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44 MOTOR CARRIER REPORTS TO INTERSTATE
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COMMERCE COMMISSION

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GOVERNMENT

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HEARING
BEFORE THE
SUBCOMMITTEE ON
TRANSPORTATION AND AERONAUTICS
OF THE
COMMITTEE ON
INTERSTATE AND FOREIGN COMMERCE
HOUSE OF REPRESENTATIVES

NINETY-SECOND CONGRESS

FIRST SESSION

ON

H.R. 1074

A BILL TO AMEND SECTION 220(b) OF THE INTERSTATE
COMMERCE ACT TO PERMIT MOTOR CARRIERS TO FILE
ANNUAL REPORTS ON THE BASIS OF A THIRTEEN-PERIOD
ACCOUNTING YEAR

MAY 13, 1971

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MOTOR CARRIER REPORTS TO INTERSTATE COMMERCE COMMISSION

THURSDAY, MAY 13, 1971

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON TRANSPORTATION AND AERONAUTICS,
COMMITTEE ON INTERSTATE AND FOREIGN COMMERCE,
Washington, D.C.

The subcommittee met at 10 a.m., pursuant to notice, in room 2322, Rayburn House Office Building, Hon. John Jarman (chairman) presiding.

Mr. JARMAN. The subcommittee will please be in order.

Today we are going to hold hearings on H.R. 1074, which would amend the Interstate Commerce Act to permit motor carriers to file annual reports on the basis of a 13-period accounting year.

This bill was introduced by Mr. Quillen of Tennessee, and he will be our first witness this morning.

I understand that the Interstate Commerce Commission opposes the change, and we are now prepared to carefully consider the arguments for and against this legislation.

(The text of H.R. 1074 and departmental report thereon follows:)

(1)

92D CONGRESS
1ST SESSION

H. R. 1074

IN THE HOUSE OF REPRESENTATIVES

JANUARY 22, 1971

Mr. QUILLEN introduced the following bill; which was referred to the Committee on Interstate and Foreign Commerce

A BILL

To amend section 220 (b) of the Interstate Commerce Act to permit motor carriers to file annual reports on the basis of a thirteen-period accounting year.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*
3 That section 220 (b) of the Interstate Commerce Act (49
4 U.S.C. 320 (b)) is amended by inserting "either (1) " after
5 "information", and by striking out "different date, and" and
6 inserting in lieu thereof the following: "different date; or
7 (2) for a thirteen-period accounting year ending at the close
8 of one of the last seven days of each calendar year, if the
9 person making the report keeps his books on the basis of
10 such an accounting year and elects to make such report on
11 the basis of such accounting year. Any annual report".

INTERSTATE COMMERCE COMMISSION,
OFFICE OF THE CHAIRMAN,
Washington, D.C., March 5, 1971.

Re H.R. 1074.

Hon. HARLEY O. STAGGERS,
Chairman, Committee on Interstate and Foreign Commerce,
House of Representatives, Washington, D.C.

DEAR CHAIRMAN STAGGERS: This supplements my letter of February 17, 1971, to your request of February 12, 1969, and sets forth the views of the Interstate Commerce Commission on H.R. 1074, a bill "To amend section 220(b) of the Interstate Commerce Act to permit motor carriers to file annual reports on the basis of a thirteen-period accounting year." This matter has been previously considered by the Commission, and, on its behalf, I am authorized to submit the following comments.

This bill amends section 220(b) of the Interstate Commerce Act so as to make optional the accounting period to be covered in annual reports filed by motor carriers with the Commission. The Act currently provides that annual reports of motor carriers shall contain required data based on an accounting period of 12 months, while the proposed bill would permit for accounting and reporting purposes, the adoption of a 13-period accounting year ending at the close of one of the last 7 days of each calendar year. With the changes made in this section by H.R. 1074, section 220(b) would read as follows:

SEC. 220. (b) Said annual reports shall contain all the required information *either (1) for the period of twelve months ending on the thirty-first day of December, in each year, unless the Commission shall specify a different date and different date; or (2) for a thirteen-period accounting year ending at the close of one of the last seven days of each calendar year, if the person making the report keeps his books on the basis of such an accounting year and elects to make such report on the basis of such accounting year.* Any annual report shall be made out under oath and filed with the Commission at its office in Washington within three months after the close of the year for which the report is made, unless additional time be granted in any case by the Commission. Such periodical or special reports as may be required by the Commission under subsection (a) hereof shall also be under oath, whenever the Commission so requires. (Deletions shown by strike-throughs and additions by *underscoring*).

The Commission's prescribed accounting rules for motor carriers generally provide for recording of all accounting transactions on a calendar month basis. Our rules also provide that, in the case of either a carrier's own internal accounting or in its reports filed with the Commission for each quarter of the year, a carrier may elect to use a 4-week accounting basis rather than monthly. The monthly basis results in 12 accounting periods annually while the 4-week basis results in 13 accounting periods, hence the term "thirteen period accounting year" used in H.R. 1074. This basis, if permitted, for annual reporting purposes, would result in accounting years of 364 days. The year would generally begin on a day in the last week of December (or January 1) and end in the last week of December in the following year. To make up the loss of one day annually, about each sixth year the accounts would include 53 weeks or 371 days. Then the cycle would start over again.

Although, as noted above, the Commission does permit the use of a 13-period accounting year for certain purposes, carriers of all modes of transportation, including motor carriers, subject to our jurisdiction are required under existing law to file their annual reports to the Commission on a calendar or 12-period accounting basis. Those carriers who have elected to use a 13-period basis for internal accounting or in their quarterly reports to the Commission must, therefore, make certain adjusting entries in their accounts to convert their accounts to a calendar year basis.

Existing law and our presently applicable accounting rules would be changed by the enactment of H.R. 1074. This bill would permit a regulated motor carrier to select, at its option, either the present calendar (12-period) year accounting basis or a 13-period basis in the preparation of their annual reports to the Commission. By electing the latter option, a carrier using a 13-period basis for other purposes would not have to make the accounting adjustments presently required to restate its accounts on an annual basis.

In our opinion, however, enactment of the bill in its present form will create substantial problems for the Commission. For example, the bill provides for an election of the accounting basis by each motor carrier, and, therefore, uniform carrier accounting and reporting would cease to exist. This would present no real difficulty in enforcing compliance with our accounting rules and regulations, but might present problems to the Commission and others making use of the information contained in a carrier's annual report and the aggregate statistics on the motor carrier industry as a whole which are compiled from these reports. Both the individual carrier's reports and the aggregate statistics are widely used by the Commission, the carriers, and others in our formal proceedings work, particularly in connection with regulation of motor carrier rates. Because the present system of uniformity permits the analysis of individual carrier operations on a comparable basis, these reports are also used for general economic and financial analysis by other government agencies and financial institutions. In the case of annual aggregate statistics for the industry as a whole, it would be necessary to add a qualifying statement in each publication that certain carriers are on a calendar basis while others are on a 13-period basis, possibly raising doubts as to the comparability and reliability of the information in question.

A second area of concern relates to the manner in which the carrier elects to use a 13-period accounting basis. As noted previously, the use of a 13-period basis results in the carrier's annual report reflecting operating data for 364 days. The accounting year would generally begin during the last week in December and end on a day in the last week of the following December. To make up the loss of one day annually, the accounts and reports would necessarily include a 53-week period each sixth year. Then the cycle would begin again. In this regard, H.R. 1074 would permit carriers to select their own accounting year so long as the 13th period ended within any one day during the last week of December. Again, there would be no uniform date for the carriers electing this method; consequently their annual reports would have staggered year-end closings according to the specific accounting year selected.

Motor carriers using the 13-period basis feel that it facilitates accounting and produces statements with a greater degree of comparability for their management. It also results in some economic benefits. For accounting purposes, it reduces the number of accruals and may be somewhat less costly. For comparative purposes, it is relatively easier for a carrier for internal management purposes to compare results on a 13-period basis than on a monthly basis wherein the number of work days or weeks vary. However, it is our understanding that most motor carriers using this basis are satisfied to continue to file reports on a calendar year basis rather than to make a change in their individual plans.

In view of the foregoing, we do not favor enactment of H.R. 1074.

Sincerely yours,

GEORGE M. STAFFORD,
Chairman.

Mr. JARMAN. Congressman, we are delighted to have you with us and want to welcome you to the committee.

You may proceed with your testimony.

STATEMENT OF HON. JAMES H. QUILLEN, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF TENNESSEE

Mr. QUILLEN. Thank you, Mr. Chairman and members.

I appreciate your granting me this hearing on my bill, H.R. 1074. As you know, I first introduced this measure in 1968, and I am deeply interested in its passage. I am grateful that you have accorded me the opportunity to appear in support of this bill.

Part II of the Interstate Commerce Act authorizes the Interstate Commerce Commission to require annual, periodical, or special reports from all regulated motor carriers.

Section 220(b) of the act specifies that such annual reports shall contain all the required information for the period of 12 months ending

on the 31st day of December—in other words, on a calendar year basis.

A number of trucking companies, as well as many other businesses, set up their accounting systems on the basis of thirteen 4-week periods, commonly referred to as 13-period accounting.

There are many benefits obtained from 13-period accounting. Two important benefits which quickly come to mind are that such accounting makes it unnecessary to accrue wages, withholding taxes, and related payroll expense. In addition, since each period consists of 4 weeks, comparison with prior periods is excellent.

Because of the present requirement that annual reports be filed on a calendar year basis, trucking companies using 13-period accounting must go to the trouble of picking up a few days' revenue and expense at yearend in order to file their annual reports as of December 31.

Gentlemen, such adjustments may seem minor, but for companies having hundreds, and in some cases thousands of accounts, this is a time-consuming job.

It is my understanding that many more trucking companies and motor carriers would like to utilize 13-period accounting, but are reluctant to do so because of the many year-end adjustments which are necessary to satisfy the Commission's requirements.

It appears that the reason for the Commission's requirements that all annual reports be filed on a calendar year basis is to have uniform comparability. However, I believe that annual reports filed on the basis of 13-period accounting, which would cover a year ending on one of the last 7 days of the calendar year, would, for all practical purposes, be comparable to annual reports filed on a calendar year basis.

To be more specific, I will give you a few examples:

1. H.R. 1074 gives a carrier the option of a 28-day period or a regular month. The 28-day period may be helpful to a carrier for comparison purposes, as each period would have the same number of days.

