



U.S. Senate Committee on Appropriations

PRESS RELEASE

<http://appropriations.senate.gov>

For immediate release: Thursday, March 8, 2007

Contact: Tom Gavin, 202-224-3904

**U.S. Senate Appropriations Transportation,
Housing and Urban Development, and Related Agencies Subcommittee
Testimony of James P. (Phil) Worthington
President, Con-way Freight-Southern, Inc.
On behalf of American Trucking Associations (ATA)**

WASHINGTON, D.C. - The U.S. Senate Appropriations Transportation, Housing and Urban Development, and Related Agencies Subcommittee on Wednesday held a hearing to examine the proposed Fiscal 2008 budget for the department. As part of that hearing, the subcommittee heard testimony from James P. (Phil) Worthington, President of Con-way Freight-Southern, Inc., on behalf of the American Trucking Associations (ATA). Mr. Worthington's prepared statement is below.

Con-way Freight-Southern Inc. is part of the North American network of less-than-truckload (LTL) operations of Con-way, Inc. a market leader in the supply chain management industry. Con-way's principal component companies - Con-way Transportation Services, Menlo Worldwide and Road Systems, operate in regional trucking, ground expedite, truckload brokerage, air freight forwarding, regional asset based truckload, global logistics management, e-commerce fulfillment and trailer manufacturing.

The Con-way name has been in the market for over 20 years, provides transportation services to some 400,000 customers, has over 440 North American service centers, and employs over 20,000 people. Con-way Freight Southern provides LTL freight services in 12 states in the southern United States, Puerto Rico, and Mexico.

Con-way, Inc. is a member of American Trucking Associations, Inc. (ATA). These comments are made on behalf of ATA. With offices located at 2200 Mill Road, Alexandria, Virginia 22314-4677, ATA is the national trade association of the trucking industry. Through its affiliated trucking associations, and their over 30,000 motor carrier members, affiliated conferences, and other organizations, ATA represents every type and class of motor carrier in the country.

Background

The U.S. trucking industry has long viewed free trade as an important tool in improving our country's economic growth. Because of the North American Free Trade Agreement

(NAFTA), trade between the United States and Mexico has grown by more than 400% from \$81 billion in 1993 to \$336 billion in 2006. During the same period, trade with Canada has grown from \$211 billion to \$536 billion.

Motor carriers play a critical role in the success of NAFTA. In 2006, trucks transported \$219.4 billion worth of goods, representing over 80% of the value of U.S.-Mexico surface trade. Trucks transported \$314.2 billion worth of goods, or roughly 65% of U.S.-Canada surface trade by value. Trucking companies have benefited from the growing trade volumes among the NAFTA partners, considering that higher trade flows have resulted in more business for motor carriers in all three nations.

Based on these facts, ATA policy supports the implementation of the trucking provisions established under the North American Free Trade Agreement (NAFTA), both in the areas of investment and cross-border access.

However, motor carriers have not had an opportunity to seize NAFTA's full promise of improved transportation efficiencies to handle the increasing trade flows. Today, a shipment traveling from the United States to Mexico, or vice-versa, requires no less than three drivers and three tractors to perform a single international freight movement. Through interline partnerships, freight is handled on the U.S. side by a U.S. carrier and on the Mexican side by a Mexican carrier, with a drayage truck transporting trailers and freight across the border. The drayage truck ferries loads back and forth across the border to warehouses or freight yards for pickup or subsequent final delivery.

In addition to requiring two long-haul carriers and the drayage carrier, the process includes freight forwarders, customs brokers, as well as the processing by government inspectors and enforcement officials. This process results in extra trucks on the road, congestion, delays and over handling of shipments which invariably leads to increased costs. The U.S. Department of Transportation (USDOT) recently estimated that the present drayage system results in \$400 million in additional costs. ATA surmises that this figure was reached by multiplying the number of truck crossings taking place on the southern border by an estimated \$100 dollar fee for the drayage operation. If this is correct, there are additional costs related to warehousing, delays, and other harder to quantify costs that were not likely included in that \$400 million figure.

The NAFTA trucking provisions were negotiated and established to eliminate this cumbersome and costly process for transporting cargo and trailers across the U.S. Mexico border, and establish a more seamless process such as we already have on the U.S.-Canada border.

