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# **FIVE FALLACIES**

**A DISCUSSION OF THE ISSUES WHICH FACE  
THE PUBLIC IN ITS USE OF THE HIGHWAYS**

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**By PYKE JOHNSON, Vice-President  
National Automobile Chamber of Commerce**

**Address Delivered at Annual Meeting  
NATIONAL PETROLEUM ASSOCIATION  
Atlantic City, September 14, 1932**

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**NATIONAL AUTOMOBILE CHAMBER OF COMMERCE**  
**366 Madison Avenue : : : New York**

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A DISCUSSION OF THE ISSUES WHICH FACE  
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Five widespread fallacies face those who are interested in getting at the facts of modern day transportation. These are the statements that:

1. The motor truck is responsible for the present plight of the railroads.
2. Motor truck owners do not pay a fair share of highway costs.
3. The motor truck does undue damage to the highway.
4. Ownership of motor vehicles is an evidence of wealth, and hence the motor vehicle should be an instrument for taxation of all kinds.
5. As a broad cure for all of these ills there is suggested a fifth fallacy which is that regulation, restriction and taxation of the vehicle will straighten everything out.

The purpose here is to analyze each of these statements and then to outline briefly, a suggested means for arriving at sound public policies in respect to transportation.

## How Much Has the Truck Hurt the Railroads?

At the present time, there are some 3,500,000 motor trucks in the United States of which some 93 percent have less than a two-ton rated capacity.

Broad surveys made by the government show that:

**Eighty-six percent of these vehicles are privately owned and operated;**

**The bulk of their tonnage is handled in the short haul field.**

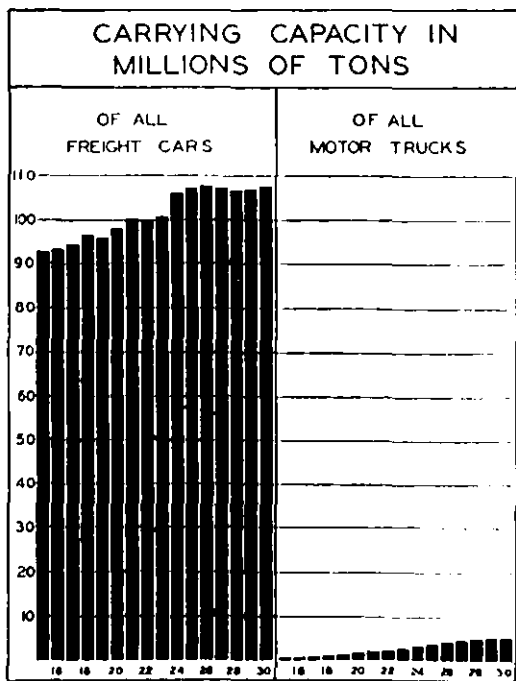
Even for the common carrier trucker, the average length of route is but 88 miles with a shorter average haul. When the vehicle travels greater distances, it rapidly gets into highly specialized fields such as the movement of furniture and high-value goods.

In the main, the truck is simply the modern successor to the horse and wagon, used by its owners as a part of business equipment and engaged in the final distribution of commodities to the consumer.

### Tool of Individual Transportation

As an interesting phase of ownership, it appears that 26 percent of all trucks are owned by farmers, while 2,200,000 trucks are owned by as many individuals.

So while there are important exceptions in the form of large private fleets of petroleum, milk, food and other commodity hauling equipment, by and large, the truck is an



The potential capacities of all freight cars and all motor trucks in the United States are compared in this interesting chart which was produced under the direction of Colonel Leonard P. Ayres, vice-president and statistician of the Cleveland Trust Company.

instrument in individual freight transportation just as the passenger car is in the carriage of persons.

Up to the present, no complete analysis has been made of the commercial haulage of freight by trucks, but we know in a general way from statewide studies in some localities that:

**The chief field of the for-hire vehicle is in the haulage of high-value manufactured goods and of perishable products such as milk, vegetables and livestock for comparatively short distances.**

The comparative unimportance of this movement to the total is demonstrated by a recent study the government made of 217 representative concerns in 41 states which disclosed only one inter-city, for-hire operator having a fleet of 100 trucks.

The interstate tonnage movement is a small part of the total. -

Whatever tonnage has been taken from the railroads is largely in the less-than-carload, short-distance haul, which railroad witnesses appearing before Congressional committees from time to time have said was an unprofitable phase of railroad operation.