2. Any carrier that chooses to do so can adopt a 13-period calendar and distribute all expense over 13 periods instead of 12 months. This does not mean that the adoption of 13-period accounting would be mandatory for all carriers.

3. At present, any carrier having 13 periods at the end of each year must close on its 13-period calendar, and then find a way to capture expenses and revenue for the additional days just to report to the Interstate Commerce Commission on an annual basis.

For example, suppose a carrier closes on Friday, December 27th. It will then have to find a way to get revenue and expenses for the 28th, 29th, 30th, and 31st. Two of these days are on Saturday and Sunday, when operations are closed. This leaves 2 days in which a carrier must go to the trouble to secure all the information to close on the 31st just to report to the ICC. What difference does it make in any comparison if a carrier reports on any day in the last week of a year, or the 31st? Very little. However, a carrier must make an entry at the beginning of a year, for reporting purposes only, and make sure it has reported each quarter in all of its reports to the Commission. These companies must constantly explain to lending institutions and auditors why their

reports differ from the general ledgers. It seems to me that this additional clerical work is burdensome and to say the most unnecessary. Is the Government interested in relieving the transportation industry of this mass of paperwork? This is a small way we can say that we are interested.

At this time I would like to ask a few hypothetical questions which are pertinent to this measure, and offer explanation for your further clarification.

Question No. 1: Why is this bill necessary?

Answer: H.R. 1074 would give all motor carriers the flexibility needed to standardize the reporting requirement of operating results to carrier management, lending institutions, and various Government agencies, such as the Interstate Commerce Commission, the Internal Revenue Service, and the Securities and Exchange Commission. The present wording of the ICC Act prevents the effective use of the best method of dividing the operating results of motor carriers into standard or equal segments for evaluation purposes, even though the IRS approves of this more modern method. Please note that the IRS approves of this more modern method.

Question No. 2: Is the present ICC regulation causing an undue hardship on any carrier?

Answer: Yes. Many hours of clerical time and effort are required to record and summarize the additional information to conform to the ICC regulations. The reporting to financial institutions and to management, which is on a 13-period basis, must be constantly reconciled to the ICC reporting, which is on the 12-month basis. This is not only time consuming to a motor carrier, but is a nuisance throughout the year, and cannot be minimized.

Question No. 3: If this is true, why does not a motor carrier report to financial institutions and to management on a calendar basis?

Answer: (1) Dividing each operating year into 13 standard and equal 4-week periods provides business management with a more effective method of comparing operating results to identify possible problems which must be corrected on a timely basis in order for the business to be competitive. (2) Most carriers on a 13-period basis workweek end on a Friday, so they can depend on the weekends to receive reports from the outlying terminals. This is important, since it helps carriers to close their books more currently. (3) Another reason is that there is no need to approve payrolls, payroll taxes, or insurance, when a carrier is on a 13-period basis, since all payrolls fall within a 28-day period.

Question No. 4: Will this not distort comparison for another carrier on a 13-month calendar?

Mr. KUYKENDALL. Will the gentleman yield?

Mr. QUILLEN. I will be happy to yield.

Mr. KUYKENDALL. If a man consistently does this each year, he will be reporting a full 12 months, will he not?

Mr. QUILLEN. Absolutely. In other words, in the next year he will be reporting what he leaves off.

Mr. KUYKENDALL. He will report a 12-month package with slightly different days?

Mr. QUILLEN. That is absolutely right.

Mr. KUYKENDALL. Thank you.

Mr. JARMAN. Since this is an optional provision under the bill, you see no problem in some companies reporting on the 12-period basis and some companies reporting on the 13-period basis?

Mr. QUILLEN. No problem whatsoever, Mr. Chairman, because the next year the missing day or days will be reported. In other words, the 3 days, or 4 days, or maybe in a period of years 6 days, will be caught up in his other reporting, so that the present provision makes it burdensome and unnecessary for a carrier to come in on Saturday and Sunday at the year end and get detailed information in order to comply with an ICC regulation.

Mr. JARMAN. Do you think it would be desirable to make it mandatory, rather than optional, to have the 13-period accounting?

Mr. QUILLEN. I do not, because, you see, the 13-period accounting is accepted by other Government agencies. Likewise, the 12-month reporting basis is accepted by other agencies. Therefore, I think it should be optional as to which way they want to go.

Mr. JARMAN. Thank you.

Mr. QUILLEN. To repeat:

Question No. 4: Will this not distort comparison for another carrier on a 12-month calendar?

Answer: The short amount of time between the two systems would have little or no effect on the comparison between carriers.

I think that is important. I think this is one reason the ICC feels that the comparison is important.

Let me say this to the members of the committee: I do not think it is material at all whether it is 2 days or 3 days, or even up to 6, when it is caught up on the next reporting.

I think my friend, Mr. Kuykendall from Tennessee asked a very good question and made a very good point.

Question No. 5: Does H.R. 1074 require that all carriers adopt a 13-period calendar?

Answer: No. It only allows a carrier the flexibility to close any day of the last week of a calendar year.

I think that is a simple request.

If I may deviate for a moment, I am a member of the Rules Committee. I introduced this bill in 1968, again in 1969, and again in 1970, and each time Chairman Staggers was before my committee I would ask him about my "little" bill, so finally here I am.

Mr. KUYKENDALL. It does grind slowly.

Mr. ADAMS. And extremely fine.

Mr. KUYKENDALL. That reminds me of the barge bill.

Mr. QUILLEN. Incidentally, we of the Rules Committee, as Mr. Adams knows, and you all know, appreciate your committee, and we always listen with a great deal of interest.

Question No. 6: If the 13-period calendar is so good, why do not more carriers adopt it?

Answer: The requirements of the ICC have discouraged its use. Perhaps some carriers prefer the 12-month basis. My bill would give carriers an option.

I hope that this will give the committee the information necessary to favorably report my bill.

Again, thank you for the opportunity to appear, and, if I may, I would like to introduce two fine gentlemen, Mr. Frank Brumit, if you

will stand, Frank, and Mr. Paul Riley, if you will stand, Paul, representing one of the Nation's largest motor carriers, The Mason and Dixon Lines, Inc., headquartered in my home town of Kingsport, Tenn.

I believe Mr. Brumit intends to present their statement, and, Mr. Chairman, at your convenience, I will appreciate your allowing him this opportunity.

Before closing, I request that the record of this hearing be kept open for a minimum of 2 weeks, so that other interested parties may submit statements.

Thank you, Mr. Chairman.

Mr. JARMAN. The committee will be glad to receive statements on this subject.

Mr. JARMAN. Thank you very much for a comprehensive statement on this bill.

Mr. Adams.

Mr. ADAMS. Thank you, Mr. Chairman.

I am sure we are very pleased to have you here this morning.

I just was trying to understand your proposal and I have gotten out my calendar. In 1970, 1971, and 1972, just explain the mechanical workings of this, if you would.

I notice that in 1970 the last day of the year falls on Thursday. In other words, the 31st is Thursday. The last Friday happened to be the 25th, which was Christmas, but otherwise let's take Saturday, which was the 26th.

In 1971, the 31st is a Friday, so that I gather you would come out on the end day that year.

In 1972, the 31st is a Sunday. The last Friday is the 29th.

Looking at those 3 years, what happens under your system? Do they, for all accounting purposes, close their year on whatever Friday happens to be the last Friday of the year? Is that how they would do it?

Mr. QUILLEN. It could be.

Here is a 13-period calendar that I would like to hand you, if I may.

Mr. ADAMS. Thank you.

(The calendar referred to follows:)



1970

13 - PERIOD CALENDAR

1st PERIOD		7th PERIOD	
DEC	S Su M T W T F 27 28 29 30 31 1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23	JUNE	S Su M T W T F 13 14 15 16 17 18 19 15 16 17 18 19 20 21 20 21 22 23 24 25 26 27 28 29 30 1 2 3
JAN	24 25 26 27 28 29 30 31 1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20	JULY	S Su M T W T F 1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25 26 27 28 29 30 31 1 2 3 4
FEB	21 22 23 24 25 26 27 28 29 30 31 1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17	AUG	S Su M T W T F 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25 26 27 28 29 30 31 1 2 3 4
MAR	18 19 20 21 22 23 24 25 26 27 28 29 30 1 2 3 4 5 6 7 8 9 10 11 12 13 14 15	SEPT	S Su M T W T F 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25 26 27 28 29 30
APR	16 17 18 19 20 21 22 23 24 25 26 27 28 29 30 31 1 2 3 4 5 6 7 8 9 10 11 12	OCT	S Su M T W T F 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25 26 27 28 29 30
MAY	13 14 15 16 17 18 19 20 21 22 23 24 25 26 27 28 29 30 31 1 2 3 4 5 6 7 8 9 10 11	NOV	S Su M T W T F 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25 26 27 28 29 30
JUNE	10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25 26 27 28 29 30 31 1 2 3 4 5 6 7 8 9 10 11 12	DEC	S Su M T W T F 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25
NOV	S Su M T W T F 28 29 30 1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25	DEC	S Su M T W T F 12 13 14 15 16 17 18 19 20 21 22 23 24 25 26 27 28 29 30 31



1971

13 - PERIOD CALENDAR

1st PERIOD		7th PERIOD	
DEC	S Su M T W T F 26 27 28 29 30 31 1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22	JUNE	S Su M T W T F 12 13 14 15 16 17 18 19 20 21 22 23 24 25 26 27 28 29 30 1 2 3 4 5 6 7 8 9
JAN	23 24 25 26 27 28 29 30 31 1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19	JULY	S Su M T W T F 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25 26 27 28 29 30 31 1 2 3 4 5 6
FEB	20 21 22 23 24 25 26 27 28 1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19	AUG	S Su M T W T F 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25 26 27 28 29 30 31 1 2 3 4
MAR	17 18 19 20 21 22 23 24 25 26 27 28 29 30 31 1 2 3 4 5 6 7 8 9 10 11 12 13 14	SEPT	S Su M T W T F 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25 26 27 28 29 30 1
APR	15 16 17 18 19 20 21 22 23 24 25 26 27 28 29 30 1 2 3 4 5 6 7 8 9 10 11 12 13 14	OCT	S Su M T W T F 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25 26 27 28 29 30
MAY	12 13 14 15 16 17 18 19 20 21 22 23 24 25 26 27 28 29 30 31 1 2 3 4 5 6 7 8 9 10 11 12	NOV	S Su M T W T F 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25 26 27 28 29 30
JUNE	9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25 26 27 28 29 30 1 2 3 4 5 6 7 8 9 10 11	DEC	S Su M T W T F 27 28 29 30 1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25 26 27 28 29 30 31
NOV	S Su M T W T F 27 28 29 30 1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25 26 27 28 29 30 31	DEC	S Su M T W T F 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25 26 27 28 29 30 31

Mr. KUYKENDALL. Would the gentleman yield?
Just to speak a little on Mr. Adam's question, is that not correct, that, unless that was a holiday or something, it would always be on the last Friday of the year?

