucker will be paying excise taxes on 45 times more rubber than will the passenger car owner.

The truck operator has to replace tubes much more frequently than does a passenger car owner and these tubes are heavier than passenger tire tubes.

In the use of tread rubber, there is even greater difference between the trucker and the passenger car owner than with new tires and tubes. The average truck operator will be paying excise tax on 300 pounds of tread rubber during the year—the passenger car owner will probably pay excise tax on less than 3 pounds of tread rubber during the same period.

The combination of all these factors indicates that the excise taxes paid on the rubber consumed by a heavy commercial vehicle will be 49 times greater than the rubber tax paid for a passenger car.

Considering the thousands of tire dealers and retreaders throughout the country who own inventories of tires and tread rubber, the imposition of floor stock taxes will create severe financial hardships in many cases although the total revenue collected by this means is estimated to be only three-tenths of 1 percent of the total rubber taxes dedicated to the highway trust fund by title II of H. R. 10660. Since it appears the total estimated revenues are very conservative, it is suggested that the floor stock taxes on tires and tread rubber might be eliminated without affecting the total program.

If the floor stock taxes are retained, then provision should be made to defer their payment for at least 90 days after the due date. H. R. 10660 provides that the floor stock taxes are effective July 1, 1956, but makes no specific provision for deferred payment. During the recent House debate, Congressman Boggs pointed out that it was his intention at least a 90-day period would be permitted to pay the floor stock taxes. This deferred payment is essential to minimize the financial burden for thousands of tire dealers and to prevent a dangerous reduction in tire inventories in the midst of the heavy selling season.

Highways are for all America. Highway transportation is vital to our defense. Improved highway facilities for both passenger cars and commercial vehicles are essential to the livelihood of millions of citizens, to the economic health of the 25,000 communities served solely by the trucks and buses, and to the needs of thousands of retailers and their millions of customers for fast, efficient transport of goods.

A fine modern system of Federal-aid highways, including this proposed 40,000-mile interstate and defense system, will make for a better and a safer life for our citizens. We believe that the construction of the National Interstate Highway System should proceed uniformly in all of its parts so that the entire job throughout the country will be completed at the same time.

We in the rubber manufacturing industry strongly favor this program for national highway construction because it will bring this great project to reality on a practical basis, with fairness to all who use the roads and without imposing unjust burdens upon any group, including the 300,000 tire dealers and retreaders of this country.

Comparison of revenue estimates for highway trust fund—Ways and Means Committee 3 percent growth factor versus 10 percent factor as actually experienced, 1952–55

[Millions of dollars]

Fiscal year	Total present law taxes		Total new or increased taxes		Total receipts, highway trust fund	
	Ways and Means	10 percent growth [1]	Ways and Means	10 percent growth [1]	Ways and Means	10 percent growth
1957	868	868	612	612	1,480	1,480
1958	1,223	1,223	763	763	1,986	1,986
1959	1,268	1,345	795	839	2,063	2,184
1960	1,299	1,480	808	923	2,107	2,403
1961	1,342	1,627	844	1,015	2,186	2,642
1962	1,383	1,790	862	1,117	2,245	2,907
1963	1,427	1,969	890	1,229	2,317	3,198
1964	1,468	2,166	916	1,352	2,384	3,518
1965	1,509	2,382	943	1,487	2,452	3,869
1966	1,548	2,620	975	1,635	2,523	4,255
1967	1,594	2,882	997	1,799	2,591	4,681
1968	1,635	3,170	1,020	1,979	2,655	5,149
1969	1,676	3,487	1,043	2,177	2,719	5,664
1970	1,715	3,836	1,063	2,394	2,778	6,230
1971	1,750	4,220	1,080	2,634	2,830	6,854
1972	1,979	4,642	1,203	2,897	3,182	7,539
Total	23,684	39,707	14,814	24,852	38,498	64,559

[1] 10 percent factor applied for 1959 and thereafter.

[From p. 124 of hearings before House Ways and Means Committee on H. R. 9075, Highway Revenue Act of 1956, Feb. 14-21, 1956]

Federal taxes on motor vehicles and related products

	Federal excise tax collections on automotive products [1]	Increase over previous year
1947-50 period:		*Percent*
1947	$1,039,373,000	
1948	1,154,370,000	11.1
1949	1,280,663,000	10.9
1950	1,479,471,000	15.5
Average percentage of yearly increase		12.5
1952-53 period:		
1952	1,866,972,000	
1953	2,183,486,000	17.0
1954	2,203,618,000	.9
1955	2,500,000,000	13.4
Average percentage of yearly increase		10.2

[1] Includes Federal excise taxes on motor fuel, oil, tires, tubes, motor vehicles (cars, trucks, and buses) trailers, and automotive parts and accessories.

NOTE.—In 1951 the Federal excise-tax rate on gasoline was increased from 1½ to 2 cents per gallon, and a new tax on diesel fuel of 2 cents per gallon was instituted. The tax rates on motor vehicles, parts, and accessories were all increased by an additional 3 percent in that year.

Source: U. S. Bureau of Internal Revenue and U. S. Bureau of Public Roads, as reported in Automoible Facts and Figures, 35th edition, 1955 (Automobile Manufacturers Association), p. 59, 1955, estimated.

The CHAIRMAN. The next witness is W. W. Marsh, National Tire Dealers & Retreaders Association.

STATEMENT OF WINSTON W. MARSH, EXECUTIVE SECRETARY AND GENERAL MANAGER OF THE NATIONAL TIRE DEALERS & RETREADERS ASSOCIATION

Mr. MARSH. Mr. Chairman, I have a prepared statement, but in deference to the time involved here, I would be glad to have my statement entered in the record, and add just a few, very short comments relative to the highlights of that statement.

The CHAIRMAN. I am sorry to ask you to do that, but that will probably be best. That will be inserted.

(The prepared statement of Winston W. Marsh is as follows:)

STATEMENT ON BEHALF OF THE NATIONAL TIRE DEALERS & RETREADERS ASSOCIATION, INC., BY W. W. MARSH, WITH RESPECT TO TITLE II, H. R. 10660, MAY 18, 1956

My name is Winston W. Marsh. I am the executive secretary and general manager of the National Tire Dealers & Retreaders Association. Our membership is composed of tire dealers and retreaders in all 48 States who own their own business and are all basically small-business men. These members are not connected in any way with the manufacturers, chainstores, or other factory-type outlets for tires. The association is a nonprofit organization and is the only national trade association which represents the independent tire dealers and retreaders in the country. These small independent businessmen are engaged primarily in furnishing retail services, incident to the sale of new and retreaded tires.

Tire dealers and retreaders do vigorously support the much needed interstate defense highway program. These small-business men have worked long and hard in the interests of providing an adequate highway system for the people of this Nation.

These tire dealers and retreaders realize that this great national highway program must be paid for through some form of taxation. They stand ready to pay their fair share.

Title II of H. R. 10660 proposes to raise the necessary revenues to construct this highway system by taxes on diesel fuel, gasoline, buses, trucks, trailers, tires,

and tread rubber. The obvious theory of this bill is to place the burden on highway users.

Since it appears that this program of taxing the highway users is the only practical solution to the problem of raising the necessary revenues, this association certainly has no quarrel with a flat rate assessed across the board as long as the composition of the tax is equitable and will not cause severe consequences to any segment of American industry. The proposed tax on new tires has been handled in the manner we recommended in previous congressional testimonies, equitably across the board.

It is the proposed tax on tread rubber which necessitates our appearance before this committee today.

To understand our grave concern, it is necessary to take a closer look at this tire dealer and retreader. Who is he? How big is he? How is he going to be affected by these taxes?

The independent tire dealer is engaged in the outright purchase and resale of tires, operated principally on his own capital, and is free to shift from one tire manufacturer-supplier to another. He puts up his own money, buys the stock he thinks best, sets his own selling policies, and is solely responsible and liable for the end results. The independent tire dealer is engaged in the sale of tires in his own community and its vicinity. The independent tire dealer depends upon the sale of tires and retreads for all, or a good part of his revenues.

According to the Census of Business, Retail Trade, 1948, there are 208,233 establishments reporting some sales of tires, batteries, and accessories. Of these, 188,253 are listed as service stations.

There are 20,628 dealers whose principal source of income is from tires, batteries, and accessories. Of these dealers, 73 percent are located in cities having less than 50,000 inhabitants; 90 percent have fewer than 7 paid employees, 70 percent have 3 or less. Sixty percent of these stores are individual proprietorships and 20 percent are partnerships. Fifty percent of these establishments do less than $50,000 in annual sales. Only 13.3 percent of these establishments do more than $100,000 in annual sales. Two percent do from $300,000 to $500,000. One-half percent do more than $500,000 per year. By far the greatest majority average less than 2 employees. These are truly small-business men.

Thirty years ago, the independent tire dealer held nearly 90 percent of the replacement market. It dropped to 70 percent in 1930, and less than 50 percent in 1940. According to the 1955 Crowell-Collier Automotive Survey, 21 percent of the people who bought tires in 1955 bought them from a tire store—one of those whose principal source of income is from the sale of tires and/or retreads.

As we have just pointed out, the independent tire dealer has found himself with a shrinking percentage of the Nation's tire business. He has sought allied sources of business to strengthen and improve his own position. There were many who believed that retreading was part of the answer. The motorist and trucker alike were attracted by the economies offered by retreading.

In todays' highly competitive market, many a dealer's new tire department is subsidized by the profits of the retreading department.

The tire manufacturers, too, saw profit in retreading and through their company-owned outlets, opened retreading plants. These rubber company outlets have grown from about 5 percent of the total volume of retreading 7 years ago to 20–25 percent today.

While fighting to maintain his competitive position, the tire dealer finds himself caught in the very framework of the excise-tax program. Under the present tax structure of 5 cents-per-pound tax on new tires and 9 cents-per-pound on tubes, the tire dealer now has 6.3 percent of his capital investment tied up in prepaid inventory. He must pay the tax in advance; that is when he buys from his supplier. Under the prevailing system in the tire industry, the tax on new tires is not included in the retail price of the tire so that the tire dealer is unable to get back what it costs him to handle the tax.

In contrast to this, company-owned stores do not pay their excise tax until after they sell the merchandise. These company-owned stores therefore have 6.3 percent less capital tied up than their independent tire dealer competitor.

The House Ways and Means Committee, which has sought to rectify this situation, has recommended that: "The tax on tires and inner tubes should be levied at the time the tire or tube leaves the manufacturing plant or a warehouse within 20 miles of such plant, instead of at the time of the sale by the manufacturer." The intent here is to equalize the taxing of independent tire dealers and company-owned stores. This we have urged for 7 years. While this recommendation does encompass company-owned stores, it appears that it goes beyond the require-

ments of the situation and probably includes part of the industry which was not originally intended.

We fear that as written, this will materially decrease the number of warehouse points available to the independent tire dealer and thereby greatly increase his capital investment. With the larger tire dealers carrying as many as 800 different types of tires plus tubes in stock, the inventory problem remains a constant one even without considering the additional capital required to finance new excise taxes.

With the problem of survival constantly before the independent tire dealer, we want to be certain that there is an equality both in distribution and taxing procedures.

It is for this reason that we believe that the tax on tires and inner tubes should be levied at the time of sale or at the time of shipment to a manufacturer's company-owned retail outlet. A manufacturer's company-owned outlet is one which is a company-owned establishment offering tires and inner tubes for direct sale to the vehicle owner, although some part of the business of the establishment might be classified as wholesale.

Here is something else we must consider. The tire dealer now finds that the Government is planning to increase the amount of his inventory investment which will be tied up in prepaid taxes. The proposed new tax on highway tires is 3 cents per pound. Now add to this the proposed tax of 3 cents per pound on all tread rubber and the dealer has a greatly increased capital investment problem. It appears as if these additional taxes plus the present taxes will amount to some 10 percent of his inventory investment and 7 percent of his accounts receivable, 7 percent of his total sales will be without profit or even handling charges. This means that an inventory of $20,000 would have $2,000 in taxes; an inventory of $100,000 would have $10,000 in taxes.

Unfortunately, this is not all. The independent tire dealer is faced with an additional heavy burden in the form of floor stocks. With the advent of the tubeless tire, along with regular inventories of premium, white sidewall, mud-snow and other varieties of tires, dealer turnover on tire inventory has slowed to 3.4 times per year on passenger tires and 3.9 times per year on truck tires. As of July 1, the time of the proposed floor tax, tire inventories should be at the highest.

Using a typical small-type dealer doing $200,000 of passenger, truck, and retreading business broken up as follows:

Passenger tires	$70, 000
Truck tires	45, 000
Retread	55, 000
Other	30, 000

His inventory would be—

$20,000 passenger tire inventory (1,450 tires at 75 cents, average weight of 25 pounds)	$1, 087. 50
$15,000 truck tire inventory (190 tires at $2.40, average weight of 80 pounds)	456. 00
$2,500 tread rubber inventory at 9 percent (9 percent=tax relation to cost of tread rubber)	225. 00
Total, floor tax	1, 768. 00

In considering the floor tax proposed under H. R. 10660, we must point out that capital financing is an exceedingly difficult problem for the independent tire dealer. It has been established that the interest on his capital can vary from 4 to 20 percent of the average inventory value. Nevertheless, many dealers will probably seek aid from a Government agency or bank to raise the money to pay this floor tax. However, even at such a variable interest rate, loans for working capital are very difficult to secure and at times impossible.

We feel that this floor tax on new tires and tread rubber is a tremendous burden for the tire dealer to bear and since it is estimated that less than one-half of 1 percent of the total revenue dedicated to the highway fund will be derived from this floor tax, we ask that it be eliminated.

If Congress, in its judgment feels that the floor tax on new tires is needed to help finance this highway program, then we believe that Congress should at least eliminate the floor tax on tread rubber.

If the floor tax on new tires and tread rubber as passed by the House remains in the bill, then dealers should be given 6 months to pay for it as a means for relieving their additional capital investment requirements.

Now, let's look at another point.

The theory that retreading denies the Government the tax on a replacement tire is unfair. Never before has a penalty been invoked on progress. A look at the 1955 sales figures of the tire manufacturers makes it clear that despite tremendous improvements in new tires and progress in retreading, the tire manufacturers still make more new tires than ever before.

It should be noted that retreading is a safe economy. The quality retread is safer than low-quality new tires. The increased price of retreading will also hurt the motoring public by encouraging the tire manufacturers to bring out reduced quality, low-priced tires that will sell at a price below the selling price of the retread.

The way that tread rubber is bought presents another problem to the independent dealer. Tread rubber purchased by the retreader, is bought by the pound. The delivered price of this retreading service is calculated not by the weight of the tread rubber used, but by the length in feet or yards of the tread rubber applied. With a prepaid tax on tread rubber by the pound, there is no consideration given to the waste or loss in processing. The retreader can't recover the tax if he isn't able to use every single bit of the rubber because tread rubber is his raw material.

Tire dealers can pass on the tax on new tires and retain their customers by virtue of the general industry practice of listing the tax as a separate item. However, the tax on retreading will bring an immediate problem of collection. In addition, if the retreader must add a tax to his service, he may be forced out of the safe but economical class.

It is important to remember that retreading was nourished and built by the independent tire dealer who rendered his customers both a personalized and cost-saving service.

The tire dealer kept the Nation on wheels during World War II through retreading. This was a remarkable accomplishment since he had to use ersatz material and equipment. The tire dealer learned through this experience that retreading was one part of his business which he could call his own. Concern for the public welfare and the desire to improve this service, made tire retreaders form what is known as the Tire Retreading Institute. The bases for this institute are high standards of quality and a sound code of ethics.