## **The Rail Opportunity**

The railroads have as an offset to such loss of business as they have sustained in this area, two alternatives:

One, is the right to enter this field of operation (as many of them have) and through the use of their superior dispatching, soliciting and operating departments, to retrieve on the road such business as the truck has taken by dint of a type of service from door-to-door which the steam line cannot render as efficiently; and

Second, is an opportunity for the elimination of the costs incident to the short-haul business on the rails such as:

Excessive use of equipment for a small fraction of the business;

Way-trains which serve to clutter up main-line operations; and

Heavy capital investments in expensive freight terminals which by use of the truck can be eliminated or sharply curtailed.

On the basis of these facts, it would appear that if the rails have suffered — and they have — during the past few years, it was largely because business as a whole had suffered and because they had not taken full advantage of the opportunity which the truck presented for reducing their costs.

## Who Pays for the Highways?

One of the secondary fallacies encountered in a review of the transportation situation is a widespread popular opinion that motor vehicle owners operate over free highways.

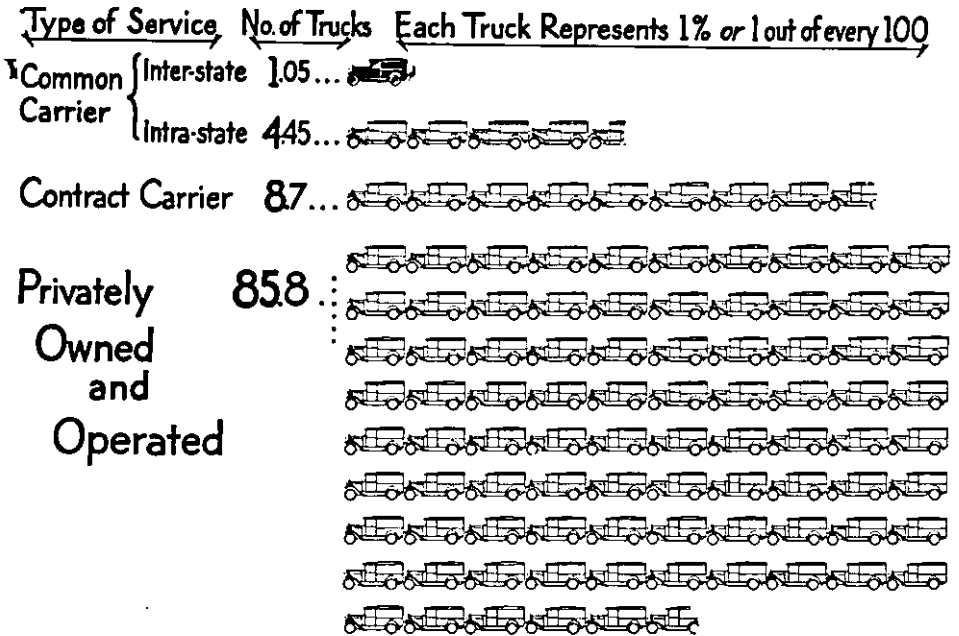
**There is no free highway in the United States today. Every road is a toll road.** The only distinction between the past and the present is that motor vehicle owners have elected to pay tolls at filling stations instead of at toll-houses as in the past.

The man who says that vehicle owners are paying no taxes simply does not know what he is talking about or the truth is not in him.

Last year, prior to the enactment of the new Federal Revenue Law, motor vehicle owners were paying more than a billion dollars annually in special gasoline, registration, personal property and a score of other taxes.

The Federal law added another \$258,000,000 in discriminatory excise taxes to that burden.