We are just not too familiar.

Mr. QUILLEN. Not necessarily.

Mr. KUYKENDALL. I am getting agreement and disagreement all around the room.

Mr. QUILLEN. Not necessarily.

I have another copy. Let me give you this one.

Mr. ADAMS. Maybe I can follow through here with Congressman Quillen.

I do not mean to take your time, because I know that you have some things to do. Maybe I can ask the others, but must in general terms, the line reports to the Internal Revenue Service how, on a calendar year basis, or fiscal year basis or what do they do?

Mr. QUILLEN. The Internal Revenue Service accepts the 13-period reporting.

I have a 1970 calendar here. For instance, the year end in 1970 is on December 25. The 13-period reporting in 1970 ends on December 25.

You go to 1971, the 13-period reporting ends on the 31st, so that you have no problem in 1971, if ICC would allow it, because they come back and pick up the 26th, 27th, 28th, 29th, 30th, and 31st.

Mr. ADAMS. I see. They pick that up in the next year.

Mr. QUILLEN. Yes. So actually my contention is that there is no period loss whatever. Whatever you do this year, you catch up the next.

In 1972 your 13-month period would end on a different basis.

Mr. ADAMS. Thank you very much, Mr. Chairman.

Mr. QUILLEN. Does that answer your question?

Mr. ADAMS. That answers my question. It will take me a few more minutes to figure it out, but I get the general thrust. In other words, you rotate through every year.

Mr. QUILLEN. Every year.

In other words, the ICC requirement makes you pick up the days. You take 1970. They would require the Mason and Dixon Lines to pick up the 26th, 27th, 28th, 29th, 30th, and 31st, and file this in their year end report. There you have Saturday, December 26th, and Sunday, December 27th, that you would have to pick up and work that weekend in order to get it to the ICC.

Our contention is that in 1971 you report those missing days.

Mr. JARMAN. And Internal Revenue does accept that?

Mr. QUILLEN. They accept that, as does the Securities and Exchange Commission. The other governmental agencies accept it. It is an established procedure.

Mr. JARMAN. Mr. Kuykendall.

Mr. KUYKENDALL. Mr. Quillen, it is good to have you here and it is good to see your friends from East Tennessee.

Here is a good ecumenical company, Mason and Dixon. Their trademark has two soldiers, one in gray, and one in blue. Every time I drive through Mr. Quillen's home town on the way back and forth from Washington, I see their headquarters.

There are a great many governmental agencies that accept different accounting methods and different inventory methods. Is this not true?

Mr. QUILLEN. Yes, that is true.

Mr. KUYKENDALL. Is not the one common denominator that is required by all of them that once you get started, that your continuing periods be the same?

Mr. QUILLEN. That is my understanding.

Mr. KUYKENDALL. Is it not true that after you once get started here, that every one of your periods from now on will be exactly 52 weeks long? Thirteen times four is 52 every time you figure it. Right? In other words, the thirteen 4-week periods will be the total that is reported every time it is reported, after the first time. Is this correct?

Mr. QUILLEN. I would rather defer that, if I may. As you know, I am not an accountant. Neither am I an attorney.

Could we defer that question to one of the professionals, when they testify?

There are no days left out in any reporting.

Mr. KUYKENDALL. This is what it looks like to me, and I am trying to anticipate our friends from the ICC that are going to ask for a uniform period. I know that that is the only thing that they are going to ask for that has any substance to it, is a uniform period, so that they can compare apples to apples.

I am of the opinion that if anyone has to do extra book work to get a uniform period, they should do it, not private industry.

I am usually on their side, but I doubt if I am, on this one. I see they are laughing.

The point I think we need to establish, it seems to me, in this bill is the question: will this system allow the continued reporting of a uniform period? I really do not care whether it is 1 week early or 1 week late, so long as it is uniform, and they can compare apples and apples.

I would fight any ICC regulations that required that everybody use exactly the same data.

Mr. QUILLEN. They do that now.

Mr. KUYKENDALL. I know they do, and I do not like it.

Mr. QUILLEN. The burden is on the carrier. He has to go to all the additional expense to provide information which might be for 1 to 6 days, because of this requirement, when in the next reporting the carrier would catch up these days.

Mr. KUYKENDALL. That is the general understanding, but I think when the gentlemen from the industry get here, we want to get specific on whether or not the periods reported year after year after year are uniform.

Mr. QUILLEN. It would be my off-hand impression that if a carrier adopted this 13-period reporting, that it would be consistent.

Mr. KUYKENDALL. I think that this is all the ICC has the right to expect. I do think they have a right to expect a uniform reporting system, but it does not have to be uniform as to what day of the year.

As far as I am concerned, if they want to report the 15th day of December, that is their business, as long as they do that every year.

Mr. QUILLEN. I think that the 13-period reporting system would not end on the same day, though, of each year.

Mr. KUYKENDALL. I am saying that, but I am saying the same number of days would be included in every year's report.

Mr. QUILLEN. Thirteen periods would be included.

Mr. KUYKENDALL. Thirteen periods would be reported.

Mr. QUILLEN. That is right.

Mr. KUYKENDALL. In other words, 13 seven-day periods would be included in every single year's report.

And the nods around the room are not uniform on that.

Mr. QUILLEN. I would say that each carrier has its own method of reporting and bookkeeping.

Mr. KUYKENDALL. Mr. Adams just held up a sign indicating something I already discovered, that leap year comes every 4 years.

Mr. QUILLEN. I think you are saying the same thing we are saying, and I believe you will find that when the others testify.

Mr. KUYKENDALL. I think this is about the only question that really remains in these hearings as to whether or not I would or could support it, and, anticipating our friends from the ICC, I think this is the one thing that they have some right to expect, uniformity.

Mr. QUILLEN. Again, I would repeat, look at this, Mason & Dixon's, 13-period reporting calendar.

In 1970, their year ended on December 25. They picked up in 1971, or will pick up when they report, those "lost" days at the end of the year, and end their year on December 31.

Mr. KUYKENDALL. In each case, a Friday.

Mr. QUILLEN. And then, in 1972, they will start out with January 1st, ending on a certain day in December.

Mr. KUYKENDALL. That would be on a Friday.

Mr. QUILLEN. But whatever day it ends on, they will pick it up the next year, so that there is no loss of reporting.

Mr. KUYKENDALL. I yield back.

Mr. QUILLEN. Mr. Adams, does that make sense?

Mr. ADAMS. Yes, I come to the conclusion that you had better do it in 1971, if you are going to do it, because everybody starts out even.

Mr. QUILLEN. That is a good idea. That is why I am here.

Mr. ADAMS. I have no further questions.

Mr. JARMAN. Would you have any comment on how much support there is among the carriers for this bill?

Mr. QUILLEN. We find that those who are on this period basis are very much interested in it, particularly that carrier headquartered in my home town, because it is expensive, it is burdensome, and unnecessary, in my opinion, to file this additional information under the present ICC requirement.

Mr. JARMAN. I understand.

Do you have any indication of how many are using the 13-period?

Mr. QUILLEN. Of the motor carriers? I do not have that information. I think that those who are on it would appreciate it. I cannot conceive of anybody shifting to it unless they felt the 13-period reporting would be better.

If some are hesitating to go to the 13-period reporting because of this unnecessary expense, then likely some would shift to this form of reporting.

I want to make it crystal clear to the committee that I am very much interested in this measure because it does not hide anything from the ICC. Whatever is lacking in one year is caught up in the next year.

It is not the intent of this measure to give any edge to any motor carrier. Rather, it is for the convenience of the motor carrier, and to make it in conformity with other governmental agencies.

Thank you, Mr. Chairman.

Mr. JARMAN. Thank you very much, Jim, for being with us and presenting this measure.

Mr. QUILLEN. Thank you.

Mr. JARMAN. Our next witness this morning is the Honorable Dale W. Hardin, Vice Chairman of the Interstate Commerce Commission.

Mr. Hardin.

STATEMENT OF HON. DALE W. HARDIN, VICE CHAIRMAN, INTERSTATE COMMERCE COMMISSION; ACCOMPANIED BY LAURENCE K. WALRATH, COMMISSIONER; W. DONALD BREWER, COMMISSIONER; MATTHEW PAOLO, DIRECTOR, BUREAU OF ACCOUNTS; AND EDWARD MARGOLIN, DIRECTOR, BUREAU OF ECONOMICS

Mr. HARDIN. Mr. Chairman, my name is Dale W. Hardin. I am at present Vice Chairman of the Interstate Commerce Commission. I am appearing today in place of our Chairman, Mr. George Stafford,

who, because of conflicting commitments, asked me to express his regrets that he was unable to be with you today.

With me are Commissioner Laurence K. Walrath, Chairman of Division 2, our Rate Division at the Commission, also Commissioner W. Donald Brewer.

At the table with me this morning is Mr. Matthew Paolo. He is Director of our Bureau of Accounts.

Mr. JARMAN. We are pleased to have you gentlemen with us.

You may proceed with your testimony.

Mr. HARDIN. We have also some other staff members, in the event that questions are raised on which they can be helpful to the subcommittee.

Mr. Chairman and members of the subcommittee, I am pleased to appear before the subcommittee today to offer the Commission's views on H.R. 1074, a bill:

To amend section 220(b) of the Interstate Commerce Act to permit motor carriers to file annual reports on the basis of a 13-period accounting year.