If this Nation is to keep moving on the roads in another emergency, it will do so on retreaded tires. If retreading is encouraged at this time, it can be an important factor, not only in defense, but in the Nation's economy. Retreaders want to continue to provide safe, low cost transportation to the Nation's millions of low- and medium-income tire users.

An understanding of the tire dealer's position in his own industry and of the part retreading plays both in the national welfare and in the tire business makes it clear that the tire dealer must, of necessity, oppose any tax on tread rubber.

We genuinely appreciate the opportunity afforded us by this committee in letting us appear here today. We reiterate our support of the interstate defense highway program. We know that you will give this plea of an important small business group, America's retreaders, your thoughtful consideration.

(Attached photographs are filed with the committee.)

Mr. MARSH. My name is Winston W. Marsh. I am the executive secretary and general manager of the National Tire Dealers & Retreaders Association. Our membership is composed of tire dealers and retreaders in all 48 States who own their own business and are all basically small-business men.

I would like to state that we believe very sincerely that this Nation needs this highway bill very badly, and we would like to do anything we can to cooperate, and we are willing to pay our fair share.

Since the time of the hearings in the House of Representatives on the Boggs bill, I have personally been in 31 States, and I have talked to tire dealers in at least 10 more States, making a total of some 41 or 42 States. It has given me an insight into the problem, and it has caused us to change our approach to this thing in some small degree, but not measurably.

Without attempting to put these point in order of importance, I would like to enumerate them, just 1, 2, 3.

One, we believe that the Fran committee report, putting the tax on warehousing, could conceivably cause a hardship to independent tire dealers. It was our recommendation in the beginning, as it is today, that one of our most serious forms of competition is the company-owned store, controlled and operated by the major rubber companies. These people do not pay taxes on the tires at the time they buy them, they do not pay them until they sell them.

This forces a dealer to make a greater capital investment in his business than the major rubber company, his competitor.

It appears that the Fran committee's suggestions go far beyond those requirements, and include a great deal of warehousing upon which the independent tire dealer must depend and rely.

Second, we would like to join in the thought that there be no tax for floor stocks. After having traveled across the country, I am firmly convinced that the dealers are not prepared to make this tremendous investment on this floor stock. We have endeavored to find a means of capital financing, and they have been denied us in most cases.

As pointed out in my testimony, just a very average sized tire dealer has to make an investment of $1,768 out of his capital picture on this floor stock, all of which will raise the Government probably $15 million, or less.

The present plans call for a probable limit of 60 days' payment on these floor-stock taxes, which means that it would be a tremendous burden on the independent tire dealer to raise this capital to meet this requirement.

Third, we respectfully ask that there be no tax on tread rubber. We would like to repeat our position that tread rubber, sometimes known as camelback, is a raw material used in the processing of tires, it is bought by the tire dealer and retreader by the pound, it is sold by the foot.

The CHAIRMAN. We have just received advice that the vote will begin immediately. I am going to ask the indulgence of the other witnesses for this type of procedure.

We have with us today Mr. Colin Stam, who is the chief of staff of the Joint Committee on Internal Revenue Taxation, and I am going to ask Mr. Stam to preside, and then to make a digest of the witnesses' testimony, and he himself read that digest to the Finance Committee on Monday, when we are in executive session.

I deeply regret having to do that, but there is no other recourse, as I see it, because we will have to be voting all this week, and we have a schedule next week.

Mr. Stam, will you take my seat.

Senator MARTIN. Mr. Chairman, might I introduce into the record a letter from Joseph W. Butler, of Philadelphia, Pa., who is the president of the Butler Oil Corp.

(The letter referred to is as follows:)

BUTLER OIL CORP.,
Philadelphia, Pa., May 14, 1956.

Senator EDWARD MARTIN,
Senate Office Building, Washington, D. C.

DEAR SENATOR: In addition to my paid jobs as active head of this company and deputy treasurer of the Commonwealth I have many unpaid activities. Among these is chairman of the legislative committee of the National Oil Jobbers Council.

The National Oil Jobbers Council represents the independent distributors of petroleum products throughout the United States. Our people distribute 85 percent of the heating oil consumed in the country, 65 percent of petroleum products delivered to farmers and approximately 30 percent of the gasoline sold to retail service stations throughout the United States.

We are much concerned with the additional expense placed upon our businesses by the present law which assesses the Federal gasoline tax on producers at the time of sale rather than on wholesale distributors. This results in our paying the Federal tax on a substantial volume of gasoline which we lose through unavoidable evaporation and spillage.

We believe, therefore, that the tax, especially since it is now being increased to 3 cents per gallon, should be levied upon the wholesale distributor at the time of sale by him.

It is my understanding that bill H. R. 10660 which is the Federal Highway Act of 1956 and the Highway Revenue Act of 1956 is now before the Public Works Committee and that hearings on the revenue provisions are to be held Thursday and Friday of this week. We suggest that an amendment be made to the revenue act to provide for the assessment of the gasoline tax on the wholesale distributor at the time the gasoline is sold by him.

I am enclosing a copy of a letter which a wholesale distributor from another State has written his Senator. This explains the hardships of the present law much more adequately than I could.

Anything you can do to eliminate this inequitable burden on independent distributors from the present law will be a great assistance to small business in this country and will be appreciated by all of the distributors affiliated with the National Oil Jobbers Council.

With kind personal regards.

Sincerely yours,

JOSEPH W. BUTLER.

Senator ——— ———,
Senate Office Building, Washington, D. C.

DEAR SENATOR ——— ———: I have just learned that the House of Representatives is beginning debate on H. R. 10660, the new Federal highway bill, which includes provisions for increasing taxes on petroleum products, tires, trucks, tubes, etc., to finance the cost of the new system of interstate highways.

Since you are probably tired of reading pro and con arguments about the road bill and the tax increase to pay for it, I am not going to burden you with arguments over whether these are good or bad. There are, however, provisions in the revenue portion of the bill which will not only continue but aggravate a serious problem for small-business men like myself who sell gasoline in bulk quantities to farmers and independent retailers.

I would like to explain how the law on the Federal gasoline tax works and the changes that could be made to help the small business man without causing any consequential decrease in the amount of revenue which the bill would produce. Under present law, the Federal tax must be paid at the time of sale by the producer. This means that the big oil companies pay the gasoline tax when they sell the product while we independent jobbers must pay the Federal tax when we buy the product. This, of course, is a competitive disadvantage, but the biggest problem to us is the financial loss that we suffer and the strain imposed on us to get additional working capital. Here is how I am affected:

I sell approximately 100,000 gallons of gasoline per month at 26 cents per gallon. More than 50 percent of this is sold to farmers and other credit customers. I lose approximately 2,400 gallons (2 percent) by evaporation and unavoidable spillage between the time of original purchase and sale. This means I lose $720 (under the new 3 cents Federal tax rate) on the Federal tax alone by having to pay the tax at the time of purchase rather than at the time of sale like the big oil companies.

I sell approximately 50,000 gallons per month to farmers—these are credit sales and are collectible in from 4 to 6 months (and in some instances I never get paid). This means I have some $6,000 to $9,000 of my capital tied up at all times in Federal gasoline taxes on credit sales to farmers. Because of our State gasoline tax of 5 cents per gallon, I also have from $10,000 to $15,000 of my capital tied up in Sttae taxes on credit sales to farmers. I do not suffer an evaporation loss on State taxes because I pay the State tax at the time of sale.

As a matter of fact, I have approximately three times more capital tied up in State and Federal taxes on credit sales to farmers than my total gross profit even if I collected 100 percent of all credit sales.

The biggest problem facing small-business men in the oil industry today is the shortage of capital which is caused by rising cost of products, taxes, labor, trucks, tanks, etc., as contrasted to being held to the same profit on a gallon of gasoline that I had 3 years ago.

Now what could we do to change this situation? If the law was changed to impose the Federal gasoline tax at the time of sale by the jobber or wholesale distributor—just like the States handle it—it would give us the same privileges that you give to the big oil companies and would produce just as much revenue as the Government would otherwise get. The only objection to this suggestion that we have heard is that raised by Internal Revenue, who state that this change will increase the administrative difficulties and expenses of collecting the tax. Undoubtedly, it will cause a small increase in the cost of collection, but it seems to me that the time has come when some consideration should be given to the small -business man taxpayer, rather than worrying about the problems of the tax collector. Internal Revenue apparently did not raise too much objection to handling approximately 5 million gasoline tax refunds from farmers. Why should they howl about handling approximately 8,000 more collections of the gasoline tax from independent small-business men? I presume because it is easier to ignore 8,000 votes than 5 million. For several years now the big oil companies have gotten most everything they wanted from the Congress, and it looks to me as if the time has come when some consideration should be given to the small oil men like myself.

I believe Senator Harry Byrd would have guts enough to do something about this if it were called to his attention. If nothing is done, do you think it would be out of order to have us jobbers put on the Federal payroll like the other tax collectors? I would appreciate your looking into this matter and giving my suggestions your vigorous support when H. R. 10660 comes to the Senate.

Sincerely,

——— ———.

Senator MARTIN. Also, a telegram from E. Corbett Rider, president of the Pennsylvania Association of Taxicab Owners, Harrisburg, Pa.

(The telegram referred to is as follows:)

HARRISBURG, PA., *May 17, 1956.*

Senator EDWARD MARTIN,
United States Senate,
Senate Office Building, Washington, D. C.:

Pennsylvania Association of Taxicab Owners, consisting of 300 small taxicab operators owning from 1 to 30 taxicabs requests that you consider exempting the taxicab operators under the provisions of House bill 9075.

Our position in this matter is that due to fixed selling price imposed and regulated by our Pennsylvania Public Utility Commission. We cannot raise our fares to absorb the increases of taxes under this bill. The bill would impose a tax on each taxicab equal to 50 percent of that cabs annual net profits.

Ninety-nine percent of our business is within our boroughs, townships, and cities in which we are certificated. We make very little use of the highways.

Your assistance will be appreciated in this very important matter by the individual members and the Pennsylvania Association of Taxicab Owners.

E. CORBETT RIDER,
President, Pennsylvania Association of Taxicab Owners.

Senator MARTIN. Also, a telegram from Edmund F. Higgins, president of the Yellow Cab Company of Philadelphia.

(The telegram referred to is as follows:)

PHILADELPHIA, PA., *May 16, 1956.*

Senator EDWARD MARTIN,
Senate Office Building, Washington, D. C.:

In July 1955 we communicated with you concerning the proposed bill for financing the President's highway program; at that time we furnished you with figures showing our tremendous tax burden for Federal and State gasoline taxes which amounted to $477,000 and our total taxes which amounted to $956,000

without reference to Federal and State income taxes. Since that time there has been a substantial increase in these taxes. One cent additional Federal tax would be approximately $80,000 more for us to pay and would be disastrous to our company. Our rates of fare are subject to public utility commission control and even if an increase were approved we fear it would price us out of our market. Only very small fraction of our business is on highways outside of city. We understand the proposed bill is before the Finance Committee tomorrow morning and we submit that there must be some way to relieve us of this ruinous increase either by amendment or otherwise. We greatly appreciate your personal interest in this matter in the past and hope for your continued aid.

EDMUND F. HIGGINS,
President, Yellow Cab Company of Philadelphia.

The CHAIRMAN. Mr. Stam, will you take my seat. And, as suggested, on Monday you read a digest of these papers, and allow the witnesses a reasonable time to make their statements.

Mr. MARSH. Mr. Stam, I was almost finished. My only other comment was that—and I assume that this is a Revenue Department problem—is that there is no allowance made for loss in the retreading of tires, that there are certain manufacturing risks involved in the processing of tires for retreading.

We believe that this shrinkage could amount to as much as 5 percent, in some cases. There is no allowance made in this present measure to take care of this.

Of course, I would like to repeat, to go further than that, we still believe that if there should be a new tax on retread rubber, in view of the tremendously rising costs faced by the smaller merchant and independent tire dealer, this places a tremendous burden on him and makes us fearful of the future of retreading.

Mr. STAM. Thank you very much.

The next witness is Mr. Joyce, I believe.

STATEMENT OF JOHN H. JOYCE, NATIONAL AGRICULTURAL MOTOR CARRIERS ASSOCIATION

Mr. JOYCE. Mr. Chairman, I am John H. Joyce, of Fayetteville, Ark.

Complying with the request of the chairman, I would like to ask that my prepared statement be introduced, and I will just make a few remarks in connection with this statement.

Mr. STAM. You want your statement put in the record?

Mr. JOYCE. Yes, if you will.

(The prepared statement of Mr. Joyce, in full, is as follows:)

STATEMENT OF JOHN H. JOYCE, ATTORNEY, NATIONAL AGRICULTURAL MOTOR CARRIERS ASSOCIATION ON H. R. 10660, FEDERAL-AID HIGHWAY BILL

Mr. Chairman and gentlemen of the committee, I am most appreciative of this opportunity to appear before you.

My name is John H. Joyce and I am from Fayetteville, Ark. I am an attorney and appear today representing the National Agricultural Motor Carriers Association.

This association was organized as a nonprofit corporation under the laws of the State of Arkansas. The association is newly organized and at the present time has approximately 200 members, who, in turn, own and operate approximately 4,000 heavy trucks. The members of this association are not only from the State of Arkansas, but are from the States of Missouri, Oklahoma, Texas, and Louisiana. The purpose of this association is to obtain, procure, and assimilate information regarding all State and Federal Government laws, rules, and regu-

lations pertaining to the motor transportation of agricultural commodities for the benefit of the members of the association; to promote better distribution of said agriculural commodities to the general public which is so vital to the health and welfare of the people; to further foster and advance a better understanding between the producers, shippers, and receivers of agricultural commodities, and the agricultural motor carriers; and to cooperate with all municipal, State, and Federal governmental agencies toward such ends. This association is very young. It was incorporated only about 2 months ago and the membership is increasing every day. It is anticipated that within the next 6 to 9 months it will have members from all of the 48 States.

Gentlemen, 90 percent of the farm products are moved by trucks. It is the members of this association and the prospective members who are engaged in the transportation of these farm products. The Interstate Commerce Commission, by regulation, has exempted practically all agricultural commodities. By this regulation it is not necessary for the truckowner or operator, transporting agricultural-exempt commodities, to have Interstate Commerce Commission authority. They are, of course, regulated by the Interstate Commerce Commission insofar as safety reguirements are concerned.

Since approximately 90 percent of the argricultural commodities are transported by trucks, commodities which are consumed every day by the people of our great Nation, I earnestly ask you to keep this fact in mind when considering the grave problem confronting these carriers which I am now going to present to you. Is the general public cognizant of the numerous problems confronting these carriers in bringing the agricultural commodities to our homes? What laws and regulations do the carriers have to comply with?

In reading the testimony of very prominent persons who appeared before the Committee on Ways and Means of the House of Representatives from February 14 through February 21 of this year, I was particularly impressed by the testimony of Mr. Ernie Adamson, who appeared on February 17. Mr. Adamson stated, and I quote: "The motor truckers for hire have one great problem today and that is the multitude of State regulations, fees, and taxes that extends all over the whole country. A motor trucker who operates in 10 or 12 or 15 States often finds that it costs him as much to bookkeep these taxes, fees, and requirements as the sum total of the taxes," and still quoting from Mr. Adamson's testimony, he states: "I have in mind 1 company operating in 27 States. They have to pay 1 man $4,000 a year and he does nothing but look after the various regulations, fees, and taxes in the States other than the State of domicile," and one final quote in which Mr. Adamson stated: "If you should decide that another source of revenue is necessary and you should decide on some form of Federal license tax plan, I urge you to enact some provision which will exempt the operations of these truckers over interstate highways from the State taxes and fees, except in the State of domicile of the vehicle."