Implementation of NAFTA Pilot

In general terms, ATA supports the pilot program announced by Secretary Mary Peters and her Mexican counterpart, Secretary Luis Tellez, to begin the process to allow motor carriers from both sides of the border to apply for operating authority to move cargo directly across the border. ATA believes that the USDOT has established a strong

array of safety procedures to ensure that Mexican motor carriers operating under this pilot, and potentially beyond, are in compliance with all applicable U.S. regulatory requirements. This process and its capabilities has been verified by the USDOT Inspector General and certified by the Secretary of Transportation. These steps, mandated by Congress in 2001, include an array of documentation, inspections, certifications and audits that go well beyond any such requirements imposed on new entries into the US trucking industry or of Canadian motor carries operating in the U.S.

ATA fully supports rigorous enforcement of all U.S. standards for all carriers operating in this country, be they U.S. or foreign based motor carriers. For the pilot, only Mexican carriers who successfully apply with USDOT, pass a comprehensive safety audit and demonstrate compliance with U.S. standards will be given temporary U.S. operating authority. Once they have successfully operated under their temporary authority, and had their vehicles inspected and drivers assessed every time they cross the border, Mexican motor carriers must successfully undergo and pass a safety compliance review to gain permanent operating authority.

ATA believes that the process mandated by Congress, and as implemented by USDOT, will succeed in ensuring compliance by Mexican motor carriers with U.S. requirements.

However, there are two concerns that ATA and its members have expressed in regards to the pilot program as announced on February 23:

“ ATA is unaware if Mexico’s Secretaria de Comunicaciones y Transportes (SCT) has finalized an application form for U.S. motor carries to apply for operating authority to begin cross-border operations into Mexico; and,

“ ATA does not support the need for a six month delay in implementing the pilot for U.S. motor carriers interested in operating into Mexico.

It is essential that SCT finalize and make available the application form and process for U.S. carriers to apply for operating authority in Mexico for cross-border operations, and that this form and process be clear and transparent.

In relation to the six month delay, ATA believes that this interval should be eliminated so that U.S. motor carriers can process the application form with SCT and begin cross-border operations into Mexico at the same time as Mexican motor carriers begin to cross the border into the U.S.

Conclusion

Implementation of NAFTA's trucking provisions will eliminate a cumbersome, outdated and costly system of moving freight across the border, and replace it with an efficient, transparent and safe cross-border trucking process. ATA does not expect the full implementation of NAFTA’s trucking provisions to bring about revolutionary changes overnight in cross-border trucking operations. This change will be an evolutionary

process, taking time for trucking companies and their customers to structure their operations in light of the new process. The NAFTA provisions are but a single component in the cross-border process that involves many other parties, such as freight forwarders, customs brokers, and government procedures and inspections that play a critical role in the transportation of cargo across the U.S.-Mexico border.

ATA strongly believes that motor carriers operating in the United States, no matter what their nationality, must abide by U.S. safety standards. ATA is concerned that attacks on our Mexican counterparts are based on an incomplete understanding of motor carrier safety and prejudice towards Mexican carriers, instead of being based on hard facts related to safety. More importantly, ATA is also concerned with U.S. motor carriers being afforded a reasonable and transparent process by SCT to begin cross-border operations into Mexico. This process should be initiated on the same timeline as announced on February 23 for Mexican motor carriers.

ATA is committed to ensuring that cross-border trucking operations remain on a level playing field and that all motor carriers, notwithstanding their national origin, abide by all U.S. standards and requirements mandated for U.S. motor carriers. The bottom line is that every trucking company, every truck and every driver entering the United States will be required to meet each and every U.S. safety requirement only after undergoing a comprehensive review of their ability to meet those standards.

In addition, it is essential to recognize and remember that NAFTA's access trucking provisions allow only for the transportation of international cargo by Mexican motor carriers operating in the United States. The transportation of domestic cargo is strictly prohibited.

Once NAFTA's trucking provisions are fully implemented, our countries can begin to recognize the full benefits of NAFTA and increased trade between the United States and Mexico. Then, we can focus our efforts on the many business and practical issues that will arise from the cross-border integration process, which can only be tackled with the goodwill of committed trading partners.

###