Our accounting rules for motor carriers generally provide for recording of all accounting transactions on a calendar month basis. They provide that, in the case of either a carrier's own internal accounting or in its reports filed with the Commission for each quarter of the year, a carrier may elect to use a 4-week accounting basis rather than monthly. The monthly basis results in 12 accounting periods annually, while the 4-week basis results in 13 accounting periods, hence the term "13-period accounting year" used in H.R. 1074. This basis, if permitted, for annual reporting purposes, would result in accounting years of 364 days. Under the proposed legislation, the year would generally begin on a day in the last week of December, or January 1, and end in the last week of December in the following year. To make up for the loss of 1 day annually, about each 6th year the accounts would include 53 weeks, or 371 days. Then the cycle would start again.

Although we permit the use of a 13-period accounting year for certain purposes, carriers of all modes of transportation, including motor carriers, subject to our jurisdiction are required under existing law to file their annual reports on a calendar or 12-period accounting basis. Those carriers who have elected to use a 13-period basis for internal accounting or in their quarterly reports to us, must, therefore, make certain adjusting entries in their accounts to convert their accounts to a calendar year basis.

Existing law and our presently applicable accounting rules would be changed by the enactment of H.R. 1074. This bill would permit a regulated motor carrier to select, at its option, either the present calendar—12-period—year accounting basis or a 13-period basis in the preparation of their annual reports to the Commission. By electing the latter option, a carrier using a 13-period basis for other purposes would not have to make the accounting adjustments presently required to restate its accounts on an annual basis.

In our opinion, enactment of the bill in its present form will create substantial problems for the Commission and others relying on us for data. Election of the accounting basis by each motor carrier would mean that uniform carrier accounting and reporting would cease to exist.

Although this would present no real difficulty in enforcing compliance with our accounting rules and regulations, it would present problems to us and others making use of the information contained in a carrier's annual report, and the statistics on the motor carrier industry as a whole, which are compiled from these reports. Both the individual carrier's reports and the aggregate statistics are widely used by us, the carriers, and others in our formal proceedings work, particularly in connection with regulation of motor carrier rates. The present system of uniform accounts permits the analysis of individual carrier operations on a comparable basis.

These reports are also used for general economic and financial analysis by other government agencies and financial institutions. In the case of annual aggregate statistics for the industry as a whole, it would be necessary to add a qualifying statement in each publication that certain carriers are on a calendar basis while others are on a 13-period basis, possibly raising doubts as to the comparability and reliability of the information in question.

Mr. Chairman, that completes the prepared statement that I have this morning. If there are questions, we would be glad to try to answer them for you.

Mr. JARMAN. Thank you very much.

If this bill is enacted into law, do you think it advisable that it be on a mandatory rather than an optional basis, which would require all carriers, then, to report on a 13-period basis?

Mr. HARDIN. Well, if it were to be enacted into law, I think, from the standpoint of comparability, comparing 1 year with prior years, it would be better if it were on a mandatory basis.

Mr. JARMAN. You oppose the bill?

Mr. HARDIN. In its present form; yes, sir.

Mr. JARMAN. But if it is passed, you would think it advisable that it be on a mandatory basis, so that all carriers would be making the same, uniform report?

Mr. HARDIN. Yes, sir.

Mr. JARMAN. I see.

Mr. ADAMS.

Mr. ADAMS. Mr. Hardin, what do you use these year-end figures for?

I will warn you before you answer that I have the second question waiting in the wings on that.

Mr. HARDIN. We have the people with us this morning who compile these data, and who deal with them on a day-to-day basis, and I would like for the Director of our Bureau of Accounts to respond to that question for you.

Mr. ADAMS. Please do.

Mr. PAOLO. First, if I may take the liberty, I would like to say that I personally, on an individual company basis, feel that the 13-period accounting is good accounting, and is good for management purposes. So we have no objection as far as the individual company goes.

It is a problem of the accumulation of statistics, and the utilization of this data in rate cases and other proceedings before the Commission.

Mr. ADAMS. All right. That is what I was going to get to.

Tell me how you would use it in a rate case, because it would seem to me that in your accounting system, on an individual company in

terms of establishing rates, it would make very little difference as to its internal system. Is that correct?

Mr. PAOLO. That is correct. On an individual company basis, that is correct, sir.

Mr. ADAMS. All right. Now tell me how you use these statistics on a ratemaking basis. What type of comparison do you use?

Mr. Hardin mentioned that it is used in your ratemaking procedure, or in your hearings. Would you explain to me how you compare, or why you would compare one company to another?

Mr. PAOLO. Yes. I think when we have controversies between companies as to appropriate rates, we must recognize that on a 13-period accounting basis we could include a full week of a preceding year, and exclude a week of a current year. Economic conditions could have changed within those weeks.

One company will have a week of the preceding year and exclude a week of the current calendar year in their reports to us. There could be rate increases in the interim that could make the comparisons not very good. There could be wage increases, rate increases, many economic conditions that would affect the comparability of the data.

Mr. ADAMS. This is what my second question was going to be.

Let's say you got a rate hearing on truck line A, and truck line A wants an increase in rates, we will say, and I am not certain just how you do it in your procedure, but I assume that B would come in, or a shipping association would come in and say they did not want the increase in rates.

A 13-period-accounting basis would make no difference in terms of your determination as to how much the company was going to make, or lose, because you could compare one 13 period with another 13 period and come out with apples and apples.

How do you use the statistics of some other carrier for comparison in that kind of a hearing? Would you utilize somebody else's system?

In other words, do the shippers or do you come in and say, "Well, carrier B is making this amount of money, and therefore you should not have more rates"?

I just do not know how another carrier gets into that hearing.

Mr. PAOLO. As a general rule, the shipper, or other carriers collectively, or the Commission utilizing statistics that it accumulates and publishes in comparing the reasonableness of a rate would use statistics that would be on another basis.

Mr. KUYKENDALL. Would the gentleman yield?

Mr. ADAMS. I will yield in a second.

Another carrier's rates, or a group of rates between the same two points would be compared to determine whether or not the request was reasonable?

Mr. HARDIN. One of the problems, I think, Mr. Adams, is this: When you have a general increase, or if you have an increase that relates to all of the carrier members of a particular rate bureau, they then use system averages. In determining those system averages, the period used would be the calendar year, as of now.

This bill would change that to the extent that Mr. Paolo has discussed. That 1 week might not be included in the year of some carriers, where it would be included in some others.

Mr. ADAMS. That is what I am trying to find out, is what varies, because, frankly, I am not very interested in your general comparable

statistics that come out at the end of the year, as to what the trucking industry did or did not do.

Mr. KUYKENDALL. Would you yield for a comment at that point?

Mr. ADAMS. I think we can put a footnote on that.

Yes, I will yield. I do want to finish this.

Mr. KUYKENDALL. This is your point, and I want to add to it.

No statistic is ever completely accurate as regards one carrier, because no average ever fits anybody exactly. Right?

Mr. HARDIN. Right.

Mr. KUYKENDALL. So you do not give us anything about averages, anyway. Right?

I do not know why you give us averages, and have to be so darned exact on one individual. Go ahead.

Mr. WALRATH. Mr. Chairman, may I help answer it?

First of all, let me make clear that I agree with Director Paolo and with the vice chairman, that in the individual rate case, where one carrier wants usually to reduce rates as against the bulk of the carriers in any given rate region, such as the Middle Atlantic or Central or whatever, it would not make any difference in that type of case whether he was on a 13 reporting period or a 12-month calendar year, because you would know on the record which he used.

But going to the point that you and Mr. Kuykendall were talking about, we do not use the averages as such in our general revenue cases. In fact, we have adopted more and more sophisticated requirements requiring that they select study carriers, representative carriers that represent at least 75 percent of the revenues that may be produced in any given region.

Mr. KUYKENDALL. Would you pardon me, sir?

Mr. WALRATH. Yes, sir.

Mr. KUYKENDALL. How can you get representative carriers without using averages?

Mr. WALRATH. We do not use averages. We require that the cost accountants representing the applicant come in and show the actual cost studies, and they have to base their studies on the reporting of the various carriers.

Mr. KUYKENDALL. How do you know what the rest of the industry is making, if you do not use an average?

Mr. WALRATH. When you get through with these individual cost studies, the aggregate represents the representative.

Mr. KUYKENDALL. What is an aggregate, if not an average?

Mr. WALRATH. It is an aggregate of selected study carriers.

Mr. KUYKENDALL. That is an average, then.

Mr. WALRATH. In the sense you are using it, sir, that is true. I recognize your point. The point I intended to make was that when you are dealing with some 200 or 300 study carriers out of a potential of 1,500 or 2,000, whoever made the cost study of the individual study carriers would have to look at each one and find out which type of accounting he was using.

Mr. ADAMS. In other words, you would be shifting the burden.

Let me back up and put it in another way.

Right now the carrier who wants to have the rate changed sends his cost accounting people, I assume, to your records, and they could select 100 or so carriers, and the accounting report would be uniform.

Then they can use those figures to present in your hearing, whereas if we were to shift to this, their cost accountant would be required to go to each of, say, 100 selected carriers and adjust their accounting to whatever the applicant's accounting was, in order to satisfy you as to whether the rate was reasonable.

Have I stated it correctly?

Mr. WALRATH. Almost, Mr. Adams. It is a little bit more refined.

In the first instance, the cost accountant representing the region who is trying to justify a general revenue increase is required by us not to select at random but according to standards that we lay down, the study carriers that are in their conference, and they have to get directly from them their cost and revenue figures for a comparable period. Currently it is the calendar year.

Mr. ADAMS. In other words, they have to go and do that, anyway. They cannot use your report.

Mr. WALRATH. Well, we use our reports to check against the accuracy of what is provided, and so do shippers.

Let's say a shipper association intends to oppose the general revenue case. Their only direct sources of information are our annual reports. They know who the study carriers are, because they have been presented in formal fashion, named and identified. So they have the opportunity of checking the accuracy of what the regional rate bureau may have presented by looking at our figures.

They cannot possibly go to the individual records. They have no other source except our records. They may well, if they have some using one system and some another, find a discrepancy. They would be bound to, in most instances. Then this could complicate the hearing through cross examination.

"How do you account for these differences?"

The cost accountant for the rate bureau has a tremendous problem in the first instance getting directly from the carriers the basic figures. He would have to make adjustments. He would not have the information to do it. Neither would we.

"How many dollars did you take in, and how many did you spend, in these days that are not included in the accounting report?"

He can only get it from the carrier. The shipper could not even do that, because he has no access to their internal records, you see.