Under title II of the Highway Revenue Act of 1956 there are certain increases in taxes. As you know, there is an increase of 1-cent-per-gallon on diesel and special motor fuels, an excise tax increase on trucks, an increase in tax on rubber, and the tax of $1.50 for each thousand pounds of taxable gross weight in excess of 26,000 pounds.

My clients are not opposed to payment of the increased tax on motor fuels, excise, or rubber, but they are opposed to the tax of $1.50 per thousand pounds in excess of 26,000 pounds. The reason they are opposed to this tax is because of commonly called third-structure taxes imposed on them by several of our States. They feel, and I think rightly so, that there is a double burden imposed on them.

Before discussing the third-structure tax, allow me to first mention the first- and second-structure taxes.

As required of all carriers, a carrier of agricultural commodities must first license his truck in the State of domicile. Here he is first confronted with what is commonly referred to as first-structure taxes. These taxes consist of his State license fee, the personal property tax, and other such taxes. These first-structure taxes are, by some experts, considered a privilege tax; that is, a tax granting the privilege of operating on and using the highways.

Assuming that he has complied with the first structure taxes, he now is confronted with the so-called second structure taxes. The second structure tax includes, among other things, a tax on motor fuel. Motor fuel may be subdivided so as to include gasoline, diesel fuel, propane, and butane. The experts sometimes refer to this tax as a use tax. At this point, the carrier realizes that he must now employ a person to do nothing but compute and

pay, to the revenue departments of the States through which he has traveled, the second structure taxes. He also discovers that in some States he must purchase a fuel permit which entitles him to pay that State the tax due them. You and I, in the daily operation of our personal automobiles, are confronted with the so-called first and second structure taxes, as well as the motor carrier. Here in the operation of our personal automobiles our tax burden stops—but not to the motor carrier.

Up to this point the carrier of our agricultural commodities is not discouraged. He is perfectly agreeable to pay the first structure tax and the second structure tax, but now he is confronted with the so-called third structure taxes. These third structure taxes are usually called the ton-mile tax, mileage tax, gross receipts, axle or wheel tax, and any other similar tax. The ton-mile tax simply means that he must pay an additional amount, or tax, based on weight per ton per mile while traveling into and through those States which impose such third structure tax. A third structure tax is sometimes, by the experts, compared to a surtax.

There are about 11 of our States which impose this third structure tax. There is one State in particular, for example, which, for the year 1954, collected from motor carriers the sum of $10,783,000 in third structure taxes. Compare, if you will, this amount with what this same State collected in second structure taxes; namely, $5,551,000. This State collected nearly twice as much from the third structure tax as from the second structure tax.

As you can see, gentlemen, the motor carrier of our agricultural commodities is burdened with 2 identical taxes: (1) The $1.50 per thousand pounds on gross weight over 26,000 pounds, as provided in this bill; and (2) the third structure tax.

I believe that there is a solution to their problem. I would like to propose that you earnestly and sincerely consider an amendment to this bill which would have the following effect:

The motor carrier would, first of all, like to see the $1.50 per thousand pounds over 26,000 pounds gross weight, stricken from the bill. If this were accomplished, then the motor carrier would still be subject to those States who impose a third structure tax. If, however, this committee decides to leave in the present bill the $1.50 per thousand pounds over 26,000 pounds gross weight, then adopt an amendment which would take from the States that have a third structure tax the proportionate amount of Federal aid due them under this bill.

In other words, let the motor carrier pay this tax but one time instead of twice. Don't let the motor carrier be burdened with paying the Federal Government to build these highways and then be forced to pay the third structure tax States for the privilege of traveling on the same highways he has paid to construct.

Thank you very much, gentlemen.

Mr. Joyce. I am an attorney, and appear today representing the National Agricultural Motor Carriers Association.

This association was organized as a nonprofit corporation under the laws of the State of Arkansas. It is newly organized, and at the present time has approximately 200 members, who, in turn, own and operate approximately 4,000 heavy trucks.

The members of this association are not only from the State of Arkansas but are from the States of Missouri, Oklahoma, Texas, and Louisiana.

The thing I would like to point out at this time is that approximately 90 percent of the farm commodities and farm products are moved by trucks.

It is the members of this association and the prospective members who are engaged in the transportation of these farm products.

Since approximately 90 percent of the agricultural commodities are transported by trucks, these commodities which are consumed every day by the people of our great Nation, I earnestly ask that you keep

this fact in mind when considering the grave problem confronting these carriers which I am now going to present to you.

Under title II of this Highway Revenue Act of 1956, there are certain increases in taxes. As you know, there is an increase of 1 cent per gallon on diesel and special motor fuels, an increase in the excise tax, an increase in the tax on rubber, and a tax of $1.50 per thousand pounds on trucks in excess of 26,000 pounds.

My clients are not opposed to the payment of increased tax on motor fuels, the excise, rubber. But, sir, they are opposed to the tax of $1.50 per thousand pounds on weights in excess of 26,000.

The reason that they are opposed to this tax is because of what we commonly call third-structure taxes imposed on them by several of our States. They feel, and I think rightly so, that there is a double burden imposed on them. But before discussing the third-structure tax, allow me to first mention the first- and second-structure taxes.

I would like to define a first- and second-structure tax. As required of all carriers, a carrier of agricultural commodities must first license his truck in the State of domicile. Here he is first confronted with what is commonly referred to as first-structure taxes. These taxes consist of his State license fee, the personal property tax, and other such taxes. Some experts refer to the first-structure tax as a privilege tax, namely, a tax granting the privilege of operating on and using the highways.

Next, he is confronted with the second-structure taxes.

Now, second-structure taxes, among other things, include a tax on motor fuel. You may divide or subdivide motor fuel to include gasoline, diesel fuel, propane, and butane. The experts sometimes refer to this tax as a use tax. Up to this time agricultural carrier has been confronted with the first- and second-structure taxes. He then comes in contact with the third-structure tax. Examples of the third-structure tax are the 10-mile tax, the mileage taxes, the gross receipts tax, the axel or wheel tax. And, of course, there are other similar taxes.

This 10-mile tax, for example, simply means that he must pay an additional amount or tax based on the weight per ton-mile by traveling in and through those States which impose such structure tax. The experts sometimes refer to this tax as a surtax. There are about 11 of our States which impose this third-structure tax.

I would like to give you an example of a State which in 1954 collected from motor carriers the sum of $10,783,000 in third-structure taxes.

This same State for the year 1954 collected in second-structure taxes the small sum of $5,551,000. In other words, this particular State collected almost twice as much in third-structure taxes as they did in second-structure taxes.

Mr. STAM. At the present time those third-structure taxes are only imposed by the States; is that right?

Mr. JOYCE. That is correct, sir.

Mr. STAM. And what are you talking about, the Federal Government now going into that field through this axle tax?

Mr. JOYCE. Yes, sir. That is why I think the two are very closely connected.

Up to this point I believe that you can see that the motor carrier of our agricultural commodities is burdened with two identical taxes: One, the tax imposed by this present legislation of $1.50 per 1,000 pounds on his weight over 26,000; and two, the third structure tax, which we have just defined.

Now, I think that there is a solution to this problem. And I would like to propose that you earnestly and sincerely consider an amendment to this bill, 10660, which would have the following effect: In the first instance, my clients would like to see the $1.50 per 1,000 pounds stricken from this bill. Now, if this were accomplished, this motor carrier would still be subject to the third structure taxes of these 11 States imposing same. Now, if this committee decides to leave in the present legislation the $1.50 per 1,000 pounds, then let them adopt an amendment which would take from the States that have a third structure tax the proportional amount of Federal aid due them under this bill. In other words, let the motor carriers pay this tax, but one time instead of twice. Don't let them be burdened with paying the Federal Government to build the highways, and then be forced to pay these third structure taxes in the States for the privilege of traveling on the same highways that he has paid the Federal Government to construct.

That concludes my statement.

Mr. Stam. Thank you very much.

The next witness is Mr. John J. Powers, of the McCabe Powers Auto Body Co.

STATEMENT OF JOHN J. POWERS, McCABE POWERS AUTO BODY CO., ST. LOUIS, MO.

Mr. Powers. My name is John J. Powers, of the McCabe Auto Body Co. in St. Louis. We are manufacturers of truck bodies in a specialized field, in the service trade, that is, to the power, light, telephone, rural electrification, and gas, water systems. With me are two other manufacturers' representatives of the same field, Mr. Joseph Baker, of the Baker Engineering Co., Baker Equipment Engineering Co., of Richmond, Va.; and Mr. Charles Siegler, of the York-Hoover Co., of York, Pa.

This presentation is in the form of a letter which is not too long. And since you do have to brief the committee on the information in it, I would like to read it. Then I would like to have you refer to the tearsheets that are enclosed with it for the purpose of identification.

(The letter and the tearsheets are as follows:)

McCabe-Powers Auto Body Co.,
St. Louis, Mo., May 16, 1956.

Hon. Harry F. Byrd,
Chairman, Senate Finance Committee,
Senate Office Building, Washington, D. C.

My Dear Senator: It is my intention in this letter to direct the attention of the Senate Finance Committee to certain aspects of title II of the Highway Revenue Act, as recently passed by the House of Representatives.

Title II of this act provides for an increase in the Federal excise tax on motor-truck vehicles including truck bodies, trailers, and similarly described equipment from the present rate of 8 to 10 percent.

It is our understanding, half of this excise tax, or 5 percent, would be applied to the Treasury for purposes of general revenue, and the other half, or 5 percent,

would be applied to the highway fund for financing the new highway program. We further understand that the present tax of 8 percent was to revert automatically to 5 percent on Aprl 1, 1956, but was properly extended.

Unquestionably, the Highway Revenue Act is most necessary to provide funds for the improvement and expansion of our Federal and State highway systems and, as such, we are heartily in favor of it. However, we believe that it is quite essential that we point out to you inequities that exist in the taxing of certain types of vehicles now included in the terms of the Highway Revenue Act, but which do not come into the category of usage of the highways, as do the great bulk of vehicles.

We refer specifically to service-type vehicles concentrated largely in urban areas having populations of 5,000 and more. More specifically, these vehicles can be identified as those trucks and small trailers used in the field of communications, electric light and power, rural electric cooperatives, and gas and water distribution systems. They are operated for the purpose of constructing, maintaining, and servicing these communication and distribution systems throughout the country.

Actually, the truck bodies employed on these vehicles are simply truck-mounted tools, many of which have mechanical equipment attached for working in the field, provisions for carrying an inventory of materials necessary in the field, kits of hand tools, and emergency repair supplies. Similarly, the trailers which are used in this field service work are mobile tool cribs or stock bins. These units are brought to the working area and serve as a storage locker for the tools and equipment necessary for fieldwork.

The annual truck mileage of these vehicles is very low, and the amount of travel on our Federal highways is the lowest of any group of vehicles that can be isolated. Their work is confined to relatively small areas each day, and the majority of their work is conducted in the urban areas and along the rights-of-way provided for communication, power, and other distribution services.

These service bodies, or truck-mounted tools and service trailers, are not used for the movement of revenue-bearing cargo, nor are they used for the delivery of commodities or supplies offered for sale by the owners or operators of the vehicles.

We believe that consideration should be given to the exemption of the proposed increase in excise tax on truck bodies and trailers used in this type of service work, as we feel such an increase in tax is inconsistent with the intent of the bill to place the financial responsibility of the highway system on those for whom the proposed system was originally planned.

Truck bodies, service trailers, and equipment of the type referred to, do not require replacement as frequently as the cargo-carrying type of truck bodies and trailers with which all of us are so familiar in the everyday use of our streets and highways.

This fact, coupled with the possibility of an increased Federal excise tax, has developed a marked tendency on the part of the owners of these vehicles to rehabilitate present equipment or to reinstall present truck-body equipment on new chassis when such chassis are no longer economically reusable, in order to avoid purchases of truck-body and service-trailer equipment subject to tax.

In contrast to increased revenues, this tendency obviously would reflect in decreased revenues to the Federal Government, as reuse of the truck body or service trailer would provide no further Federal excise tax.

The service type of vehicle, as described herein, is unique in that its individual category does not follow the usage and the popular interpretation of trucks and trailers. We firmly believe it would not be difficult to incorporate in the provisions of title II, the language for an appropriate exemption of these vehicles from the increased tax, and which would be definitely in keeping with the intentions of the Highway Revenue Act.

For your information and aid in identifying this type of truck body and trailer, we have enclosed tearsheets from the current issue of Telephone Engineer and Management, with illustrations of these truck-mounted tools, performing some of the work for which they were designed. In addition to this, we have enclosed other photographs and illustrations which the members of this committee will readily recognize as the type of service vehicles they have observed in maintenance operations throughout the country.

The retention of the 5 percent Federal excise tax which goes to the general revenue fund seems fair and equitable, while the additional 5 percent increase for the highway fund seems most inequitable, when applied to this type of body or trailer.

The industry producing this type of equipment is not large, but is of a highly specialized nature. It consists of many small and medium small manufacturing concerns, not concentrated in any particular part of the country. Primarily, the efforts of these manufacturers are devoted to the design and production of these specialized types of equipment, and their products are not generally regarded as being in the field of truck and trailer equipment as such, but in the field of tools and supplies necessary for the maintenance and emergency servicing of our complicated systems of utility services.

The exemption of the type of equipment referred to from the additional 5 percent tax, would have only a minute effect on the funds to be realized for highway building purposes, but would provide substantial assistance to the industries using them and supplying them.

Certainly the enormity of your task in providing the necessary revenue for this highway program is appreciated, and we ask only your attention and consideration of the inequity we firmly believe exists in including these types of truck bodies and service trailers in the broad encompassing language of the act.

Thanking you for being given the opportunity to present this information to you, I remain.

Sincerely,

JOHN J. POWERS, *Chairman of the Board.*

(The tearsheets referred to are filed with the committee.)

Mr. POWERS. You will note that those are truck bodies of the type you have seen in the streets and along the highways used by, you might say, public utilities and municipalities, and so forth.

I will go down to the third paragraph here:

It is our understanding, half of this excise tax, or 5 percent, would be applied to the Treasury for purposes of general revenue, and the other half, or 5 percent, would be applied to the highway fund for financing the new highway program. We further understand that the present tax of 8 percent was to revert automatically to 5 percent on April 1, 1956, but was properly extended.

You understand that that carries on to 1957.

Unquestionably, the Highway Revenue Act is most necessary to provide funds for the improvement and expansion of our Federal and State highway systems and, as such, we are heartily in favor of it. However, we believe that it is quite essential that we point out to you inequities that exist in the taxing of certain types of vehicles now included in the terms of the Highway Revenue Act, but which do not come into the category of usage of the highways, as do the great bulk of vehicles.

We refer specifically to service type vehicles concentrated largely in urban areas having populations of 5,000 and more. More specifically these vehicles can be identified as those trucks and small trailers used in the field of communications, electric light and power, rural electric cooperatives, and gas and water distribution systems. They are operated for the purpose of constructing, maintaining, and servicing these communication and distribution systems throughout the country.

Actually, the truck bodies employed on these vehicles are simply "truck-mounted tools," many of which have mechanical equipment attached for working in the field, provisions for carrying an inventory of materials necessary in the field, kits of hand tools, and emergency repair supplies. Similarly, the trailers which are used in this field-service work are mobile "tool cribs" or "stock bins." These units are brought to the working area and serve as a storage locker for the tools and equipment necessary for fieldwork.