## Classification of United States Trucks By Type of Service

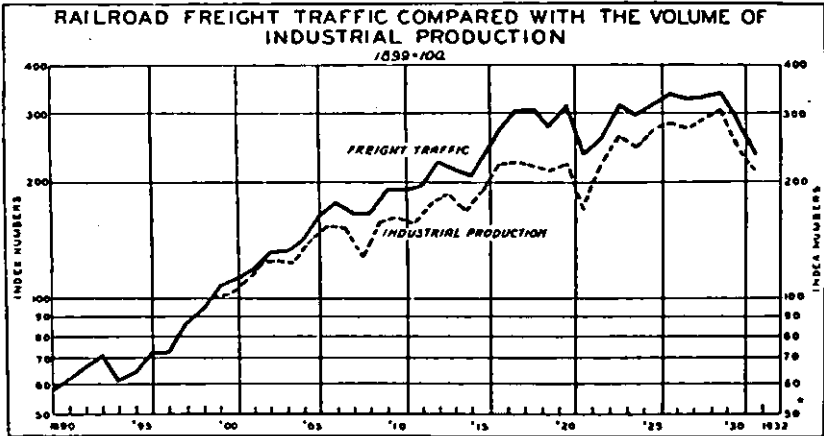


Results of a comprehensive survey made by the United States Bureau of Public Roads in eleven western states are depicted graphically in the above chart. The survey disclosed that only 1.05 trucks out of every hundred in the area were engaged in interstate common carrier service while nearly 86 out of every hundred trucks were privately owned and operated.

In every state, motor taxes are not only high today but the trend is in the direction of further increases or toward diversion for a score of general purposes.

To those amounts, the truck operator is one of the heaviest contributors. While he represents about 12 percent of the total number of vehicles, he pays 29 percent of the special taxes and, in addition, he pays all the general taxes that any one else pays in proportion to his land holdings or his earnings.

Detailed studies of truck operation over particular stretches of highway have shown that they pay at least their share, or more, of the costs of such roads.



That the present difficulties of railroads are not due to the competition of highway carriers but to current business conditions is clearly demonstrated in the above chart reproduced from THE ANNALIST, showing how closely railroad freight operations parallel the nation's industrial operations.

But again the truck operator is faced with the figures of total highway costs and the fallacious conclusion is arrived at that he and other motor vehicle users ought to pay for the total cost of all roads even though, there are literally millions of miles of highway which the truck owner as a class never operates over.

### Pay for Roads They Use

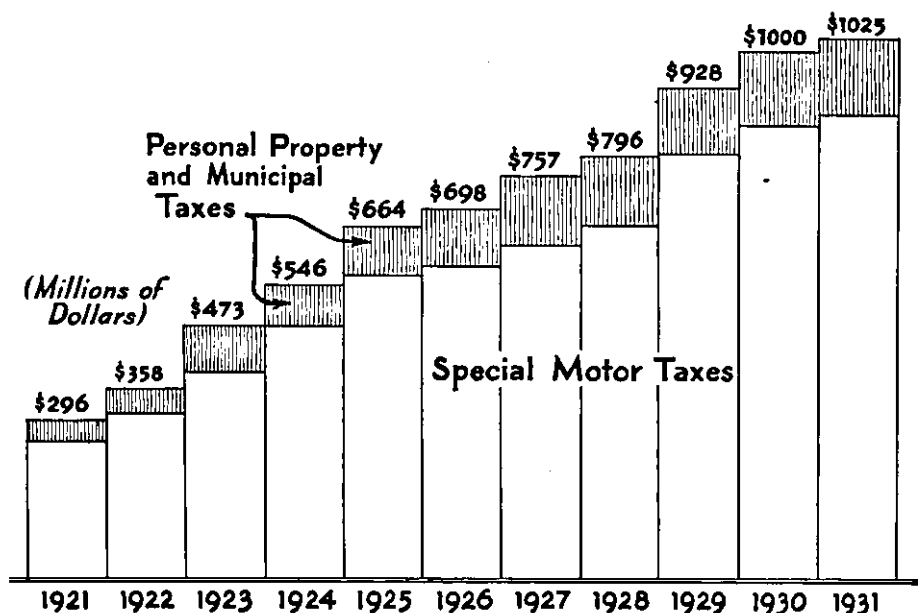
Today, all motor vehicle owners are paying in special taxes alone amounts equivalent to the entire cost of construction and maintenance of roads which they use as well as the bond costs therefore.

Because of the great mileage of the road and because we are still in the primary stage of road development in the United States even though we have gone much farther than any other country, motor vehicle owners today could not pay the entire cost of all highways.

There is no reason in equity why they should, because roads would be essential if there were no motor vehicles.



## Special Motor Taxes—1921-1931



Taxes collected from motor vehicle owners of the United States increased from \$296,000,000 in 1921 to more than \$1,025,000,000 in 1931. White portions of the bars indicate the special motor taxes collected by state governments.