Mr. ADAMS. All right. Give me some idea of how many are under which of the two systems, 13-period as opposed to calendar.

Mr. PAOLO. As of right now, we do not have that information, sir. I could only refer to a survey made by the accounting group of the trucking association when they circularized some 700 carriers, of which some 450 responded, of which some 50 or 60 said they were using the 13 accounting period basis. About 35 or 40 others indicated that they were thinking of going in that direction.

I think it should be made clear, and understood, that we do provide for the 13 accounting period basis in our regulations at this time. Carriers are permitted to maintain their accounts on that basis.

Mr. ADAMS. But they are required to adjust.

Mr. PAOLO. At the end of the year, to make this adjustment.

Mr. ADAMS. All right. Suppose that we were to set a date in December each year, which was, say, the last Friday.

That would not work, either, because you would have the others that would have started before the first of the year, would you not?

I was going to say we set a date, the last Friday in December, where everybody reported as of that date, and then everybody would have to adjust. The 13-period people would have to adjust for what they have had before, so that everybody in the carrier business would be adjusting back to a particular date.

Mr. PAOLO. Yet, if I might say something, it might not be too surprising if the preponderance of the industry did not want to go to a 13 accounting period.

Keeping your accounts on a 13 accounting period, you have to make 13 accounting entries and recordings each year. On the calendar basis, you make it 12 times, so that there are numerous carriers that would desire to remain on the calendar-year basis.

Mr. ADAMS. This is my last question, Mr. Chairman. You have been very patient.

Now, do you use these reports, these comparable reports, for any other purpose, other than what you have outlined, in your rate procedure, and the second set of categories, which I gather are general economic reports, or what I call compiling statistics that come out of the Government to say that the trucking industry this year ended up with this kind of a year? Is there any other specific area for which you use these?

Mr. HARDIN. I think you have covered them, Mr. Adams. I do not know of any others, unless Mr. Margolin does, the director of our Bureau of Economics.

Mr. ADAMS. I know it is a hateful thing to say to lump all of them.

Mr. MARGOLIN. By and large, you are right, Mr. Adams. Not only on a national basis, but these figures are used also on a regional basis.

We are concerned with the statistical integrity of these data because if you make these changes, you will not have a uniform approach, a basis for measuring comparability of the industry.

We are concerned about the economic condition of the industry, and, in fact, have to consider that in many cases, and if we have differences that exist between some carriers who use this system and some who do not, at their option, and come in and out at their option, we will not have the reliability in the data that is necessary.

Mr. ADAMS. To go to the final crux of it, then, if we were to shift this burden and allow this, have you any idea of what it would cost those of you in the statistical portion of the ICC to adjust the 13-period accounting people to the 12-month basis, so that you would be uniform? Because I assume that you would have to do that.

Mr. HARDIN. Mr. Adams, we would not have the data. We would not have the figures in order to do it. We would have to get that from the carriers, so that if we did, we would be right back where we started.

Mr. ADAMS. You would have the 13-period report before the end of the first month of the following year, so that instead of the carriers doing what they do now, which is to adjust for the 4 days they have omitted, I gather you would adjust for the 4 days. Is that correct?

Mr. HARDIN. We would not have their revenues on that.

Mr. PAOLO. We would just have to use a daily-average basis, without giving consideration to economic conditions in that particular week, and so forth.

Mr. ADAMS. In other words, they do not report monthly?

Mr. PAOLO. They report to us quarterly.

Mr. ADAMS. So that it would be the end of the first quarter before you would have the figures available to adjust the 13-period system to the calendar-year basis?

Mr. PAOLO. Well, you have figures. It would be quite a simple averaging way of doing it, that I think would not be accurate at all.

In other words, we do not get figures on a daily basis. We would not know what the conditions were in those 4 days. There could have been rain or snow.

Mr. ADAMS. In other words, their quarterly report is a lumped-figure report rather than a daily-average report.

Mr. PAOLO. Exactly right, sir.

Mr. ADAMS. Thank you, Mr. Chairman.

Mr. JARMAN. Are there further questions?

Mr. KUYKENDALL. Yes.

Mr. JARMAN. Mr. Kuykendall.

Mr. KUYKENDALL. Now, Mr. Adams developed the point that rate-making is one of your functions, and all the necessary data for rate-making, which really is more important, because that is the welfare of the people that you are charged with the responsibility for.

The second one is reporting data to us and others like us.

Now, let's understand something here. It is my understanding that we are not talking about 4 days a year. We are talking about 1 day every year.

Let me finish.

When you multiply seven times the 13 periods, you come out to 365, and that is 1 day short every year except four, and you have 2 days short in some years.

Mr. HARDIN. That is correct. As it goes along, 1 day each year builds up to, at the end of 6 years, 1 week.

Mr. KUYKENDALL. I am saying that every year, you are talking about 1 day.

Mr. HARDIN. One additional day.

Mr. KUYKENDALL. So the point in question is this 1 lonely day. Right? Really it is. That is what you said in your testimony.

Mr. HARDIN. Four, 5, or 6. At end end of 6 years it would be 6.

Mr. KUYKENDALL. But it is that 1 day every year. One day every year. Right? It adds up to four or five every so often, because we have leap year.

Mr. HARDIN. In the sixth year, you would have 53 weeks, Mr. Kuykendall.

Mr. KUYKENDALL. But you have 1 extra day every year, not four or five, but 1 extra day, because if the man reported this every year, you would have a 364-day period reported to you every year, would you not?

Mr. HARDIN. No.

Mr. KUYKENDALL. Wait a minute. If he reports 13 periods of 7-day weeks to you every year, he is reported 364 days to you every year. You object to that, but that is what your main objection is, is it not?

Mr. PAOLO. You are correct, sir. He would be reporting 364 days a year.

One thing I would like to mention, though, is that in every sixth year—

Mr. KUYKENDALL. I understand that. I am trying to get down to specifics here, now.

Mr. PAOLO. OK. We have 364 days a year.

Mr. KUYKENDALL. And you are 1 day short each year.

Mr. PAOLO. But the years would not be comparable on the times of the year.

Mr. KUYKENDALL. If you could get some way to have 365 days reported each year, you would not have a case at all, would you?

Mr. PAOLO. I think we would, if the year did not end at the same time.

Mr. KUYKENDALL. What difference could that possibly make?

Mr. PAOLO. For example, if I may, now.

Mr. KUYKENDALL. Yes.

Mr. PAOLO. Internal Revenue permits fiscal year tax reporting. Many carriers and many companies use, for example, a March 31 date, a June 30 date, and so forth. Yet they report to us on an annual calendar year basis.

We make it easy for them to convert. We try to make it easy for them to convert.

If we were getting reports by carriers ending at different times of the year, without getting a calendar basis, there would be no basis for comparison. We could not print data and say, "These are the earnings of the industry."

Mr. KUYKENDALL. They are not suggesting that.

Mr. PAOLO. I am saying that is why we cannot accept the fiscal year reporting under Internal Revenue, when they close in May and June.

Mr. KUYKENDALL. But we are not talking about that. We are talking about the difference in the days of the last week of the year. That is all we are talking about.

Mr. PAOLO. That is correct.

Mr. ADAMS. Would the gentleman yield?

Mr. KUYKENDALL. Yes.

Mr. ADAMS. Tell me how often this happens, where the last 4 days in a year—let's take last year, the 4 days of 1970—would be different than the first 3 days of the following year.

In other words, you are talking about a sliding scale variation.

Mr. PAOLO. What year are you looking at, Mr. Adams?

Mr. ADAMS. You pick the year.

Mr. PAOLO. 1970.

Mr. ADAMS. We have this in front of us. What we are dealing with in 1970 is that Tuesday, Wednesday, Thursday, and Friday.

If you take the year before, in other words 1969 running into 1970, you would have in your 1970 year the last 4 days of 1969.

Mr. PAOLO. That is correct.

Mr. ADAMS. It is your point that the last 4 days of 1969, which are included in this year 1970, might well be different than the first 4 days of 1971, which are omitted at the bottom. In other words, that would be the 27th, 28th, 29th, and 30th of that year.

Mr. PAOLO. That is correct, sir.

Mr. ADAMS. Now, what I am trying to find out is how big a thing are we talking about in the 4-day swing, and I know for statisticians who are very accurate people this is a horrifying thing.

For us practical people, how big a thing is this, other than a footnote at the bottom?

Mr. PAOLO. A footnote would be indicating the reporting time.

Mr. ADAMS. Exactly. There are 4 different days between the carriers being compared.

Mr. PAOLO. If I may make one point in that regard, first, I would say there could be substantial difference, because of rate increases, because of labor increases, and so forth.

Mr. ADAMS. You have that happen fairly regularly?

Mr. PAOLO. Sure.

Mr. ADAMS. And how much?

Mr. PAOLO. Wage increases have gone up substantially. Rates have gone up, and that would have an impact.

The other point I would like to make, Mr. Adams, is that not all companies on the 13-period basis use this particular calendar. They use different dates.

Mr. ADAMS. Do they not also end on the weekend, on Friday?

Mr. PAOLO. They do not always start their year on the same date, and end up on the same date.

Mr. ADAMS. I know that, but it seems to me that the whole basis of using the 13-period accounting is because you pay everybody on Friday. You mean they do not all do that?

Mr. PAOLO. That is correct, sir.

Mr. ADAMS. Thank you, Mr. Kuykendall.

Mr. KUYKENDALL. Now, let's get back. You know we are all called public servants, and I just do not like the way this thing looks, because it looks like the public is serving you instead of you serving the public. That is why I have a hang-up. I think we are doing just the opposite, that we are making free enterprise do our work for us.

Now, what is a day? A day is .0027 of a year, .0027 of a year. That is one day. That is why I am getting down to that one day we lose every year. If you were 30 percent off on that one day, it would not be but .0009, nine ten-thousandths of a year. That is not much.

Of course, I agree that you statisticians, as Mr. Adams says, have to have absolute integrity, but since everything you give us is an average, anyway, you cannot find one person in the whole United States that that figure ever applies to, not one of my constituents, not Gordon Transport, not one figure applies to that one man, except the rates you give.