The annual truck mileage of these vehicles is very low, and the amount of travel on our Federal highways is the lowest of any group of vehicles that can be isolated. Their work is confined to relatively small areas each day, and the majority of their work is conducted in the urban areas and along the rights-of-way provided for communication, power, and other distribution services.

These service bodies, or "truck-mounted tools" and "service trailers," are not used for the movement of revenue-bearing cargo, nor are they used for the delivery of commodities or supplies offered for sale by the owners or operators of the vehicles.

We believe that consideration should be given to the exemption of the proposed increase in excise tax on truck bodies and trailers used in this type of service work, as we feel such an increase in tax is inconsistent with the intent of the bill to place the financial responsibility of the highway system on those for whom the proposed system was originally planned.

Truck bodies, service trailers, and equipment of the type referred to, do not require replacement as frequently as the cargo-carrying type of truck bodies and trailers with which all of us are so familiar in the everyday use of our streets and highways.

This fact, coupled with the possibility of an increased Federal excise tax, has developed a marked tendency on the part of the owners of these vehicles to rehabilitate present equipment or to reinstall present truck-body equipment on new chassis when such chassis are no longer economically reusable, in order to avoid purchases of truck-body and service-trailer equipment subject to tax.

In contrast to increased revenues, this tendency obviously would reflect in decreased revenues to the Federal Government, as reuse of the truck body or service trailer would provide no further Federal excise tax.

The service type of vehicle, as described herein, is unique in that its individual category does not follow the usage and the popular interpretation of trucks and trailers. We firmly believe it would not be difficult to incorporate in the provisions of title II, the language for an appropriate exemption of these vehicles from the increased tax, and which would be definitely in keeping with the intentions of the Highway Revenue Act.

Extending that, Mr. Chairman, we feel that the 5 percent excise tax which would go into the general revenue fund, should be maintained when it reverts back to the end of this extension on April 1, 1957, that that should be maintained on these units. But we further feel that the 5 percent which would go into the highway cost fund should not apply to the bodies or these trailers used in this field-service work, but should apply to the truck chassis if it is mounted on the truck chassis.

For your information and aid in identifying this type of truck body and trailer, we have enclosed tear sheets from the current issue of Telephone Engineer and Management, with illustrations of these "truck-mounted tools," performing some of the work for which they were designed. In addition to this, we have enclosed other photographs and illustrations which the members of this committee will readily recognize as the type of service vehicles they have observed in maintenance operations throughout the country.

The retention of the 5 percent Federal excise tax which goes to the general revenue fund seems fair and equitable, while the additional 5 percent increase for the highway fund seems most inequitable, when applied to this type of body or trailer.

The industry producing this type of equipment is not large, but is of a highly specialized nature. It consists of many small and medium-small manufacturing concerns, not concentrated in any particular part of the country. Primarily, the efforts of these manufacturers are devoted to the design and production of these specialized types of equipment, and their products are not generally regarded as being in the field of "truck and trailer equipment" as such, but in the field of tools and supplies necessary for the maintenance and emergency servicing of our complicated systems of utility services.

The exemption of the type of equipment referred to from the additional 5 percent tax, would have only a minute effect on the funds to be realized for highway building purposes, but would provide substantial assistance to the industries using them and supplying them.

Certainly the enormity of your task in providing the necessary revenue for this highway program is appreciated, and we ask only your attention and consideration of the inequity we firmly believe exists in including these types of truck bodies and service trailers in the broad encompassing language of the act.

I certainly appreciate your hearing me.

The CHAIRMAN. The next witness will be Robert C. Hibben.

STATEMENT OF ROBERT C. HIBBEN, EXECUTIVE SECRETARY, INTERNATIONAL ASSOCIATION OF ICE CREAM MANUFACTURERS, WASHINGTON, D. C.

Mr. HIBBEN. My name is Robert C. Hibben. I am executive secretary of the International Association of Ice Cream Manufacturers of Washington, D. C., with a membership operating over 2,200 ice cream plants, manufacturing over 80 percent of the ice cream and related products in the United States.

At its annual convention in St. Louis in October at its annual business meeting on October 24, 1955, the membership of the international association passed a resolution supporting the highway program, which is exhibit 1 of this brief.

(The resolution referred to is as follows:)

EXHIBIT 1

RESOLUTION PASSED BY THE INTERNATIONAL ASSOCIATION OF ICE CREAM MANUFACTURERS AT ITS ANNUAL MEETING OCTOBER 24, 1955

Whereas the expanding markets call for a development of more extensive highways; and

Whereas there is need for the construction of replacement traffic routes where highways are inadequate for modern traffic needs; and

Whereas many industries including the ice cream industry need more adequate construction programs in metropolitan areas to prevent costly traffic problems; and

Whereas the dairy industry believes there must be further development of farm-to-market roads: Now, therefore, be it

Resolved, That the officers and staff members of the international support Federal legislation creating a long-range highway construction program financed soundly without undue burden on any segment of highway traffic.

Mr. HIBBEN. What interest does the ice cream industry have in this highway program, as represented by H. R. 10660? The problem confronting the vast majority of ice cream manufacturers, all using delivery trucks, is the increased cost of delivery, principally due to the following reasons:

1. Congestion in urban areas causing slowing up of delivery.
2. The increased consumption of gasoline caused by slow delivery. It is estimated that approximately 25 percent of the gasoline used by delivery trucks is wasted because of traffic congestion in metropolitan areas.

What is this increased cost of delivery? In 1952, the cost of truck delivery was 16.9 cents per gallon delivered. In 1954, this had risen to 18.54 cents per gallon. Calculated on the total volume of production, this means that in 1954 there was an increased cost of $15,120,000 over 1952. This data is based on our annual expense reports of our members.

Since the principal interest of this industry, using the smaller trucks to deliver its products to retailers and consumers, is found in the metropolitan area, this industry would endorse the formula for apportionment of funds for the various road construction programs, in title I of H. R. 10660. We believe that if this program is carried forward a great deal of the city street congestion would be solved.

This hearing is called to discuss title II of H. R. 10660, and again we turn to exhibit 1, our resolution, which states that—

the officers and staff members of the International support Federal legislation creating a long-range highway construction program, financed soundly without undue burden on any segment of highway traffic.

We believe that title II of H. R. 10660 fulfills the provisions of our resolution.

The tax provisions in title II at the present time are in perfect balance, as each segment of our economy using the highways pays its share of the cost, from the individual who is driving his own car to the large trucks found on the interstate highways.

Your committee has of course one problem in regard to what is commonly known as the Reed amendment—you have heard a lot about that this morning—which places a tax on trucks over 26,000 pounds. It is a controversial item in title II because there are some users of such large trucks that believe it is discriminatory to use an arbitrary weight to inaugurate a tax. However, if the drivers of private automobiles are standing the burden of a 1-cent increase in the Federal gasoline tax, and the small urban delivery truck taxes are increased, surely the larger trucks and buses using the Federal highways and interstate systems should stand their share of the burden. It is hoped that this can be worked out satisfactorily by your committee.

While in the ice cream industry these large trucks are in the minority, used mostly for transport of our products from the manufacturing plant to distributing stations, nevertheless, we realize that this and other industries will, in the end, pay for any tax that you place on the large trucks through increased costs when common carrier or contract trucks are employed.

The ice cream industry, which uses over 10 billion pounds of milk equivalent for its cream and milk solids to manufacture annually over 750 million gallons of ice cream and related products, generally purchases its ingredients from creameries. However, some purchase milk direct from the farmer. We know that this committee is very conscious that the farm-to-market roads should not be overlooked in carrying forward this program.

The average delivery trucks used by this industry range in loaded weight from 7,500 pounds to 12,500 pounds. The tax burden for these light trucks under title II of H. R. 10660 would be as follows: The 12,500-pound new truck which is a panel truck or just an ordinary body, would have its operating costs increased an estimated $25.99 per year. The operating cost of the 7,500-pound new truck with the refrigerated body—which costs around $5,000—would be increased an estimated $35.63 per year. This is calculated on 12,000 miles operation per year, and many of the delivery trucks are much under this mileage. These increases include excise taxes amortized over a 5-year period.

It is granted that if we build new roads we must pay for them, and we believe the above tax on our delivery trucks represents our share of the load, and any change in the formula of title II that would place a larger tax on the smaller delivery trucks used in metropolitan areas would be discriminatory.

Therefore, in conclusion, we endorse the apportionment of funds formula in title I of H. R. 10660, which gives good provision for the

improvement of roads in metropolitan areas. We hope that the Senate will carry forward this formula into the final bill and keep the tax provisions in title II sufficient to carry out this program without undue burden on any segment of highway traffic.

Mr. Chairman, I want to add another sentence, which I hope you will report to the Senators.

I am disturbed and disgusted with the way these taxicab men are coming in here and asking for exemptions. These taxicabs travel the same city roads that we do in delivering, and I am talking about millions of city trucks. They have no more right to exemption than we do. We are not asking for it. We are willing to pay for our share.

Furthermore, they are paid for the congestion. I came from the airport the other day in one of those metered cabs, and it cost me 20 cents extra because we were caught in the traffic on the bridge. But if that was one of my trucks, we would have had to pay overtime for that man. And if the Senate sees fit to exempt taxicabs from title II of H. R. 10660, you will find you will have private carriers coming in here, because the one thing these taxicab men overlook is that if you carry forward the formula in H. R. 10660, as it is in the House bill, you are going to find there is going to be plenty of improvement in the metropolitan areas, and cut out some of this congestion.

Mr. STAM. Thank you very much.

That concludes the hearing, I believe. And we thank you very much. I thank you on behalf of the committee.

(By direction of the chairman, the following is made a part of the record:)

MAY 18, 1956.

My name is Ernie Adamson and I reside at Middleburg, Va. I am a lawyer and have represented motor carriers for many years. I testified before the House committee on this highway bill, H. R. 10660, but since that time have concluded that the tax provisions as applied to motor vehicles should be expanded but simplified. I am quite certain that the basis for assessing the tax by weight will be very unfair. Many heavy vehicles seldom use the Federal highways and then at irregular times. I respectfully suggest that the fairest basis would be to tax all self-propelled motor vehicles at 50 cents per horsepower over and above 100 horsepower (horsepower means the advertised or claimed power), and on trailers pulled by powered vehicles as follows:

(*a*) On all closed van-type trailers, including house trailers, $50;

(*b*) On all high side open top trailers, $50;

(*c*) On all double-deck trailers designed to carry cargo on two decks or levels, $50;

(*d*) On all tank trailers, $20;

(*e*) On flat-bed and other special types of trailers, $10; and

(*f*) Buses, $25.

Tax to be collected every 2 years. This method would yield about $500 million every 2 years. It would not affect the farmers very much and the small straight trucks of less than 100 horsepower would be free of tax.

Every vehicle paying this highway tax should be exempted all other mileage or use taxes imposed by the States, in the State of domicile.

These relative tax figures are based upon the use of the highways both as to frequency and the amount of space occupied when on the highway.

Vehicles which are designed for a special purpose should not be taxed as heavily as the closed freight trailers able to carry all kinds of package cargo between fixed terminals in either direction every day.

THE RUBEROID CO.,
New York, N. Y., May 17, 1956.

Subject H. R. 9075.
SENATE COMMITTEE ON FINANCE,
Senate Office Building,
Washington, D. C.

GENTLEMEN: We wish to file this strong protest against certain provisions of H. R. 9075. We feel we voice the opinion of innumerable manufacturers, farmers, contractors, and individuals who are in a position like ours, and use powered and tired equipment that never travels on a public road.

We understand that H. R. 9075 proposes to levy taxes on the fuel, rubber tires, and so forth, used by industrial equipment that can be classed as "capable of being used on roads," but that, in fact, are never used on public roads.

We understand that the purpose of this tax is to help pay for public roads for public use. We have no fundamental objection to appropriate "road taxes" but it is only just that such taxes be paid by those using the roads, and not be levied on those who do not use the roads.

There are millions of farmers, contractors, and manufacturers who use a large number of internal combustion engine powered and penumatic-tired equipment, which is never used on public roads. Why should they pay a road tax?

For instance, at our Vermont Asbestos Mines, during 1955, we used approximately 118,000 gallons of diesel fuel to power quarry and mine equipment—that never even approach a public road. On this quantity of fuel, taxed at $0.02 a gallon, we would have to pay an unjust tribute of $2,360 for roads this equipment never uses. Added to this is a good-sized cost of recordkeeping. And this is only one of our plants.

By the time we added the proposed tax on fuel and tires used by powered equipment at all of our other plants, we would have a sizable burden that could be absorbed only in higher prices for the building material products we produce.

No doubt you can appreciate, when you stop to think about it, how unjust such a tax would be. We dislike registering a complaint without offering a suggestion toward a solution of an obvious problem. We appreciate the necessity of financing the necessary expansion of our public road system, and possibly, to some extent, by additional taxes levied on those who use the roads. Therefore:

We suggest that the proposed additional fuel and tire tax contained in H. R. 9075 be limited to the fuel and tires, etc., used on mobile equipment that must carry and display a vehicle license tag before using public roads, and not be levied on fuel and tires consumed by equipment in offroad use.

We respectfully request your earnest and careful consideration of this brief statement and all it implies.

May we count on your assistance in the prevention of the enactment of obviously unjust legislation?

Respectfully yours,

M. V. ENGELBACH,
Manager, Government Department.

STATEMENT OF HON. RUSSELL P. MACK OF WASHINGTON, ON H. R. 10660

Mr. Chairman and members of the committee, you have before you for consideration H. R. 10660 which was recently passed by the House of Representatives. As a Member of the House, I supported that bill and as a member of the House Public Works Committee, I participated in its development.

Although I consider H. R. 10660 a good and necessary bill and supported it in the House, there is still one provision which I feel should be amended. I refer to the tax imposed on gasoline, diesel, tires and tread rubber used in "offhighway" use.

The bill under consideration by the Senate Finance Committee would extend for 15 years the present taxes on gasoline, diesel and special motor fuels, tires and on new trucks, trailers and buses. It would also provide additional revenues through increased rates on those items and a new tax on tread rubber.

These taxes would seem to fit the theory of letting the user pay for highways, but there is an important deficiency. As proposed, the taxes apply to purchasers of these items who do not use the public road system, or use it to a very limited

extent, and would receive little or no benefit from the expanded interstate system.

The Third Washington District which I represent in Congress is as large in area as the two States of Massachusetts and Rhode Island combined. My district, except for one in Oregon, has more standing timber within its borders than any other congressional district in the United States. I, therefore, naturally, am well acquainted with the practices and problems of the lumbering industry, and can speak as an expert on forest industry problems.

There are three types of forest product operations in which motor vehicles of industry do not use public highways at all or use them very little.

Operation No. 1: Logging companies often build logging railroads from a river or a bay, 10, 25 or 50 miles into the forest. Motorized logging trucks that burn gasoline or diesel fuel and use highway type of tires operate from rail heads in the forest back into the forest to haul logs. These trucks transport logs from the forest to the forest railhead over logging roads, built and maintained by the private logger and not by the public. The logs are transferred from the trucks to railroad cars which then haul the logs to a waterway ready for preparations to towage to the mills. At no time are such logging trucks ever on any public highway.

Operation No. 2 is one where the logger uses his own roads for 25 to 75 percent of the haul distance and travels on the public highways the remaining part of the haul. In such cases it seems to me only fair that the logger should pay a tire and rubber tax only on that percentage of his haul that is over public roads.

Operation No. 3 is connected with lumber mills. Nearly all mills of any size nowadays employ motorized carriers that consume gas or diesel fuel and operate on rubber tires, to transport lumber from one place in a milling operation to another. I am certain that 90 percent of their motorized carriers never leave the private properties of the milling company. These carriers usually do not use the highways at all and therefore the owners of this equipment should not be taxed on tires and on gasoline or diesel fuel to help pay for highways that this type of vehicle, in nearly all cases, never do or ever will use.

