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United States Senate

COMMITTEE ON FINANCE
WASHINGTON, D.C. 20510

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February 4, 1983

Mr. Charles A. Bowsher
Comptroller General of the United States
U.S. General Accounting Office
General Accounting Office Building
441 G Street, N.W.
Washington, D.C. 20538

Dear Mr. Bowsher:

The Surface Transportation Assistance Act of 1982, passed late last year, created a comprehensive transportation program to repair the Nation's roads and bridges, complete the Interstate Highway System and improve public transit facilities. The Act raises revenues for these purposes by increasing a variety of highway user fees, including the gasoline excise tax and the heavy vehicle use tax. In addition, the Act generally restructures many of the existing highway excise taxes so that the burden of highway repair and reconstruction is distributed in accordance with the relative costs of repair and reconstruction attributable to different highway users.

When the bill was considered in the Finance Committee and in the Senate, many Senators were concerned about the ability of the trucking industry to absorb a proposed increase in the heavy vehicle use tax. Many of us who agreed that heavy trucks should pay a greater relative share of highway repair costs were fearful that an increase in heavy truck user fees was not appropriate at this time.

Accordingly, the conference agreement was drafted with these concerns in mind to delay the effective date of the increase in heavy vehicle use taxes. The increase in the use tax first takes effect on July 1, 1984, by which time economic recovery from the recession is expected to be well along. For small truck fleets, no increase takes effect before July 1, 1985.

I believe it would be helpful for the General Accounting Office to take a broad look at the general economic effects that the Surface Transportation Assistance Act of 1982 may have on the trucking industry.

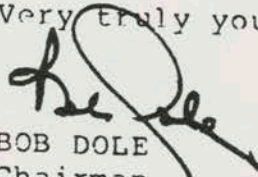
To be most helpful to the Congress, your analysis should include an examination of the following issues:

- o How have excise taxes in the past generally affected the operating costs and profitability of the trucking industry? Does the economic effect of excise taxes vary according to the size of the trucking firm?
- o Currently, how does the relative profitability of trucking firms vary among large firms, medium-sized firms and small "independent" truckers? How has trucking deregulation affected the profitability of these different sized firms?
- o Considering current business conditions for the trucking industry, and the emerging economic recovery, how will increased excise taxes affect the trucking industry? Will any adverse effects vary according to the size of the firm?
- o In view of the benefits to the trucking industry provided by the Surface Transportation Assistance Act, how will the Act, overall, affect the profitability of trucking firms of various sizes?

As your study proceeds, additional issues of concern to the Congress may arise. I hope, therefore, that you will keep in close touch with us as the study proceeds. Please contact either Richard Belas or Harry Graham of the Finance Committee staff if you need to discuss these issues in more detail or if we can be of any assistance during the preparation of your report.

I appreciate very much your willingness to undertake this work, and I look forward to seeing the results of your analysis.

Very truly yours,



BOB DOLE
Chairman

BD:hga