So I come here. I know this is an insult to any good statistician, what I am fixing to say, but why can you not take the 13-period, 364-day figure, and increase it by .0027, every figure, and there is no way that it would be off for any person who cared, so that it would make no difference. I cannot see how it would be off, because you increase every figure .0027, and I know you have a machine that could do that in about three seconds for a whole page, and it will do them, and you will get just as good figures for any comparisons you want to make as you could possibly have.

I am not impressed, in other words, with figures past five decimal points.

Mr. PAOLO. Mr. Kuykendall, I am not a statistician, either, and cannot in any way discuss what would occur in such a computation.

I would like to point out one thing, if I may, just to get the record straight.

I think we have, as a Commission, in the Bureau of Accounts, always looked at the paper problem of the industry, and I think the industry would have to agree that we do everything we can to reduce their reporting.

Mr. KUYKENDALL. This is why this surprises me, sir, because you have a record of that.

Mr. PAOLO. One of the problems additionally that I want to get on the table is that in contacting these carriers that follow a so-called 13-period accounting basis, most of the carriers did not want to go to a particular 13-period calendar. They did not want that. They would prefer staying on what they were doing now. This study made by the industry itself indicated that the carriers preferred using their particular method.

Mr. KUYKENDALL. This is not mandatory legislation.

Mr. PAOLO. That is what I am saying. I am saying in using such a computation, though, we would get results that are way out.

One carrier's report this year will have 53 weeks. Some carriers' reports next year will have 53 weeks. Some will start on the 25th of December, some on the 26th of December, and some on the 27th of December.

We are trying to explore a manner whereby we could set up a calendar for those companies who wanted a 13-period basis, and I was going to propose that to the Commission to see what we could develop, but when the industry indicated they did not want a uniform 13-period accounting calendar, that is when we dropped the matter.

Mr. KUYKENDALL. Would not the same thing indicate that they did not want a uniform 12-month period, either?

Mr. PAOLO. But they preferred that.

Mr. KUYKENDALL. If this were mandatory, I would not be for it. I would not be for it if it were mandatory. I would have had to go against the bill of my good friend Mr. Quillen if it were mandatory.

Mr. JARMAN. Mr. Adams.

Mr. ADAMS. What was the position of the industry if we started it in 1972, which starts with Saturday as the 1st of January, and everybody had to start their 13 periods? Would the industry raise a big problem with that?

Mr. PAOLO. I would have to say so.

I may not have made myself clear, sir. The point I was raising was not making it mandatory that all carriers follow the 13-period accounting. I was thinking along the lines of those carriers using it, getting together and setting up a calendar so that they all used that same calendar. But we were not thinking at that moment of requiring other carriers to go to that basis.

To answer the question of Mr. Adams, I would think that many, many carriers would be opposed to going off the calendar year basis to go on to this basis. I would have to say that many carriers would.

Mr. KUYKENDALL. Let me make this point.

You know just as well as you are sitting there, and Mr. Hardin knows just as well as he is sitting there, that the figures you get to adjust to the 13-period basis and the 12-month figures are just educated self-correcting guesses. You know that, and we know that. From year to year, as long as they miss it a little 1 year, they will correct for it the next.

You cannot say that, in your position. I can, because you know that is true, and I am not asking you to admit that you know that is true.

I have been connected with business too long to not know that when they have to go rake up that Saturday and Sunday set of figures, that they will run an average, and that is it, and then correct for it the next year.

I know how a computer works. You are talking about how do you correct for an increase in rates. Well, you probably own 10 times as good a computer as any carrier in the country owns. Your computer can work these corrections a whole lot quicker than the carriers can. They can allow for an increase for 2 days, and you can run it into a computer, and boom, boom, it is over with, and you have an average.

Having the carrier run an average or you run an average troubles me, because I have seen how important these bookkeeping systems are to companies. I have been connected with inventory systems, and so far, and for the sake of statistics, for the sake of simple statistics, what is that old saying, "There are three kinds of liars, a simple liar, a damn liar, and a statistician." And I say that with no personalities involved.

For the sake of statistics, I am just not persuaded, and I do not see anything that you need that you could not get from a simple adjustment in your machine.

Mr. WALRATH. May I speak, sir?

I agree with what you just said, as far as what we could do, assuming the personnel and so forth, and I am sure our statisticians have the ability to arrive at a very educated, accurate figure that would suit our purposes for internal statistics.

But I have to suggest to the committee that we are charged with the public interest, and not just the carriers' interests, and when shippers want to question these statistics, they have a right to come to our records to find out what the accurate reporting is, and they can look at each of the carrier reports.

If the carriers have done as you suggested they might, just sort of fluffed it out and averaged it up, and turned it in to us, and our spot checks in accounting catch them at that, as you know, sir, they are subject to heavy, even criminal penalties.

So that we in effect vouch for those figures, and we can vouch for them only if we can understand what they are. That is why uniformity is important to us, also, so that we are not misleading the public, the shippers, and the outside people.

Mr. KUYKENDALL. The point I make about the shippers is if they arrive 5 minutes before or after midnight at the end of your accounting period, you know full well nobody is going to make a case on that.

That is the type of thing where I am saying somebody makes an educated guess about what happened, whether or not he stood in line to get in line at his terminal at midnight.

Mr. WALRATH. I would agree.

Mr. KUYKENDALL. You know that that is the type of thing I am talking about, and one truckload, or a couple of truckloads standing in line could change the statistics more than this could.

Mr. WALRATH. I agree.

I was thinking more of the basic question that Mr. Adams first asked, how could a few days at the end of the year make a difference, and Director Paolo mentioned the fact that you might have wage increases, and rate increases.

Well, it is common knowledge that for the next 2 years, at least, on each January 1 Teamster wages go up, on each July 1 they go up, and again next January they will go up.

The week preceding would be at the lower wage level, of course, and the week after would be at the higher.

I will have to be the devil's advocate and point out that presumably rates are lower, too, during that period of time.

I am not trying to make a great point, sir, but only that we would have to check each one, and we would not have the information to know what their revenues and costs were for those days.

At the point when it is 6 days difference, 6 days could make quite a difference in the rate base, if you please, on what their costs and revenues for a 12-month period were.

We would have to go right back to the very same carriers, if we were to do it, and say, "Bring it up to date for us, because we don't know what your records show." That is the point.

Mr. KUYKENDALL. Thank you, Mr. Chairman.

Mr. JARMAN. Are there additional questions?

Mr. Murphy.

Mr. MURPHY. No, Mr. Chairman.

I am wondering if the ICC would comment on whether or not the carrier would have the option of using a 13-period report.

Mr. HARDIN. They have it now, Mr. Murphy.

Mr. MURPHY. They do?

Mr. HARDIN. Yes, sir.

Mr. MURPHY. What about the quarterly filings that class I carriers have to make? They make it on what basis?

Mr. HARDIN. They make it both on a 12-period accounting base and a 13-period accounting base. They have an election now.

Mr. MURPHY. They do it both ways?

Mr. HARDIN. Yes, sir. But the end of the year is when the adjustment is made.

Mr. MURPHY. How do you file a quarterly report based on a 13-period accounting?

Mr. PAOLO. Of course, we have to make some modifications to provide for it.

As I said before, we recognized early that the 13-period accounting basis is a good basis for management. We have adapted to it for this purpose. It has been in effect for many years.

For quarterly reporting, and we permit modification if a carrier comes in with another different method, our rules now provide that the first quarterly reporting will contain three 4-week periods, the second quarterly reporting will contain three 4-week periods, the next quarterly reporting will contain the same, and the final quarterly reporting will contain the extra reporting of 4 weeks. We do have an unbalanced reporting in that regard, but we feel for annual purposes that the report should be on a calendar year basis. They are all uniform.

Mr. KUYKENDALL. Will the gentleman yield?

Your quarterly comparisons are, then, not accurate.

Mr. PAOLO. Our quarterly comparisons are not as significant to us, sir.

Mr. MURPHY. Would this affect, let's say, statistical annual comparisons of truck loadings and commercial movements?

Mr. PAOLO. To some degree it would; yes, sir.

Mr. HARDIN. One final comment that I would like to make on this is that we are talking about statistical integrity here, but I agree with what Mr. Kuykendall has said, that we are talking about a very limited period within a given year.

The one problem that I think does arise is that as this goes along, and the days accumulate, where you have 5 or 6 days, if it is optional that a carrier may do this or not do it, he could withdraw from his first election immediately prior to that 1 week not reported, and we would not know what the statistical situation would be. That 1 week would simply be lost if he went from the 13-period accounting base under the bill to the 12-period accounting base, and did so immediately prior to the next 6-year cycle.

Mr. WALRATH. Or any point in between.

Mr. HARDIN. Yes.

Mr. KUYKENDALL. Are you saying, sir, that that first week of the new year, probably where you may very well have new wages and new rates, is probably your big hangup on that?

Mr. HARDIN. Yes, I believe so.

There are other factors in addition to wage and rate differences, Mr. Kuykendall.

Mr. KUYKENDALL. They are the most likely?

Mr. HARDIN. Yes. However, you are also likely to have weather problems which affect the operations of the carriers.

Mr. KUYKENDALL. That would not be more likely in the last week of the old than the first week of the new, though, would it?

Mr. HARDIN. That is right, but the first week of the new would be reported.

Mr. JARMAN. Gentlemen, thank you very much for helping us make the record on this subject.

Mr. HARDIN. Thank you, sir.

Mr. JARMAN. Our next witness is Mr. Frank Brumit, accompanied by Mr. Paul Riley, both of the Mason & Dixon Lines, Inc., of Kingsport, Tenn.

Gentlemen, you may proceed with your testimony in the manner in which you prefer.

STATEMENT OF FRANK BRUMIT, ASSISTANT SECRETARY AND DIRECTOR, INFORMATION AND SERVICES, MASON AND DIXON LINES, INC.; ACCOMPANIED BY PAUL RILEY, MANAGER, GENERAL ACCOUNTING

Mr. BRUMIT. Thank you, Mr. Chairman.

Mr. Chairman and members of this subcommittee, we are very grateful for the opportunity to testify today on behalf of H.R. 1074, and we respectfully request permission to read a prepared statement which I think you have, and ask that it be made part of the record of this hearing.

My name is Frank Brumit, assistant secretary and director of information and services, with the Mason & Dixon Lines, and I have with me Mr. Paul Riley, who is our manager of general accounting, and who is primarily responsible for keeping the books and records in conformity with our management requirements and with the regulatory agencies.