It seems proper to me that adequate and equitable provision be made for exempting those consumers of gasoline, tires, rubber, and other fuel who are not such beneficiaries of the enlarged highway program. This exemption should be clearly expressed in the legislation now under consideration, with adequate regulatory authority in the Treasury Department to apply it and see that it is not abused.

In the vast forest industries which are important not only in the Pacific Northwest, but a major industry in many other regions of the United States, many thousands of motor vehicles owned and operated by these industries do not operate upon, or operate only to a very minor degree, upon publicly financed highways or those subsidized by Federal appropriations. These industries operate on millions of acres of their own lands over which roads have been constructed with their own funds. In addition, they have built and paid for thousands of miles of permanent-type roads on federally owned lands on which they were harvesting timber, which upon completion of their contracts they turn over to the Federal Government as service roads. In the past 10 years more than 11,000 miles of these permanent-type roads have been built by private operators on the national forests alone.

In addition to these permanent-type roads, which cost an average of about $10,000 a mile, loggers in the West build an average of 1 mile of temporary hauling road for every million feet of timber they cut. Approximately 7,000 miles of such roads were built on the national forests last year and the total construction of such roads on both public and private lands would probably amount to 30,000 miles a year. Loggers also pay the repair and maintenance costs on more than 11,000 miles of previously built permanent-type access roads on Federal lands which they use.

When the tremendous cost to the logging industry of building and maintaining its own roads is considered, the inequity of imposing additional taxes on fuel and tires they use to pay for the building of highways they do not use is obvious. Any highway-user tax should provide a clear-cut exemption for the fuel and tires used by the logging and lumber industries, as well as other industries similarly situated. Such an exemption can be provided simply and practically from an administrative standpoint, by providing a refund of the taxes paid on fuel and rubber used off the highway.

The bill now provides for such refunds for fuels used in boats, airplanes, and otherwise for use in other than a highway vehicle. Those provisions could

be extended to permit refunds for extensive off-highway use of fuels and rubber in highway-type vehicles based on records maintained by the user, on the same basis as the recently passed legislation which relieved the farmer of the taxes on fuel used on the farm for farming purposes, or on some basis similar to the provision for local public transportation which establishes a percentage basis for the determination of eligibility for refund.

Representatives of the forest-products industry estimate that the extra taxes on gasoline, diesel fuel, and tires in this bill (H. R. 9075), as now written, will impose additional taxes of about $8 million a year upon that industry. If the exemptions I propose are granted, it is expected that their extra taxes will be reducted by 50 percent. In short, in the opinion of the industry the loss in revenue, from the bill as now written, would be about $4 million.

The coal and mining industries, in a similar way but to a much lesser amount, would be affected if off-highway users are exempted from the tax in this bill.

AMERICAN PETROLEUM INSTITUTE,
New York, N. Y., May 18, 1956.

Hon. HARRY F. BYRD,
Chairman, Committee on Finance,
United States Senate, Washington, D. C.

MY DEAR SENATOR BYRD: Enclosed is a statement which the American Petrodeum Institute wishes to file with your committee relating to certain provisions of H. R. 10660, which we understand you are now considering.

We appreciate this opportunity to present the views of the institute on this important matter.

Yours very truly,

FRANK M. PORTER.

STATEMENT OF AMERICAN PETROLEUM INSTITUTE RELATING TO CERTAIN PROVISIONS OF H. R. 10660

On February 21, 1956, in hearings before the House Committee on Ways and Means, the American Petroleum Institute presented its views on certain features of H. R. 9075, the Highway Revenue Act of 1956, a measure now incorporated as title II in H. R. 10660.

At that time, the API questioned the wisdom of any further increase in the Federal excise tax on gasoline, noting that the national average tax on this product already amounts to 36 percent of the price paid by the consumer, 48 percent of the price the retail dealer pays, and 69 percent of the average wholesale terminal price.

Together with the Conferenc of State Governors and other groups, it has long been the position of the API that the field of gasoline taxation should be vacated by the Federal Government, leaving this source of revenue to the States to whom it has traditionally belonged. This position has not changed.

If, however, it shall be the decision of Congress to remain in this tax field, and, as provided in H. R. 10660, to increase further the present Federal gasoline tax rate, the API wishes respectfully to call attention to certain aspects of both existing and proposed laws which it considers unsound from the standpoint of administrative policy.

Under the present law, liability for collecting the Federal tax on gasoline falls on the refiner or manufacturer. This means that he must collect the tax from the jobber or first purchaser at the time of initial sale. To the independent jobber, this provision works considerable hardship, since he is obliged to pay the tax immediately, and must wait for reimbursement until the product has been finally sold and payment has been received from the buyer. The effect is to tie up considerable portions of his working capital for longer periods of time than he can easily afford.

If the incidence of collecting the tax were transferred from the refiner or supplier to the jobber, this unnecessary hardship would be mitigated. The jobber would still have a large portion of capital tied up in the tax portion of credit sales, but he would have reduced the amount frozen in tax on inventory on hand and unsold.

It should be emphasized that no member of the petroleum industry wishes in anyway to shirk the responsibility of seeing that the tax is collected. We urge

that consideration be given to the administrative change suggested in the interest of equity and in the interest of the small-business men affected.

In regard to the proposed legislation, H. R. 10660, a different problem arises. Under this measure, relief from the proposed 1-cent tax increase would be granted automatically to the farmer, covering gasoline and other fuels used on the farm for agricultural purposes. Taxes paid on such fuels would be refunded, in the same manner now provided by Public Law 466.

Under H. R. 10660, relief from the proposed additional 1-cent tax is also granted to other sales for use in nonhighway vehicles. There is, however, an essential difference in the manner in which the tax relief is granted. Instead of a refund of the tax after the fuel is used, as in the case of farm gasoline, the other users granted this credit may obtain the tax relief by purchasing gasoline tax exempt (as to the added 1-cent tax). To avoid payment of this tax, these purchasers would merely submit a declaration alleging that they do not intend to use the fuel for highway purposes.

This exemption is obtained at the time of purchase, before the fuel is used. It should be emphasized that the words "exemption" and "refund" as used in H. R. 10660 represent two entirely different concepts of tax relief. H. R. 10660 provides for a refund of tax to farmers after the fuel has been used for agricultural purposes. It provides for an exemption from the additional 1-cent tax before the fuel has been used in other nonhighway vehicles.

Among the vehicles entitled to the exemption are—

Aircraft
Marine craft
Roadbuilding contractors' equipment
Mining contractors' equipment
Quarrying contractors' equipment
Stationary engines of all kinds
Cranes
Gang cars and other motorized railroad equipment
Tractors, forklift trucks, and other motorized equipment in industrial plants. warehouses, docks, etc.
Power lawn mowers, motorized garden cultivators
Tractors and other motorized equipment on golf courses, cemeteries, etc.
Airport equipment

Any such provision for an outright exemption rather than a refund would have extremely undesirable results:

1. *It would threaten loss of legitimate Federal revenues.*—Under the refund plan, the farmer would pay the tax at the time of purchase, and subsequently file for refund, with the proper supporting evidence, on the fuel he used for agricultural purposes. Other nonhighway users, however, would escape the one-third of the tax entirely through a mere allegation of intent. The opportunities for tax evasion would be widespread.

Moreover, the legitimacy of the buyer's claim could hardly be questioned. The seller will not challenge the buyer's intent when the result is apt to be loss of sale, even where there may be grounds for suspicion that the fuel may be used on the highway. There is the further distinction, which the seller is powerless to make, between what the purchaser may intend to do with the fuel at the time of sale and what he ultimately does do with it.

In addition, the door would be opened for the alteration of certificates after the consumer has signed them. A certificate for 10 gallons could be altered to read 100 gallons or 1,000 gallons by one or more of the recipients of the certificate. Since only the ultimate consumer would be in a position to attest to the validity of the claim, such certificates would be accepted as legitimate in most cases by each successive recipient.

Since these certificates would, in effect, be equivalent to cash, the volume of fraudulent claims could undoubtedly be considerable.

2. *Undesirable attitudes toward the law would be encouraged.*—With evasion of the tax rendered so simple, many consumers would succumb to the temptation to avoid payment. Since knowledge of this loophole in the tax provisions would extend far beyond those actually involved, it would affect every citizen's attitude toward the law. To the extent that disrespect for the tax law is encouraged, respect for the letter and spirit of all law is weakened.

3. *The exemption system would be grossly inefficient.*—One immediate result of the exemption system would be the creation of a mountain of unnecessary paperwork. In the normal chain of distribution of gasoline, the refiner is charged with the collection of the Federal tax. Customarily, the tax is remitted by the

refiner or initial vendor and passed on from refiner to bulk distributor, to jobber or wholesaler, to dealer, until it finally rests with the consumer.

When the consumer buys for a tax-exempt purpose under H. R. 10660, however, he furnishes an exemption certificate, which is then endorsed and passed all the way back up the line of distributors by each person in the chain, finally coming to rest with the initial vendor who issues a credit for the tax and in turn is reimbursed by the Government.

Under H. R. 10660, this procedure would have to be followed in the case of every purchase for nonhighway use, other than farm purposes. Many of these purchases involve quantities of 10 gallons or less. The number of exemption certificates submitted each year would run into the hundreds of thousands. The postage involved in passing along many certificates would exceed the amount of the claim. Finally the Federal Government would have to audit this vast amount of certificates for validity.

Contrast this with the refund system, under which each purchaser files a claim at specified periods for refund on fuel used legitimately for nonhighway purposes. The refund claim is filed after use of the fuel, not on the basis of an allegation of future intended use.

4. *An unjust burden would be placed upon oil jobbers, dealers, and suppliers, ultimately affecting the consumer.*—The initial vendor would be compelled to print and distribute huge quantities of exemption certificates, process the certificates, issue credits for checks, accounting for them in his own book as well as to the Treasury Department, and allocate valuable storage space to the filing and safeguarding of the certificates for the statutory period of 3 years and 4 months.

By far the harshest burden, however, would fall upon the distributors, jobbers, and service-station operators, the group least able by training and limitations upon their time and personnel to cope with the task. Tens of thousands of these small-business men would be forced to secure, validate, endorse, handle, and account for hundreds of thousands of certificates representing millions of dollars in tax exemptions each year.

The dealer would be forced to take time out from his normal duties of fueling and servicing vehicles to process exemption certificates on 2 or 3 gallon sales of gasoline for power lawnmowers or motorboats. Routine tank-wagon deliveries of fuel to warehouses, docks, and industrial plants would be interrupted while the driver located someone in authority to sign the exemption certificate at the time of each delivery.

Moreover, every person in the chain of distribution would face the necessity of making good any fraudulent certificate which he had received, endorsed, and passed on. Certificates deemed to be invalid upon final audit by the Government would result in many instances in a direct loss to some distributor, jobber, or dealer since it would be impossible to locate the original purchaser, or the originator of a false or altered certificate.

The amount of time and the volume of paperwork occasioned at every level right down to the service station would be both burdensome and costly. Part of this cost would have to be passed on to the consumer, who would be forced to pay higher prices not for better fuel or service, but for completely unnecessary business operations.

Adoption of the refund system would eliminate such problems as these. The only objection to the refund method might come from bulk purchasers of gasoline for nonhighway purposes, such as airlines, who might object to having working capital tied up in the tax for long periods. If provisions similar to those now in effect under Public Law 466 were to apply, they would be forced to wait a full year for their refund. This objection could be met by providing for refunds at more frequent intervals.

5. *Adoption of the exemption system would endorse a practice which the States, through bitter experience, have condemned.*—Through long experience the States have found that it is virtually impossible to enforce and administer tax-exempt sales of gasoline. Many of the States have at one time tried this type of provision, but abuses of the procedure, enforcement problems, and resulting loss of revenue have uniformly resulted in changing to the refund system instead of the exemption plan. At present, there are four States which allow no credit for nonhighway use of motor fuel. Of the remaining States, 43 have adopted the refund method. Only one State employes the exemption system.

The judgment of State officials who have had actual experience with both methods was summed up in 1951 by the president of the North American Gaso-

line Tax Conference,[1] Mr. Armand J. Salmon, Jr., who is also head of the New Jersey Motor Fuels Tax Bureau, as follows:

"All members of this group are in agreement, that if relief from gasoline tax * * * must be given, the refund system * * * has proved vastly more satisfactory from the standpoint of the tax administrator than any other system. * * * The purpose of this policy is to eliminate as far as possible undesirable outside influence on the claimant and to impress upon him that he alone will be held responsible for the validity of his claim."

CONCLUSION

In view of the foregoing serious objections to the exemption system and in order:

(1) To prevent possible loss of Federal revenues
(2) To avoid encouraging tax evasion
(3) To prevent inefficiency
(4) To prevent hardship to petroleum distributors and their customers, and
(5) To insure uniformity between State and Federal tax practices,

it is respectfully recommended that the proposed additional 1-cent Federal excise tax on gasoline and other motor fuels be made refundable.

STATE OF NEW JERSEY,
DEPARTMENT OF THE TREASURY,
Trenton, May 14, 1956.

Hon. HARRY FLOOD BYRD,
United States Senate, Washington, D. C.

MY DEAR SENATOR: I have just returned to Trenton after attending the 23d annual meeting of the Northeastern States Region of the North American Gasoline Tax Conference, which was held at the Du Pont Hotel in Wilmington, Del., from May 9 to 11, 1956, inclusive. I attended this meeting in the dual capacity of head of the New Jersey Motor Fuels Tax Bureau and the 1956 president of the conference, an organization composed of the motor fuels tax administrators of the 48 States and the tax representatives of all of the oil companies doing business in such States.

Of deepest interest at the meeting was H. R. 10660 and its provisions for exemption of the Federal excise tax on gasoline for nonhighway use other than farm use. As a matter of fact, such interest resulted in the passage of a resolution by the region, for forwarding to your Senate Finance Committee, recommending the amendment of H. R. 10660 to provide for the refund rather than the exemption method of tax relief. It is my understanding that a copy of this resolution will be forwarded to you within the next few days.

I take this method of bringing to your attention the fact that I cannot too strongly stress the dangers of tax evasion under the exemption privilege. In this respect, I point out to you that, as originally enacted in 1927, our New Jersey gasoline tax law provided for such method of tax relief for generally nonhighway uses of gasoline. Fortunately, we were able to change to refunds effective July 1, 1935. In 1934, exemptions in New Jersey amounted to $5½ million. In 1936, refunds amounted to $1,900,000. From then to date, even with a tax rate increase of 1 cent over a year ago, refunds in any 1 year have never been greater than $4½ million.

I realize that the refund procedure of tax relief presents a tremendous problem in the vast number of claimants involved; however, I am sure details for the processing of claims could be very efficiently worked out by planning personnel of the Bureau of Internal Revenue, a number of whom I have met over the years and have found most capable in gasoline tax matters.

I am very well acquainted with the administrator of the motor fuels tax law of your State. I am certain that if he were asked he would support me in a recommendation to you of the adoption of the refund method of tax relief for nonhighway use other than farm use in H. R. 10660, rather than the exemption method. I do hope that you can give such a recommendation your favorable consideration.

Respectfully yours,

ARMAND J. SALMON, Jr.,
State Supervisor.

[1] An organization for improved methods of gasoline tax administration.