Before I read this statement, I would like to say that I am not a statistician, either. I am a realist, and in my capacity I always look at how information is being used, why it is needed, and how everybody that is receiving this information has put it to effective use.

One point I would like to clarify before I read the statement is with regard to our period calendar. All carriers or all companies on a period calendar do not have the same ending date or beginning date. It just so happens that in the beginning, in 1954, we picked Friday to end our week, and to end our period, and to end our year, and it is in the record now of the Internal Revenue Service that we must close our records and must report to the Internal Revenue Service on the last Friday of each year, regardless of what date it falls on.

Now, if I may read the statement.

Mr. JARMAN. You may proceed.

Mr. BRUMIT. Gentlemen, the Mason & Dixon Lines, Inc., with corporate offices in Kingsport, Tenn., is a class 1 motor carrier operating under docket MC-59583 and various subs over a network of 16 States and the District of Columbia. Approximately 3,300 persons are employed in rendering land transportation service to the public in the territory which the company is authorized to serve. With annual revenues of over \$56 million, the company is operating approximately 3,150 pieces of equipment, which is company owned. This consists of approximately 970 tractors, 1,880 semitrailers, and 300 pickup and delivery trucks.

The management of the Mason & Dixon Lines, Inc., the motor carrier described above, does here by support and encourage passage of H.R. 1074 for the following reasons:

1. Many businesses, including many motor carriers, keep their books of record on a 13-period year basis rather than on a calendar month basis because it facilitates comparisons between accounting periods and eliminates the need for many complicated accrual and deferral calculations each month.

H.R. 1074 would change the act to allow those carriers using the 52-53 week, 13-period calendar year to report to the Interstate Commerce Commission the results of their business activities according to the way their books of record are kept, thereby reducing the amount of clerical work necessary now to effect reconciliation between the two methods of reporting.

2. This bill, if passed, would eliminate the problem of explaining differences in annual corporate statements used by motor carrier management, the public accounting profession, and lending institutions with those required by the Interstate Commerce Commission.

- (a) Lending institutions insist on certified statements of motor carrier business activities from Certified Public Accountants, as well as copies of the carrier's annual reports to the Interstate Commerce Commission when determining feasibility of financial support.

- (b) These certified statements must reflect the actual results of the businesses as recorded on the carrier's books, and if the books are kept on a 13-period, 52-53 week basis, the statement can differ from the report to the Interstate Commerce Commission.

- (c) The time, effort, and costs required to reconcile these differences would be eliminated if H.R. 1074 is approved and made law.

3. The passage of this bill would not interfere with the reporting practices of carriers presently reporting on a regular 12-month calendar

basis. All it does is to make the act more flexible to permit carriers who use the 13-period year method of keeping records to report annual results consistent with those records.

4. This proposed change to the act would not materially affect the Commission's use of the information contained in motor carriers' annual reports for comparative purposes.

I think this is the most material point, and the reason for it is that the relatively small differences in carriers' annual operating results (zero to four full operation days) would not be as great as many differences that now exist in those statements, due to different organizational arrangements, interpretations of reporting requirements, delays in receiving statements or invoices from vendors, and plain errors which always exist.

I would like to deviate a moment, if I may, on this, because I think this is our major point.

We compare our ICC annual report with many other carriers every year, and we have one heck of a time trying to reconcile some of the differences that exist.

For instance, some carriers have their purchasing department in maintenance. We have it in general administration. Some carriers have their driver payroll function in transportation. We have it in general administration.

So we have to make all these reconciliations ourselves, so that I cannot see how the Commission can take all these reports and say that they have uniformity now. They do to a certain degree, but there are many differences that are greater than these few days that would be different if this bill was passed and allow carriers to report as they keep records.

I will proceed with other reasons.

5. Passage of this bill could possibly save the auditing and evaluation sections of the ICC Bureau of Accounts much time in administrating and controlling reporting requirements as well as in actually evaluating the results of this reporting.

They will probably disagree with that. I say it could, and do not say that it should.

6. Passage of this bill would also eliminate the differences that now exist in the requirements as set forth by the Interstate Commerce Commission and those of the Internal Revenue Service.

(a) We are now required to report the results of our activities to the Internal Revenue Service on the 52-53 week, 13-period basis, with the end of our year always being the last Friday in December.

Therefore, The Mason & Dixon Lines, Inc., respectfully encourages passage of H.R. 1074 as now stated and without amendment.

My side note to this is that this statement would have been presented to your committee by our secretary-controller, Mr. Donald K. Good, but unfortunately he was out of the country at the time of this hearing.

However, we certainly appreciate the opportunity of appearing here today and reading our statement.

If you have any questions, we would be happy to try to answer them.

Mr. JARMAN. Thank you very much.

Mr. Adams.

Mr. ADAMS. I have just one question on your statement, point four. Suppose we were to authorize the addition to your 13-period statement of, say, 1 week at the beginning and 1 week at the end of each year, from which could be taken the information necessary to adjust any of your figures from your 13-period basis to a calendar year basis? Would you be in favor of that?

Mr. BRUMIT. That is what we are doing now, sir.

Mr. ADAMS. I am saying that you would simply, without cranking in a big report, run your 13-period basis, but you would put the week at the beginning and end of each year as an appendix to your report, so that if somebody, shippers or otherwise, wanted to go to the trouble at the ICC of adjusting your report, they could sit down and adjust it.

Would that be a big burden on you? Because you keep it by the week, anyway, do you not?

Mr. BRUMIT. We keep relatively accurate estimates by the week, but our actual closing of the records is on a period basis.

No, this would not be any benefit to us at all. It would be back to the same thing that we are doing now. We are having to keep the records on these different days and reporting our revenues and expenses for those days to adjust to the Commission requirements.

Mr. ADAMS. That is what you do now, then?

Mr. BRUMIT. Yes.

Mr. ADAMS. In other words, you just give them your 13-period report together with the days that adjust?

Mr. BRUMIT. Yes, sir.

Mr. ADAMS. Thank you.

Thank you, Mr. Chairman.

Mr. JARMAN. Mr. Kuykendall.

Mr. KUYKENDALL. It is good to have fellow Tennesseans here.

Mr. BRUMIT. Thank you, sir.

Mr. KUYKENDALL. For the record, let's clarify something that the Commission made a point of a while ago.

I think we need to get fairly graphic here. You remember that in answer to my question, "Is your main concern difference in wages and difference in rates that may occur that first week of the new calendar year?" "Yes," was what was answered, I believe.

As I get looking at this calendar and what happens to that last Friday of each year, in 1970 the last Friday of the year was as far away from the first of the year as it could get. Right?

Mr. BRUMIT. Yes, sir.

Mr. KUYKENDALL. Then the next time around it goes clear up to the last day of the year. Right?

Mr. BRUMIT. That is right.

Mr. KUYKENDALL. All right. Then, beginning in 1972, it will start retreating back into the last week of the year. Is that correct?

Mr. BRUMIT. Yes, sir, 1 day, or 2 days, depending on when leap year falls.

Mr. KUYKENDALL. So that there is never a time that the old year can involve the first week of the new calendar year, is there?

Mr. BRUMIT. Not fully.

Mr. KUYKENDALL. If you close on the last Friday of the old year, then you can never involve part of the new, coming year, can you?

Mr. BRUMIT. No, sir. We never involve lapping over into the new year, no, sir. The difference is in the cutoff time that we use and December 31.

Mr. KUYKENDALL. So that the point that was brought up by the "statisticians," that they are concerned about changes that will happen in the first week of the new year cannot happen—

Mr. BRUMIT. It cannot happen. Right.

Mr. KUYKENDALL. If you set your schedule up to close on the last Friday of every year.

Mr. BRUMIT. What they are talking about is it can happen, because then we put those odd days in December in the next year, just like it was in 1970. We put the last 6 days in December in 1971.

Their contention is that our figures then would not compare with the others, if this law was passed.

Mr. KUYKENDALL. Well, it is my contention here that if they simply straight across the board took your 364 days, and increased it to 365 statistically, just straight across the machine added that figure to what you turned in, you would have every year a 365-day year to cost for comparison purposes.

Mr. BRUMIT. That is true.

Mr. KUYKENDALL. It would never include any statistics for the first week of the new year, because it would be an average of the previous year, including the first week of that year, regardless.

Mr. BRUMIT. That is correct, but they would have to hold that adjustment for the next year and include it in the next year.

Mr. KUYKENDALL. You see, I am not speaking of the year-by-year adjustments. They need a set of figures to be able to give to us.

What troubled me in my questioning of them was that if they had a danger of having a week of adjustments thrown in that had new rates in it, it probably would throw them off some, but you retreat back from the last day of the year, and do not go forward into the new year, and you have to look at the calendar to realize that you are never including any part of the new calendar year in your figures.

Mr. BRUMIT. No, sir.

Mr. Kuykendall, we wish the Commission and the ratemaking bodies would react as they say they do to cost increases in the rate adjustments. Our experience in this industry is that our costs increase much faster than the rates do. Rate increases are always behind the cost increases, so that I do not think this is material, especially the point somebody made a while ago, I think Mr. Murphy, about the quarterly reports.

Now, we are allowed to report to the Commission on these quarterly reports on our basis, and there is a substantial difference there between our reports and carriers reporting on a 12-month basis. That can be substantial.

There is a big difference, especially in the middle of the year, in the number of days during a certain month, especially in July, which was mentioned as a critical month for rate increases.

Mr. KUYKENDALL. Well, you mentioned in your report something that I wish that the gentlemen from the ICC would go ahead and recognize that we know. I am not asking them to admit anything, but asking them to recognize that we know that sometimes whether or not the lock box was picked up this hour or that hour on receipts

can affect a year more than one day would, the variations that you mentioned, variations in a normal way of doing business that are perfectly legal, are bigger than this.

Mr. BRUMIT. Yes, sir.

May I make a point on that?

Mr. KUYKENDALL. Yes.

Mr. BRUMIT. We take into revenue, and I think most carriers do, everything that is billed on the last day of a period, or the last day of the month, and we have not earned that revenue, and I think that is a big difference.

Mr. KUYKENDALL. Because that is your consistent system. You could use the other system if you liked.

Mr. BRUMIT. Yes, sir.

Mr. KUYKENDALL. Thank you, Mr. Chairman.

If you will excuse me, I must leave.

Mr. JARMAN. Gentlemen, thank you very much.

Mr. BRUMIT. Thank you, sir.

Mr. JARMAN. Our final witness today is Mr. C. L. Packard, secretary-treasurer, Georgia Highway Express, of Atlanta, Ga.

Mr. Packard, it is good to have you with us.

STATEMENT OF C. L. PACKARD, SECRETARY-TREASURER, GEORGIA HIGHWAY EXPRESS

Mr. PACKARD. Thank you very much. It is a pleasure to be here.

I have some observations that I would like to make that have been developed since this hearing has progressed.

First of all, the crux of what we are really talking about is in knowing what the figures are. Is a year defined as a sacred 365 days ended at midnight on December 31, or can it be the 364 days ending the closest to the end of the year? The solution to that problem is one of definition.

If we are to define a calendar year, that means one thing specifically. If we define an accounting year on a calendar year basis and qualify it by the footnote, we really have accomplished the objective, and the significance of the difference between 364 and 365 days is even so small that it should not require the adjustment year in and year out that is concerning so many folks.

I would like to expand just a little bit upon that, to recognize that if we do not have any required period, that out of a statistical number of carriers that are upon this basis, that probably five-sixths of them would be reporting 364 days, and the other one-sixth would be reporting 364 plus 6 days, and therefore that you would have a statistically correct basis almost by accident.

Now, one thing that I would like to point out is related to where we have talked about adjustment of the figures.

I think it would be very important to know that this adjustment is required by the Commission to be in the ledger of the carriers. It is not a work paper adjustment, because the ledger is required to be identical with the report. The report is required to be on 365 days ended December 31.

Therefore, we have automatically required a reentry into the ledger, which does affect the carriers significantly.

On still a different topic, I can indicate that with our company I have experienced a conversion of a tax year to the ICC calendar year, which is required in order to achieve the minimal amount of adjustments reporting, and the most effective degree of efficiency in doing so. Once upon a time, our company did have a fiscal year which ended July 31st, and we felt it was necessary to change to the calendar year in order to avoid having different reporting periods.

However, I do want to point out that in our management activities, we do use and rely heavily upon the weekly cycles. In other words, a month can contain, I believe, given holidays, any number of days from 17 working days to 23, which gives quite a little variation in a calendar month.

So for management purposes, we use weekly cycles, and I direct attention to the fact that weekly cycles, or a 13-period basis, is a natural cycle, but a natural cycle for one carrier which may end upon Friday may not necessarily be a natural cycle for a different carrier which may be in a territory where you have a 6-day workweek, which ends upon Saturday.

In our industry, after all, many companies continue, particularly their line haul operations, on 7 days a week, and you also can be in situations in which you have in specialized carrier situations a different natural cycle than what is normally expected with the week ending upon Friday.

On still another topic, attention was given as to whether or not there is an aberration in the statistics that would be taken, the proposal for a uniform 13 weeks, in my opinion, is the only way that it would be possible to develop a noticeable aberration in statistics, the reason being for this, if the Commission were to prescribe a uniform period which would back up one day every year, then sooner or later they would have to pick up the 53d week en masse, or for all carriers at the same time. That would be the successful way of developing the aberration that concerns the statisticians.

On the element of the concern as to whether or not there is a difference in the profit levels on may be the last 3 days of the year, or the last 4 days of the year, or the last 1 day, I would point out there that we do not normally have such things as rate increases becoming effective uniformly upon Monday. Rate increases more frequently become effective on the minimum number of legal days after approval, which really relates to the day that the Commission wrote the Order, and it may be that these rate increases or adjustments, whatever they may be, could happen on a Tuesday or Wednesday. They certainly do not adjust them upon the first of a month, or the first of a week, or the first of a year.

To a certain extent, you find that same condition related to expense changes, and I heard reference to storms, and would point out that they do not necessarily uniformly come on a Monday or Tuesday, or in the last 3 days of the year.

There was mention also made of the statistics being used in rate cases. Commissioner Walrath mentioned the fact that under the new rules there is a requirement upon the carriers to develop their own statistics and submit them as a part of the case.

This is true, and the only thing that was not pointed out or made clear at that time is that this is the 12 most recent accounting periods

that have been completed, which is far different than making a comparison with the last full calendar year.

In other words, if we file for a rate adjustment in June, if we make the filing in June, we have to support it with the most recent months upon which the figures would be available, and that might have been the 12-month period ending in April, and this goes on and on, and therefore the 12 months is not necessarily on a calendar year basis. Therefore, there is no comparability with a carrier's annual report, because in this instance the Commission is achieving the benefit of getting the information much more currently than they would did they wait for the annual reports to be filed.

I believe that covers the points that I would like to make, other than to state that I appear on behalf of our company, which is in full support of this proposal as it is submitted.

Mr. JARMAN. Thank you very much.

Mr. Adams.

Mr. ADAMS. I have no questions.

Thank you, Mr. Packard.

Mr. JARMAN. We appreciate your being here.

Mr. PACKARD. Thank you.

FURTHER STATEMENT OF HON. JAMES H. QULLEN, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF TENNESSEE

Mr. QUILLEN. Mr. Chairman, may I make a few concluding remarks, please?

As I said in the beginning, I first introduced this bill in 1968. I wrote the Interstate Commerce Commission suggesting to them that they had the authority to accept the 13-period reporting, and in correspondence with them the information they submitted was just about as garbled as their testimony this morning.

Why is the burden on the carriers, rather than on the Interstate Commerce Commission?

For instance, the Internal Revenue Service, such a big operation, allows taxpayers to file yearly statements and pay taxes on statements that might end at any period during the year, but assuming that their year ends in April, and they file an income tax return for that year ending in April, the Federal Government does not require that taxpayer to file an additional return to end on the year end, which is December 31.

If any operation in Government needs comparability, it would be our income, what the income of this Government is going to be; but the Internal Revenue Service does not require that, and I think that the requirement of the ICC, and their attitude in saying that this is what we have to have is a figment of the imagination.

I think it has been conclusively proven that the ICC could take the figures on a true 13-period reporting basis, along with their calendar-year basis, and have a comparability unquestioned.

To say that we must have for the benefit of other carriers the revenues and what this carrier did on December 31 is just as bureaucratic as some of the other figments of imagination that you might encounter, and I am not being critical of the ICC.

When it took three or four people sitting at this table, not being able to answer your questions—"How many are reporting on a 13-period basis?" Their answer—"We do not know."—to me, that is significant. What do they know?

Why do they have to have these figures? I think it is in their minds that they have to have them because it is a custom.

We have gone to the moon. We have done things with computers that no other countries of the world have ever done.

To me, I think that this bill gives anyone a flexibility to do what they want to do. The ICC would still have the strings of regulation, and when one of those gentlemen said, "Well, a carrier might change his system at the end of the year, and we would miss 6 days reporting," I am assuming that they regulate these carriers, and no carrier could do that. All the ICC would have to do is write and say, "You cannot do it." Any change would have to be approved by them.

To me, this is ridiculous. They allow quarterly reporting on a 13-period basis. You know that on a 13-period basis there is no accurate quarterly reporting, so the ICC says, "We overlook that. Comparability during the year, we overlook it, but comparability at the end of the year we must have."

Rate increases, as they say, are long, drawn out affairs. On wage increases, the ICC said, "Well, the first 4 or 5 days of the first of the year, if there is a wage increase it would not be reflected." Wage increases are announced weeks and months in advance, and a computer would know the factor involved.

Quite frankly, listening to the testimony, I can find every reason why the bill should be reported favorably. Their opposition, in my opinion, only serves to strengthen my bill.

Thank you for this opportunity to make these closing remarks.

Mr. ADAMS. I have no questions.

Mr. JARMAN. I am sure the subcommittee members will give the bill most careful consideration.

This concludes our hearing.

Mr. QUILLEN. Thank you.

(The following letters were received for the record:)

AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS,
New York, N.Y. April 29, 1971.

Hon. HARLEY O. STAGGERS,
Chairman, Committee on Interstate and Foreign Commerce,
House of Representatives,
Washington, D.C.

SIR: The AICPA Committee on Relations with the Interstate Commerce Commission has reviewed H.R. 1074 submitted to the House of Representatives under the date of January 22, 1971 and respectfully submits the following comment

Line 8 would be restated to read ". . . of a week closest to December 31 of each calendar year, if the . . ."

The suggested language would allow the thirteen-period accounting year to end between December 28 through January 3.

Very truly yours,

MYRON J. HUBLER, Jr.,
Manager, Special Projects.

NATIONAL ACCOUNTING AND FINANCE COUNCIL OF THE
AMERICAN TRUCKING ASSOCIATIONS, INC.,

Washington, D.C., May 11, 1971.

To: The Sub-Committee on Transportation and Aeronautics of the Committee
on Interstate and Foreign Commerce, U.S. House of Representatives.
Subject: H.R. 1074.

GENTLEMEN: At a recent Annual Meeting of the National Accounting and Finance Council of the American Trucking Associations, Inc., the following resolution was adopted:

Section 220(b) of the Interstate Commerce Act requires motor carriers to file annual reports on a calendar year basis and, whereas Bill H.R. 1074 has been introduced in the House of Representatives, the U.S. Congress, to amend Section 220(b) of the Interstate Commerce Act to permit motor carriers to file annual reports on a basis of a 13-period accounting year, therefore, be it resolved that the Executive Committee of the National Accounting and Finance Council of the American Trucking Associations, Inc., support the proposed amendment of Section 220(b) of the Interstate Commerce Act set forth in Bill H.R. 1074, and it is further resolved that the Executive Committee of the N.A.F.C. make known to all members of the Committee on Interstate and Foreign Commerce their support of Bill H.R. 1074.

The National Accounting and Finance Council of American Trucking Associations, Inc., has a membership of over 1,000 individuals representing all sizes and types of carriers in the trucking industry. Primarily, our membership is comprised of the chief financial officers of trucking companies or companies closely allied with the industry.

In addition, there are 22 State Councils which are affiliated with the National Council and our membership is made up of members from every state in the U.S.

Your consideration to the aforementioned Resolution would be greatly appreciated.

Very Truly Yours,

THOMAS R. FUGEE,
Executive Secretary.

(Whereupon, at 12:05 p.m., the subcommittee adjourned.)