77618—56——13

BISMARCK, N. DAK., *May 10, 1956.*

Senator WILLIAM LANGER,
Senate Office Building, Washington, D. C.:

Understand H. R. 10660 before Senate Finance Committee provides for tax refund nonhighway gas to farmers but permits other nonhighway gas to be sold tax exempt. We have had experience tax exempt in North Dakota results in widespread evasion and is a great temptation to unscrupulous dealer report sales as tax exempt and pocket the tax. Would result in most confusing situation with part of nonhighway gas sold to require application for refund and balance to industry sold tax exempt. Am informed amendment will be offered in committee to require refund on industrial as well as farmers gas. Would appreciate your contacting any friends on committee and explaining this situation to them.

GORDON V. COX.

UNITED STATES SENATE,
COMMITTEE ON GOVERNMENT OPERATIONS,
May 17, 1956.

Hon. HARRY F. BYRD,
Chairman, Committee on Finance,
United States Senate, Washington, D. C.

DEAR HARRY: I am forwarding you the attached letter from Mr. A. F. Wakefield, president and general manager of the Wakefield Co.

You will note Mr. Wakefield sets forth two recommended amendments to the proposed highway program. I would deeply appreciate your calling to the attention of the committee these amendments during the hearings on the tax portion of the program, which I understand are to commence today and continue on Friday. I would also appreciate your making this request and Mr. Wakefield's letter a part of the record.

With deepest appreciation and kindest regards, I am,

Cordially yours,

GEORGE H. BENDER,
United States Senator.

THE WAKEFIELD CO.,
Vermilion, Ohio, May 1, 1956.

Hon. GEORGE BENDER,
United States Senate, Washington, D. C.

DEAR GEORGE: Since the House has acted on the highway bill, I presume it is in the form similar to H. R. 9075 and will be scheduled very soon for the Senate.

I got the following information to my Congressman so late that he was unable to amend the bill in committee, and amendments were not acceptable from the floor of the House, as I understand it.

In the State of Ohio and the State of Michigan they have provisions similar to House Bill 77, which I am attaching. Such bills provide for the cancellation of highway taxes and their accumulation to build harbors of refuge for small craft.

It appears there are two opportunities for amendment toward this end in the highway bill:

(1) There is a bus exemption formula whereby a refund on gasoline, diesel fuel or special motor fuels used would be based on the source of fares. This provision makes possible a refund which, if amended at this point, should call for the refund to the State auditor for delivery to the waterways safety commission of the State.

(2) The other would be in special cases—section 6416 (b) (2) (J). "In the case of a liquid in respect of which tax was paid under section 4041 (b) at the rate of 3 cents a gallon, used or resold for use as a fuel for the propulsion of a motorboat or airplane; except that the amount of such overpayment shall not exceed an amount computed at the rate of 1 cent a gallon;" to be allowed any State which does not rebate motor-fuel tax to motorboat operators.

Such an amendment should be worked out in collaboration with the sponsors of the bill in order to have their support. Obviously, it is not the intention of the authors to tax motorboats or airplanes, and I do not think that you should have too much difficulty having a proper amendment accepted.

I am sending a copy of this letter to Congressman A. D. Baumhart, Jr., and also to Senator Bricker, as well as to some of the constituents of the Senator from Michigan.

Thanking you for any attention you can give this during a busy campaign, I am

Sincerely yours,

A. F. WAKEFIELD,
President and General Manger.

(AMENDED SUBSTITUTE HOUSE BILL NO. 77)

AN ACT To create a waterways safety commission and to provide for the construction and improvement of navigable waterways within or adjacent to the state of Ohio which shall be financed by an excise tax hereby imposed: to amend sections 1507.01, 1507.04, and 1507.06 of the Revised Code and to enact supplemental sections 1507.061, 1507.062, 1507.063, 1507.064, 5736.01, 5736.02, 5736.03, and 5736.99 of the Revised Code

Be it enacted by the General Assembly of the State of Ohio:

SECTION 1. That sections 1507.01, 1507.04, and 1507.06 of the Revised Code be amended and supplemental sections 1507.061, 1507.062, 1507.063, 1507.064, 5736.01, 5736.02, 5736.03 and 5736.99 be enacted to read as follows:

SEC. 1507.01. The office of the chief of the division of shore erosion shall act as the erosion agency of the state for the purpose of co-operating with the beach erosion board of the department of defense, as provided for in section two of the "River and Harbor Act" adopted by congress, and approved July 3, 1930, and known as House Resolution No. 11781, of the second session of the 71st Congress, * * * *and as the refuge and small-boat harbor agency of the state for the purpose of participating with, and co-operating with the department of the army, corps of engineers, pursuant to the enabling provisions in the act known as the "Fletcher Act of 1932" and its amendments and successors, including Public Law 14 of the 79th congress authorized March 2, 1945, pursuant to House Document No. 446 of the 78th Congress.* The chief engineers under his direction shall co-operate with said beach-erosion board in carrying out investigations and studies of present conditions along the main shore lines of Lake Erie and of the bays and projections therefrom, and of the islands therein, within the territorial waters of the state, with a view to devising and perfecting economical and effective methods and works for preventing and correcting such shore erosion and damages therefrom, and to prevent inundation of improved property by the waters of Lake Erie * * *, *and the chief and his engineers shall participate and co-operate with the corps of engineers in acquiring, constructing, and maintaining refuge and light draft vessel harbor projects, channels and facilities for vessels in the navigable waters lying within the boundaries of the state.*

"Navigable waters", for the purposes of this act, means waters which come under the jurisdiction of the department of the army of the United States and any waterways within or adjacent to this state, except inland lakes having neither a navigable inlet or outlet.

SEC. 1507.04. The chief of the division of shore erosion, with the consent and approval of the director of natural resources, may expend upon erosion * * * such funds as are appropriated by the General Assembly * * *, and in addition, a sum of money equal to the funds derived from the granting of permits authorized by section 1507.03 of the Revised Code * * *, *and with the consent and approval of the director of natural resources, may expend for the construction, maintenance, operation and repair of refuge and light draft vessel harbors on the navigable waters within the state, such funds as are appropriated by the General Assembly for such purposes, and in addition, a sum of money equal to the funds derived from the rentals, fees and charges as provided in section 1507.06 of the Revised Code and monies accruing from the waterway safety fund as provided in sections 5736.01, 5736.02, 5736.03, 5736.99, 1507.061, 1507.062, 1507.063, and 1507.064 of the Revised Code.*

SEC. 1507.06. The chief of the division of shore erosion, whenever he deems it to the best interests of the state, and as an aid to lake commerce and navigation, *or recreation*, may construct, maintain, repair, and operate refuge harbors and other projects for the harboring, mooring, docking, and storing of light draft vessels. Subject to section 1507.11 of the Revised Code, these refuge harbors may be constructed * * * *on navigable waters within the state.* If such repair and refuge harbors lie between the shore line and a harbor line established by

the United States government so as to interfere with the wharfing out by a littoral owner to navigable waters, such littoral owner shall consent thereto in writing before the location and construction thereof.

The chief may lease, for not more than one year, any space in such refuge harbors or other projects for the harboring, mooring, docking, and storing of light draft vessels. The rental therefor shall be determined by the chief.

SEC. 1507.061. There is hereby created in the division of shore erosion a waterways safety commission composed of the director of the department of natural resources and four members appointed by the governor with the consent of the senate, not more than two of such appointees shall belong to the same political party. Upon the taking effect of this act the governor shall appoint one member of the commission whose term shall expire on the first Monday of February, 1956; one member whose term shall expire on the first Monday of February, 1958; one member whose term shall expire on the first Monday of February, 1960; and one member whose term shall expire on the first Monday of February, 1962. Biennially thereafter one member shall be so appointed for a term of six years, commencing on the first Monday of February. The chief of the division of shore erosion shall act as secretary of the commission.

In the event of the death, removal, resignation, or incapacity of a member of the commission the governor, with the consent of the senate, shall appoint a successor to fill the unexpired term. The governor may remove any appointed member of the commission for misfeasance, nonfeasance, or malfeasance in office.

The commission may:

(A) Advise with and recommend to the chief as to plans and program for the construction, maintenance, repair and operation of refuge harbors and other projects for the harboring, mooring, docking, and storing of light draft vessels as provided in sections 1507.01, 1507.04, 1507.06, 1507.07, and 1507.08 of the Revised Code;

(B) Advise with and recommend to the chief as to the methods of co-ordinating the shore erosion projects of the division with the refuge of light draft vessel harbor projects;

(C) Consider and make recommendations upon any matter which is brought to its attention by any person or which the chief may submit to it;

(D) Submit to the governor biennally recommendations for amendments to the laws of the state relative to refuge and light draft vessel harbor projects.

Before entering upon the discharge of his duties, each member of the commission shall take and subscribe to an oath of office, which oath in writing, shall be filed in the office of the secretary of state.

The members of the commission shall serve without compensation but shall be entitled to receive their actual and necessary expenses incurred in the performance of their official duties from the waterways safety fund as provided in section 1507.063 of the Revised Code.

The commission shall, by a majority vote of all its members, adopt and amend by-laws.

To be eligible for appointment, a person shall be a citizen of the United States, and elector of the state, and possess a knowledge of and have an interest in small boat operations.

The commission shall hold at least four regular quarterly meetings each year. Special meetings shall be held at such times as the by-laws of the commission provide, or at the behest of a majority of its members. Notices of all meetings shall be given in such manner as the by-laws provide. The commission shall choose annually from among its members a chairman to preside over its meetings. A majority of the members of the commission shall constitute a quorum. No advice shall be given or recommendation made without a majority of the members of the commission concurring therein.

The commission shall submit to the governor and the director of the department of natural resources a report of its recommendations or suggestions relative to its business, the cost of which report shall be charged against the waterways safety fund provided for in section 1507.063 of the Revised Code.

SEC. 1507.062. Facilities in harbors and connecting waterways established under the provisions of sections 1507.01, 1507.04, 1507.06, 1507.07, and 1507.08 of the Revised Code shall be open to all on equal and reasonable terms.

SEC. 1507.063. There is hereby created a waterways safety fund for the purposes provided in sections 1507.01, 1507.04, 1507.06, 1507.07, 1507.08, 1507.061, and 1507.062 relating to acquiring, constructing, and maintaining refuge and light draft vessel harbor projects, channels and facilities for vessels in the navigable

waters lying within the boundaries of the state, the funds for which are provided by an excise tax imposed by sections 5736.01, 5736.02, 5736.03, and 5736.99 of the Revised Code.

SEC. 1507.064. In addition to the other matters contained therein, this act shall constitute prima facie evidence by the state of Ohio of the provisions for state participation in the federal program for construction of certain harbors of refuge in navigable waters lying within the boundaries of the state as provided in Public Law 14 of the 79th Congress authorized March 2, 1945, pursuant to House Document No. 446 of the 78th congress.

SEC. 5736.01. As used in sections 5736.01 to 5736.03, inclusive, of the Revised Code:

(A) "Vessel" means any vessel propelled in whole or in part by machinery or by sail, but shall not include:

(1) Vessels not more than sixteen feet in length, measured from end to end over the deck excluding sheer, temporarily equipped with a detachable motor;

(2) Vessels, when used in trade, including vessels when used in connection with an activity which constitute a person's chief business or means of livelihood;

(3) Vessels used for commercial fishing;

(4) Vessels used by the sea scout department of the boy scouts of America chiefly for training scouts in seamanship;

(5) Vessels used or owned by any railroad company, railroad car ferry company, the United States, this state, or any political subdivision of this state.

(B) "Marine fuel dealer" means any person, firm, association, or corporation who engages in the selling or distribution of fuel to vessel owners or operators, for use in propelling vessels on the navigable waters of this state.

(C) "Fuel" means "motor vehicle fuel" as defined in section 5735.01 of the Revised Code, and any other volatile or inflammable liquid, by whatever name such liquid may be known or sold, which commonly and commercially is used or usable, either alone or when mixed, blended, or compounded, for the purpose of generating power for propulsion of vessels.

(D) "Dealer" means the dealer as defined and used in sections 5735.01 to 5735.27, inclusive, of the Revised Code, and required therein to obtain a license from, and to file monthly reports with the tax commissioner.

(E) "Navigable waters", for the purposes of this act, means waters which come under the jurisdiction of the department of the army of the United States and any waterways within or adjacent to this state, except inland lakes having neither a navigable inlet or outlet.

SEC. 5736.02. The excise taxes imposed by sections 5728.01 to 5728.10, inclusive, and 5735.01 to 5735.99, inclusive, of the Revised Code, on all dealers in motor vehicle fuel upon the use, distribution, or sales within the state by them of motor vehicle fuel hereby are imposed, at the rates therein levied per gallon, on all dealers upon the use, distribution, or sale within the state by them of fuel as defined in section 5736.01 of the Revised Code, by division (C) of said section, for the additional purposes of providing revenue for acquiring, constructing, and maintaining the harbors, channels, and facilities for vessels in the navigable waters lying within the boundaries of this state and other purposes specified in sections 1525.01 to 1525.10, inclusive, of the Revised Code.

This section shall not be construed to impose any taxes in addition to those imposed by sections 5728.01 to 5728.16, inclusive, and 5735.01 to 5735.99, inclusive, of the Revised Code.

Said taxes shall be administered and collected as provided in sections 5735.01 to 5735.99, inclusive, of the Revised Code, except that no person who uses any fuel, on which such taxes have been paid, for the purpose of producing or generating power for propelling vessels, as defined in section 5736.01 of the Revised Code, on the navigable waters lying within the boundaries of this state shall be reimbursed in the amount of taxes so paid on such fuel as otherwise provided in section 5735.14 of the Revised Code. Any person who uses fuel, on which such taxes have been paid, for the operation of vessels excepted from sections 5736.01 to 5736.03, inclusive, of the Revised Code, by division (A) of section 5736.01 of the Revised Code, shall be reimbursed in the amount of the taxes so paid on such fuel as provided in section 5735.14 of the Revised Code.

SEC. 5736.03. No person shall engage in business in this state as a marine fuel dealer unless such person is the holder of an unrevoked license issued by the tax commissioner to engage in such business.

To procure such license every marine fuel dealer shall file with the commissioner a sworn application upon a form prescribed and furnished by the commissioner. Such application shall contain the name and address upon which the

applicant intends to transact business, the names and addresses of the several persons constituting the firm or association, and if a corporation, the corporate name, the state where and the time when incorporated, the names of its officers and directors, and if a foreign corporation, the name of its resident agent, the location of its place or places of business, the date such business was established, and any other information the commissioner requires. Such application shall be signed and sworn to by the owner or owners of such business, if an individual, partnership, or unincorporated association, and if a corporation by the president and secretary thereof. At the time of applying for such license every applicant shall pay to the commisioner as an annual license fee the sum of one dollar which shall be transferred to the State treasury to the credit of the general revenue fund.

Upon receipt of such application the commissioner shall issue a license, in such form as he may approve, and the marine fuel dealer, so licensed, shall display the license in his usual places of business. Marine fuel dealers licensed under the provisions of this section shall maintain and keep for a period of two years suitable records of fuel received and sold, and make a monthly report of the sales of all fuel sold to vessel owners or operators, for use in the operation of vessels on the navigable waters within the boundaries of this state, to the dealers who supplied or delivered the fuel to such licensed marine fuel dealer. The dealers when making their monthly tax report shall in turn report such information of monthly sales supplied to them by the marine fuel dealer. The dealers shall also report on all sales of such fuel made by them and delivered directly to vessel owners or operators for use in the operation of vessels on the navigable waters within the boundaries of this state.

All tax on fuel reported by the dealers as being sold for use in operating vessels on the navigable waters within the boundaries of this state shall be credited monthly to the waterways safety fund to be disbursed according to law after the payment of the necessary expenses incurred by the tax commissioner in the enforcement of sections 5736.01, to 5736.03, inclusive, of the Revised Code. The commissioner may prescribe such other regulations as he deems necessary for the collections of the tax imposed by section 5736.02 of the Revised Code.

SEC. 5736.99 (A) Whoever violates section 5736.03 of the Revised Code shall be fined not less than fifty nor more than five hundred dollars.

SECTION 2. That existing sections 1507.01, 1507.04 and 1507.06 of the Revised Code are hereby repealed.

ROGER CLOUD,
Speaker of the House ofRepresentatives.
JOHN W. BROWN,
President of the Senate.

Passed June 24, 1955.
Approved July 1, 1955.

FRANK J. LAUSCHE, *Governor.*

The sectional numbers herein are in conformity with the Revised Code.

OHIO LEGISLATIVE SERVICE COMMISSION,
JOHN A. SKIPTON, *Director.*

Filed in the office of the secretary of state at Columbus, Ohio, on the 1st day of July A. D. 1955.

I hereby certify that the foregoing is a true copy of the engrossed bill.

TED W. BROWN, *Secretary of State.*

File No. 151.
Effective September 30, 1955.

STATE OF NORTH CAROLINA,
DEPARTMENT OF REVENUE,
Raleigh, May 15, 1956.

Hon. SAM J. ERVIN, Jr.,
United States Senator,
Senate Office Building, Washington, D. C.

DEAR SENATOR ERVIN: Upon reading H. R. 10660 concerning the exemption of refund on motor fuels used for nonhighway purposes, I observe that farmers will be required to file a claim annually for the 3 cents tax paid on fuel used for

agricultural purposes and that other nonhighway users will be allowed an exemption of the 1 cents additional tax which will become effective.

I would like to point out that a number of States have tried an exemption system; and in each case, abuses of the procedure, exemption problems, and loss of revenue have resulted in all of these States with the exception of one State changing to a refund system. Therefore, I feel sure that if H. R. 10660 is amended providing that all persons using fuel for nonhighway purposes be required to file a claim for refund after the fuel has been used for such purposes that there will be less abuses and the Federal revenue on motor fuels will be better protected.

With kindest regards, I am

Yours very truly,

FRED W. LONDON,
Director, Gasoline Tax Division.

STATEMENT OF THOMAS D'ALESANDRO, JR., MAYOR, BALTIMORE, MD., IN SUPPORT OF THE NATIONAL HIGHWAY PROGRAM

Mr. Chairman, the fact that we desperately need a greatly expanded Federal highway construction program has been well established. Legislation, as proposed by the Fallon bill, H. R. 10660, must be enacted if we are to survive and thrive as a Nation. As mayor of a big city, I speak particularly for the National System of Interstate Highways, where this system passes through the urban areas. Also, I speak for the mayors of many other cities and towns throughout the Nation, where highway and traffic conditions are similar.

If we study the highway maps and trace the many routes used by the traveler, we can readily see that people are definitely going from one fixed place to another, and, in most instances, at least one of these places is the big city. How often have you traveled along a well-developed State highway, at an almost undisturbed and unrestricted pace, only to be suddenly retarded to a snail's-pace speed as you approach and enter the city? All these fast-moving, free-flowing vehicles must be threaded through the "eye of the needle"—the city street. These undeveloped and long-neglected systems of city streets are the major traffic bottlenecks of today.

But why is this true? For many years we have planned elaborate State highways, and seldom or never have we carried them through the cities. These State highways, almost without fail, stop at the city line, and the mass of vehicles must filter through the already overcrowded, traffic-jammed city streets. Therefore, I want to lay particular emphasis on the construction of a national system of interstate highways through the cities and towns—because the city or town is where the traveler wants to go. This system through the urban areas must be designed and constructed to the same high standards as in the rural areas.

Most cities are already burdened with taxes and expenses in carrying on the many necessary functions that make up a big city, the many services that are necessary and required where there is a great concentration of people. Therefore, if we expect to complete the Interstate System within a reasonable time, Federal financial assistance will have to be materially increased, particularly in the urban areas. With Federal participation on a 90-percent basis, we can both build these much needed highways and also carry out the many other local mandatory functions. Also, with Federal allocation of funds on a 90/10 basis, we can greatly accelerate the construction of the Interstate System through the cities and realize their use before it is too late and the big cities are strangled by traffic congestion. The urban sections of this system will be much more costly to construct than rural sections.

Therefore, gentlemen, when considering this Federal-aid highway legislation, I urge you to give special consideration to the urban sections, to the end that the cities receive an adequate share of the highway funds allotted. Only then will we have a well-integrated system of defense highways passing through State, city, town—all the way from origin to destination—and when completed, they will render an unpredictable contribution to the Nation's economy, defense, and security. But, most important of all, they will go a long way toward reducing unnecessary loss of life through highway accidents.

STATEMENT OF CONGRESSMAN CLAIR ENGLE, SECOND DISTRICT, CALIFORNIA, ON FEDERAL HIGHWAY ACT OF 1956 BEFORE SENATE COMMITTEE ON FINANCE

Mr. Chairman, the taxes in this bill relating to motor-vehicle fuels, tires, and use of heavy trucks discriminates very seriously against the logging industry, which is the major industrial activity in my district. The bill, in raising the existing motor-vehicle fuel taxes and tire taxes, and in putting a new tax on recapping rubber and use of heavy trucks, makes entirely inadequate allowance for the thousands of pieces of logging equipment that are used, and consume fuel and rubber, while operating over private roads or roads that are built and maintained by the loggers themselves. Probably most logging trucks travel the best part of their mileage off the highways; in fact, some of them get on the highways only as a final incident in hauling logs from the woods to the millsite. If taxes are to be imposed upon use of highways for the purpose of financing this highway program, they should not be imposed upon nonhighway use. To do so would be most unfair and inequitable and violate the underlying principle of this legislation.

The discriminatory features of these taxes as applied to the logging industry are further amplified when you consider they have their major impact upon the particular region where the forest industries are the major industrial activity, rather than upon the economy at large. My State has moved into second place in lumber production, exceeded only by the State of Oregon. Its lumber production is running over 5 billion board-feet annually, not including a rapidly growing fiberboard, particleboard, pulp, and wood-waste utilization industry. But that production is concentrated and a substantial portion of that production and the 17.3 million acres of commercial forest land in my State are right in my own district. Over this area we have a vast network of roads that has been built and maintained by loggers themselves. Hundreds of miles are added annually. There is an almost complete use of trucks in logging.

Development of new logging techniques and better road-building equipment has made it possible to go into deep and precipitous drainages of my State and district to convert species of timber heretofore regarded as unmerchantable. But to do this, loggers must build and pay for their own roads. As you know, in a district as big as mine, the help we get from the State and the Federal Government falls far short of meeting our road needs. Since industry-built roads are the lifeline for the flow of timber from the forest to the mill, it is an undue and unjust hardship to impose upon the industry taxes for use of such roads. The industry should not be required to pay taxes on use of its equipment to build roads it does not use.

The deficiencies of this House bill take two primary forms: First, it does not recognize and make allowance for a refund for taxes paid on fuel where the trucks operate partly on and partly off the highways. No one can logically justify, least of all on administrative grounds, why there should be a highway use tax on a truck used exclusively off the highway, and why the full use taxes should be paid if it operates just a fraction of the time on the highway. Yet that is what this bill does. Second, the definitions used in the tire and recap rubber sections fail to recognize partial use off highways and even complete use off highways. For example, much logging equipment that never sets a wheel on the highway uses tires of the type used on highway vehicles.

I understand that logging costs are such an important item in the cost of lumber production, rather complete records are kept by operators on their use of fuel and tires. Also, we have rather complete record-keeping requirements imposed by the States under their own various taxes relating to highway use of fuels. There is no reason why a formula cannot be worked out, under Treasury supervision, allowing persons who operate trucks off the highways to make some claim for refund of the taxes paid on that proportionate part of fuel, rubber, and trucks they can show from their records was used over roads that are not financed by tax revenues.

UNITED STATES SENATE,
COMMITTEE ON ARMED SERVICES,
May 17, 1956.

Hon HARRY F. BYRD,
Chairman, Senate Committee on Finance,
Senate Office Building, Washington, D. C.

DEAR SENATOR BYRD: It is my understanding that the Senate Committee on Finance which presently has before it H. R. 10660, the Federal highway bill, is to receive testimony from the American Taxicab Association today.

Massachusetts businessmen engaged in this vital industry have brought to my attention a resolution adopted by the New England section of the association at its 13th annual convention in Boston which was concluded on May 15.

The facts and arguments set forth in this resolution warrant, in my judgment, the earnest attention and careful study of the Senate Finance Committee. The resolution, a copy of which I enclose, urges the exemption of the taxicab industry from the operation of the bill. The burden which would be imposed on the industry seems to be a far greater one than the amount of revenue which would be derived from the industry would justify.

It would seem that the reasons on which the exemption of the motor transit system industry has been based would have equal application to the taxicab industry.

I am confident that you and your colleagues will consider the testimony of the taxicab association and the resolution of the New England section of the association carefully in the deliberations.

Sincerely yours,

LEVERETT SALTONSTALL, *United States Senator.*

RESOLUTION

Whereas the New England section of the American Taxicab Association consisting of members from the States of Connecticut, Maine, Massachusetts, New Hampshire, and Vermont, held its annual convention in Boston, Mass., which was concluded on the 15th day of May 1956;

Whereas one of the items on the agenda of the convention was the pending Federal Highway Act of 1956, H. R. 10660, which provides, among other things, for a 1-cent increase in the Federal gasoline tax and an increase in the excise tax on tires;

Whereas the tax increases are designed to provide revenues for the financing of an improved and expanded Federal highway system;

Whereas the New England section of the American Taxicab Association is in full agreement with the objectives of the pending Federal Highway Act of 1956 to the extent that it recognizes a need for an expanded and improved highway system and proposes to finance it by revenues derived from the highway using public which would be the primary beneficiary of the highway improvement program;

Whereas the taxicab industry is primarily an urban industry operating almost solely on city streets within commercial zones and urban areas which are outside the scope of the highway expansion and improvement program provided for by the pending highway legislation;

Whereas the pending legislation, H. R. 10660, fails to recognize the urban character of the taxicab industry and would impose the increased taxes on the taxicab industry, although it does provide an exemption from the increased gasoline and use tax for the urban transit systems which, while primarily urban in nature, in many cases use the highways covered by the pending legislation to a greater extent than does the taxicab industry;

Whereas the increased taxes provided for by H. R. 10660 would impose a severe financial burden on the taxicab industry and would exact from this industry an amount of taxes out of all proportion to the benefit the industry would derive from the highway program;

Whereas because of the large consumption of gasoline by the taxicab industry the tax burden on this industry, if it is not exempted from the coverage of H. R. 10660, would more than 10 times exceed the tax burden borne by other owners and operators of vehicles who will directly benefit from the proposed highway program; and

Whereas the amount of revenue lost by exempting the taxicab industry would be totally insubstantial in comparison to the total revenue to be derived from this legislation: Now, therefore, be it

Resolved, That the New England section of the American Taxicab Association vigorously opposes as unjust and inequitable the enactment of H. R. 10660 to the extent that it fails to recognize the urban character of the taxicab industry which for that reason will derive very little benefit from the proposed highway program, and fails to exempt this industry from the increased taxes provided for by this bill; and the New England section of the American Taxicab Association urges the elected representatives in Congress from the New England States to do all in their power to remedy the inequitable provisions of H. R. 10660 that would exact a tax from the taxicab industry for a purpose which will not benefit that essential industry.

Unanimously adopted May 15, 1956, Boston, Mass.

M. H. SMITH,
Executive Secretary, American Taxicab Association, Inc. Chicago, Ill.

PRIVATE TRUCK COUNCIL OF AMERICA, INC.,
Washington, D. C., May 18, 1956.

Hon. HARRY F. BYRD,
Senate Finance Committee,
312 Senate Office Building, Washington, D. C.

DEAR SENATOR BYRD: As I advised you yesterday, the Private Truck Council of America, Inc., decided to file the attached statement instead of making a personal appearance on title II of H. R. 10660. We will greatly appreciate it if the attached statement is made a part of the official record of the hearings which were concluded today.

Since most of the trucks, approximately 87 percent, fall in the private-carrier category, you can readily see that they will pay considerable part of the cost of the highway program.

There is quite a bit of misunderstanding about private motor carriers. They should not be confused with common and contract motor carriers. Private motor carriers are those who own and operate motortrucks as an incident to their principal businesses of farming, manufacturing, mining, processing, wholesaling, retailing, and servicing. They are not engaged in for-hire transportation.

We earnestly request your consideration of the views expressed in the attached statement.

Respectfully submitted.

JAMES D. MANN, *Managing Director.*

STATEMENT ON BEHALF OF THE PRIVATE TRUCK COUNCIL OF AMERICA, INC., ON TITLE II OF H. R. 10660, BY JAMES D. MANN, MANAGING DIRECTOR

The Private Truck Council of America, Inc., appreciates this opportunity to present its views on certain aspects of the financing provisions of title II of H. R. 10660 now pending before your committee.

The council is a national, nonprofit organization of all types of businesses, and of farmers, who operate motortrucks, not for hire but in the incidental course of their own businesses; in moving or delivering their own materials or products, or performing their own services. Such businesses, of course, include manufacturing, mining, processing, wholesaling, retailing, and servicing. The chief function of the council is to foster and protect the inherent right of agriculture and industry to carry their own goods, in their own trucks, if they so desire. Council members are engaged in such diverse activities as processing and distribution of meat, carbonated beverages, bakery products, dairy products, beer, petroleum, groceries, and laundering and dry cleaning, just to mention a few. Approximately 87 percent of all the trucks in the United States are used for such purposes.

COUNCIL MEMBERS INTERESTED IN GOOD HIGHWAYS

It is doubtful that anyone is more interested in having good highways than are the members of the council. Because the operation of trucks is a cost in any business and must have an effect on prices, and because the highway situation has an effect on the operating cost of trucks, our members are greatly interested in the highway situation.

The Private Truck Council of America, Inc., favors the proposed highway construction program as being of inestimable benefit to—

1. The national economy and all citizens.
2. The national defense.
3. Landowners and presently inaccessible areas or areas now only partially productive because of traffic congestion.

The council feels compelled to state that a disproportionate share of the cost of the program will be carried by the privately owned delivery trucks and manufacturers' and distributors' vehicles that constitute numerically the major part of the Nation's motortrucks—8,200,000 private trucks out of 9,400,000 total non-Government vehicles. Most of these units are engaged in short-haul operations and are bound to benefit least from the proposed program.

DISCRIMINATION IN TAX APPLICATION

It is proposed that transit buses be exempt from increased motor-fuel taxes and from the proposed new registration taxes when 60 percent or more of such carriers' total passenger revenues are derived from fares exempt from the Federal tax on the transportation of persons as provided in section 4262 (b) of the Internal Revenue Code. If there is to be any such exemption of bus operators as that proposed, presumably on the theory of exempting local as contrasted with over-the-road operations (although the proposal appears to go far beyond local operations), there is at least equal reason for exempting local operations of private motortrucks. Businesses of all kinds operate their own trucks within cities and adjacent areas in performing local deliveries and services, and it should be quite obvious that such local operations are at least equally entitled to exemption.

PROPOSED TAX ON USE OF VEHICLES WITH A TAXABLE GROSS WEIGHT OF MORE THAN 26,000 POUNDS

Section 206, title II, of H. R. 10660, proposes to impose a tax "on the use of any highway motor vehicle which (together with the semitrailers and trailers customarily used in connection with highway motor vehicles of the same type as such highway motor vehicle) has a taxable gross weight of more than 26,000 pounds, at the rate of $1.50 a year for each 1,000 pounds of taxable gross weight or fraction thereof." This proposal will result in the Federal registration of all motortrucks to which it is applicable.

It is the position of the council that the proposed registration requirement and fees are unsound and discriminatory. This would be a radical and drastic step in the way of Federal invasion of a local field of control and taxation, namely, the Federal registration of private motor vehicles, which heretofore has been left entirely to the States and local governments. Such a proposal should be adopted, if at all, only after exhaustive consideration and full hearings on its merits and not as a hasty addition to this revenue-raising measure.

Further, it is the view of the council that approval by Congress of section 206 of title II of H. R. 10660 can lead to eventual economic regulation of private motortruck owners and operators to the detriment of the free-enterprise system and the continued economic growth of this Nation. This position is fortified by a statement of a member of the Senate Finance Committee.

Recently when the Senate was debating the trip leasing bill, S. 898, Senator Smathers referred to a recommendation of the Interstate Commerce Commission "that agricultural haulers and private carriers, as well as other carriers subject to safety regulations but not subject to economic regulation, be required to register with the Commission." The Senator warned, "Of course, we all know that registration is a customary first step toward eventual full economic regulation" (Congressional Record, March 28, 1956, p. 5129).

SIZE AND WEIGHT FREEZE

Although the proposed size and weight freeze is not before the Senate Finance Committee, this highly controversial proposal will necessarily have to be considered by members of the committee when the highway bill reaches the floor of the Senate.

This proposal is an invasion of the police powers of the States which own and police the highways. At the council's 17th annual convention in Cleveland February 9–10, 1956, the membership unanimously adopted the following policy on regulation of truck sizes and weights.

"Transportation of property by trucks within and between the States had produced and is producing important economies and services in the interests of the national economy and defense.

"All laws or regulations governing the sizes and weights of trucks should be so determined as to fully preserve and expand those benefits and to permit the full economic use of the highways consistent with public safety.

"Regulation of the sizes and weights of trucks should be the function of the States rather than of the Federal Government, though the latter properly may and should urge the States to establish uniform minimum standards designed to permit the flow of property over the highways and between the States unhampered by unnecessary or nureasonable restrictions. All such laws and regulations should be strictly observed and enforced."

In conclusion, we respectfully urge your earnest consideration of the items we have mentioned herein, both while title II of H. R. 10660 is under consideration in executive sessions of this committee and when the entire bill reaches the Senate floor for debate and vote.

DETROIT, MICH., *May 18, 1956.*

Hon. HARRY F. BYRD,
United States Senate,
Washington, D. C.

You and your Senate Finance Committee are today conducting an oral hearing on the Federal Highway bill, H. R. 10660. We plead for your help in hearing our cause. Our industry feels there is a need for improvement. However, we have one problem, The local cartage industry is confined to the commercial areas, therefore is unable to use the highways for which the tax moneys are being raised. In other words we will pay the $1.50 per thousand pounds on gross vehicle weight of 26,000 pounds on our equipment and will be unable to use the highways. We are willing, as an industry, to pay the increased gas and diesel tax. We are agreeable to pay the excise tax on tires, inner tubes, tread rubber, trucks, tractors, trailers, buses, etc., in order to finance these highways, but our industry cannot absorb nor can we increase our rates to meet the increased cost of the $1.50 per thousand pound tax. This financial burden will put us out of business. We are a very important segment of the transportation industry, but as result of increased taxes imposed by the State of Michigan we are a sick industry that cannot afford expensive lobbyists to plead our cause. Any adjustment such as imposing this $1.50 per thousand pound tax to exclude the operation in the commercial zone will be a lifesaver to our industry. Your help is needed and will be greatly appreciated.

WILLIAM P. THORPE,
President, Michigan Cartage Mens Association.

TAXICAB, BUS, FUNERAL DRIVERS & CHAUFFEURS UNION, LOCAL NO. 496,
Boston 15, Mass., May 15, 1956.

Hon. HARRY FLOOD BYRD,
United States Senate,
Washington, D. C.

DEAR SENATOR BYRD: We understand that the Senate Committee on Finance is currently considering the Highway Revenue Act of 1956 and that the committee is being asked to exempt taxicabs from certain provisions of this bill.

Our organization urges that favorable consideration be given to this request for the twofold reason that taxicabs are nonhighway users and that the industry is in no position to afford an increase in operating expense. Local 496 represents approximately 1,200 taxi drivers, all of whom drive taxicabs in and around the streets of greater Boston, and while engaged in their occupation have no occasion to make use of surburban highways. Taxicabs operate under municipal control. They are subject to special fees and regulations in their home communities to which other gasoline consumers are exempt.

An increase in the gasoline tax will work a further hardship on an industry which is already in distress. Unlike most other businesses the taxi industry operates 7 days a week on a 24-hour basis. It must compete for drivers in a labor market where the 40-hour week is prevalent. It has been forced by necessity to rely in a large measure upon part-time drivers, with a consequent drop

in revenue. Also unlike most other businesses, its rate of fare is established by municipal regulation and cannot be increased except by appeal to public authority and then only after proving a need at a public hearing. No taxicab company wants this, except as a last resort, because of the fear of encountering diminishing returns.

Taxicab operators are currently trying to solve their problem of driver shortage by making the job attractive to drivers. This they must do within the limits of an existing rate structure. An increase in operating expense in the form of an additional gasoline tax, will make the problem even more difficult. For the foregoing reasons, we respectfully request that favorable consideration be given to the plea that taxicabs be exempted from payment of additional taxes in the Highway Revenue Act of 1956.

Yours truly,

FRANK B. SMEDILE.

TRUCK BODY AND EQUIPMENT ASSOCIATION, INC,
Washington, D. C., May 18, 1956.

Hon. HARRY F. BYRD,
Chairman, Senate Finance Committee,
Senate Office Building, Washington, D. C.

DEAR SENATOR BYRD: We should like to submit herewith for the record this written statement in lieu of a personal appearance before your committee applicable to title II containing the revenue-raising features of H. R. 10660, the Federal Highway and Highway Revenue Acts of 1956.

The Truck Body and Equipment Association, Inc., is a national trade association representative of truck body manufacturers, special truck equipment manufacturers, distributors of these products, and others related to this industry such as suppliers of component parts that go into truck body construction and truck operation.

Our membership includes firms located in all sections of the United States. The industry is recognized as one vital to our national economy, and based on established standards these firms are considered small business, the backbone of our American economic system.

The Truck Body and Equipment Association appreciates and supports the general objectives and necessity of a Federal highway program as proposed in H. R. 10660, especially the features of the highway construction portion of the measure incorporated as title I. Likewise, the provisions of title II, incorporating the revenue-raising features of H. R. 10660 with the following exceptions:

1. Exemption from the revenue-raising features of the bill should be provided for trucks and bodies purchased for use in relatively confined areas, on urban streets and roads within city limits and adjacent suburbs, within limited populated sections in which regions practically all of the truck bodies and truck equipment manufactured by members of the industry represented by the Truck Body and Equipment Association are sold and used. The proposed highway program must be defined as pertaining to roads and highways in rural areas for traffic and hauling on a long-distance, over-the-road, intercity basis. We urge and recommend that such trucks and bodies as described above be treated as nonhighway users and be relieved of the payment of further taxes.

2. Trucks and truck bodies not used for product delivery, for the hauling of revenue cargo, or operated for profit should be excluded from the revenue-raising features of the bill. Example: Trucks and bodies used by utility companies and the vocational trades.

3. We urge and recommend an amendment to the bill exempting from any form of taxation including highway-use taxes, manufacturer's excise tax, etc., motor vehicles operated over private roads and purchased and used for nonhighway operations.

4. An increase in Federal excise-tax rates as proposed in the bill may well have an adverse effect on truck body production because there would be a pronounced tendency on the part of prospective purchasers to reuse an old truck body when buying a new chassis in view of the additional cost involved for a new body, the manufacturer passing on to the purchaser the full amount of the Federal excise tax involved to recover the same which he was obliged to pay.

We respectfully request serious and favorable consideration of the foregoing recommendations with respect to H. R. 10660.

Sincerely yours,

ARTHUR H. NUESSE,
Executive Manager.

THE ONLY WAY TRANSFER & WAREHOUSE CO., INC.,
Kansas City, Mo., May 16, 1956.

Hon. HARRY F. BYRD,
United States Senator,
Washington, D. C.

DEAR SENATOR BYRD: It has been brought to our attention that Federal highway bill (H. R. 10660) now in the Senate is aimed to include local cartage operation, which we do not think is fair, since local cartage trucks make practically no use of highways. We do not operate equipment on the highways. Our operation is strictly within the confines of Greater Kansas City. We are prohibited from using them and should not be asked to help finance a project we are barred from using. Were we allowed to use the highways, we would have no objection to paying the tax ($1.50 per 1,000 pounds) on the highest gross weight of vehicles and loads carried at any one time.

Our operation is practically the same as that of local street buses. We operate in the same areas and on the same streets and alleys and it is our understanding they have been exempted from the above-mentioned tax. We do not object to the provisions of the bill calling for an increase of tax on tires, fuel, etc.

In view of the above, we would appreciate your support that the local cartage industry is exempted from the tax mentioned.

With kindest regards.

Very truly yours,

GEO. A. VOGRIN, *President.*

SAVAGE, MINN., *May 17, 1956.*

Hon. HARRY FLOOD BYRD,
Chairman, Senate Finance Committee,
Washington, D. C.

DEAR SENATOR: It is the writer's understanding that the revenue features of the Federal Highway Act of 1956 (H. Res. 10660) has passed the House and is now in the Senate, and will come before your Senate Finance Committee in the near future.

It is my belief that this act provides for discriminatory taxation of LP gas as against other motor fuels when used in an industrial lifttruck, or other similar applications. The discriminatory treatment is created through applying or limiting a 1 cent a gallon tax increase in the case of diesel and gasoline to use in highway vehicles and in the case of special motor fuels (LP gas) to use in motor vehicles. Under present Treasury Department interpretations, a "motor vehicle" is one designed to carry or support a load, which definition includes an industrial lifttruck. An industrial lifttruck is not a highway vehicle. Unless in those, language relating to taxation of special motor fuels is changed so as to limit this 1-cent increase to use in highway vehicles, as in the case on gasoline, an unfair differential will be created and the development of this new and important industrial application of LP gas will be unreasonably handicapped.

It is my hope that you will do everything possible to see that this unfair discrimination does not take place.

Very truly yours,

MORTON A. WARNER.

MICHIGAN STATE WATERWAYS COMMISSION,
Detroit, Mich., May 17, 1956.

Hon. HARRY F. BYRD,
United States Senator,
Senate Office Building, Washington, D. C.

DEAR SENATOR BYRD: The Michigan State Waterways Commission, which is charged with the duty of building and maintaining harbors of refuge and navi-

gation facilities for small craft of all kinds and descriptions, is very much interested in H. R. 10660 which has passed the House of Representatives, and is, I am informed, being considered by the Senate Finance Committee today.

We are particularly concerned with that phase of the bill which has to do with the handling of gasoline tax collected from fuel consumed in nonhighway uses. Because of the experiences had in the State of Michigan and because we are thoroughly convinced that much paperwork and procedures can be eliminated, we urge that your committee report said bill out requiring that the tax on such nonhighway use be refunded rather than that it be not collected under exemption provisions. We further urge that such refunding be on a monthly, or not less often than quarterly, basis.

Very truly yours,

THOMAS L. LOTT, *Chairman.*

PARKER OIL CO., INC.,
South Hill, Va., May 14, 1956.

Senator HARRY F. BYRD,
Senate Office Building,
Washington, D. C.

DEAR SENATOR BYRD: The method of collecting the 2 cents per gallon Federal tax on gasoline is working a serious hardship on petroleum jobbers such as ourselves.

Under the present plan we must pay our supplier this 2 cents per gallon tax on gasoline 10 days from date that delivery is made to us, and since such a large portion of our sales are on a charge basis this means that we must pay this tax often several weeks before we collect it. In addition this means that we have to pay tax on all of the product that evaporates, is wasted or spilled. The State allows us a 1 percent per month refund to cover these costs but there is no such allowance made by the Federal Government.

Tax on diesel fuel, on the other hand, is based on sales and payment made during the month following the month of sale. Since the majority is collected before we have to make payment, our accounts receivable are not affected so adversely, and evaporation, waste, and spillage is automatically accounted for.

In view of the fact that an additional 1 cent per gallon tax is about to be placed upon motor fuel, we sincerely hope that you will give your serious consideration and support toward seeing that the jobber, like the major oil companies, is allowed to report his tax on sales in order that we may be on a more competitive basis.

We understand that the main objection to this system is that it will require additional bookkeeping by the Government, but we would like to bring out the fact that this is very small in comparison to the bookkeeping involved on the farmer tax refund that he has paid on his off-the-road purchases, and that no such objections were raised against making this refund. Also, I would like to again tsress the fact that we are collecting this tax for the Government at no cost to them but definitely at an expense to us. Also, please bear in mind that our greatest competitors, the major oil companies, are allowed to pay this tax on sales and not receipts.

Sincerely yours,

LEWIS W. PARKER.

COLONIAL OIL CO., INC.,
Norfolk, Va., May 18, 1956.

Hon. HARRY F. BYRD,
Chairman, Senate Finance Committee,
Senate Office Building, Washington, D. C.

DEAR SIR: I understand that legislation has passed the House and is now before the Senate Finance Committee to increase Federal gasoline tax from 2 cents to 3 cents per gallon.

The plan, as I understand it, is to exempt those that use gasoline in off-the-road service, such as boating, road equipment, cleaning, etc. I like the State of Virginia's system of refunding taxes on gasoline for off-the-road use, which has worked effectively over a period of years, and I would like to urge that this bill be on a refund basis rather than on an exemption basis.

Yours very truly,

H. L. STINSON.

REID BROS. EXPRESS & TRANSFER CO.,
St. Louis, Mo., May 17, 1956.

Subject: Tax of $1.50 per 1,000 pounds gross weight.

Hon. HARRY F. BYRD,
United States Senator,
Senate Office Building, Washington, D. C.

DEAR SIR: We as a cartage company feel this tax is unfair.

Reasons: (1) We operate on daily scheduled runs using practically the same streets each day, the same as local transit buses. Since they are exempted from this tax, plus the fact we never use the highways in any way, we feel the local cartage companies should also be exempted.

(2) Since our operation is strictly local, we feel we are justified in expecting the tax which we pay, to be used locally.

(3) The need for improved highway facilities is recognized. For that reason, we have no complaint against fuel, rubber tax, and higher excise tax, since a fair amount of tax contribution is proper for national welfare. We use these items, but to tax us for highway tax, which we don't use is, in our opinion too harsh and unfair.

Hoping you give this due consideration, we remain

GUS P. REID, *President.*

CONGRESS OF THE UNITED STATES,
HOUSE OF REPRESENTATIVES,
Washington, D. C., May 18, 1956.

Re H. R. 10660.

Hon. HARRY FLOOD BYRD,
Chairman, Senate Finance Committee,
Washington, D. C.

DEAR SENATOR BYRD: It has been brought to my attention that an inequitable condition prevails in the highway bill as it passed the House.

Apparently, the bill would require additional fuel and rubber taxes on vehicles used solely for log hauling on private logging roads. I most earnestly urge that this inequity beremoved by the Senate.

Sincerely yours,

CHARLES M. TEAGUE,
Member of Congress.

(Whereupon, at 10:25 a. m., the committee adjourned.)

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