The blunt fact which must be faced by those who urge that all roads should be paid for by motor users is this:

**If road funds were limited to vehicle taxes then the funds should be expended for the roads which they use.**

In Michigan, a typical state, 84 percent of all traffic moves over 9 percent of the mileage. This means that largely, local road improvement would have to stop and to the extent that it did, rail operations would be affected because most of the traffic carried by railroads travels over highways either to or from the rail head.

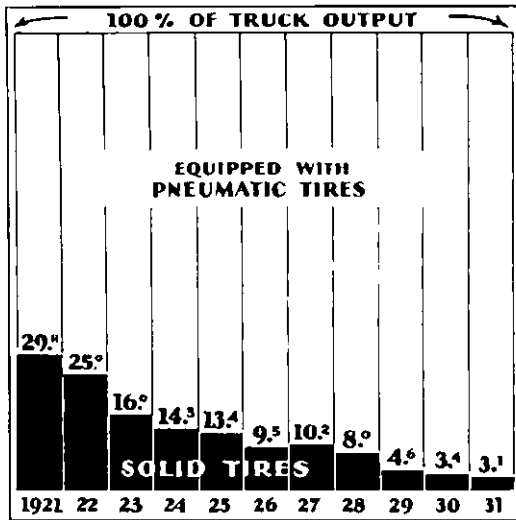
No man who knows that 40 percent of the farms of the country do not yet have improved roads, would want to argue long that the rural folk should not have them.

## Truck Use of the Highway

Ten years ago, those who said that the truck was doing an undue amount of damage to the highways might have had a case.

But the art of truck construction has developed rapidly along with the older art of road improvement.

Today, **virtually no motor trucks with solid tire equipment are being produced** and the government has recommended that such vehicles be barred from the highways except by permit.



How pneumatic and balloon tires are replacing solid or cushion tires on modern motor trucks is shown in the accompanying chart. In 1921, 29 percent of all trucks produced were equipped with solid tires, whereas, in 1931, only 3.1 percent of the trucks produced had such equipment.

Pneumatic and balloon tires have so decreased the impacts of vehicles upon road surfaces that for reasonable loads, properly equipped, the damage has virtually disappeared.

To the extent that vehicles are not properly equipped or are loaded to the point where they do inflict undue damage, then they should be kept off the highways. Every state has adequate laws for the protection of life, limb and property on the highway. They should be enforced.

Equally, however, physical regulation should be uniform as between states. The man who obeys the law in his own state should not be penalized when he comes to a state boundary.

## The Vehicle as an Evidence of Wealth

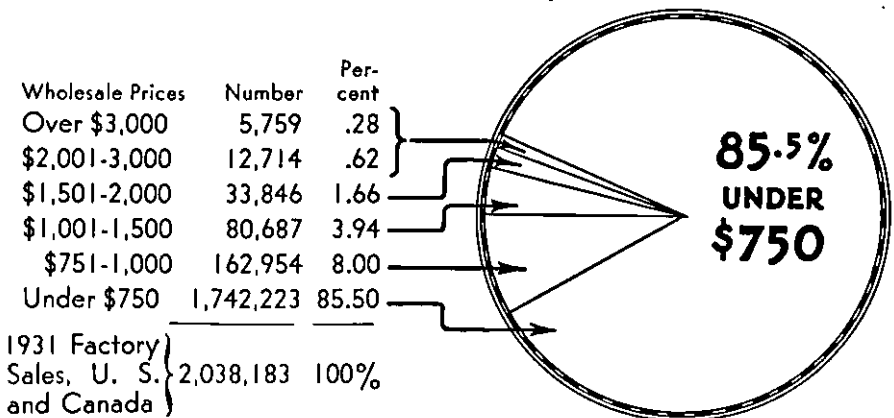
Those who justify motor taxation on the ground that vehicle ownership is an evidence of wealth are not familiar with the facts.

No one would say that farmers are over-burdened with cash, yet they own more than five million of the twenty-six million trucks and cars in the country.

Two-thirds of all automobile owners have incomes of \$3,000 or less and 86 percent of all cars sold are priced at less than \$750 wholesale.

Possession of a truck is evidence of a transportation job that needs to be done—not of wealth.

Car Sales by Price Groups  
Distribution of 1931 Car Sales by  
Wholesale Price Groups



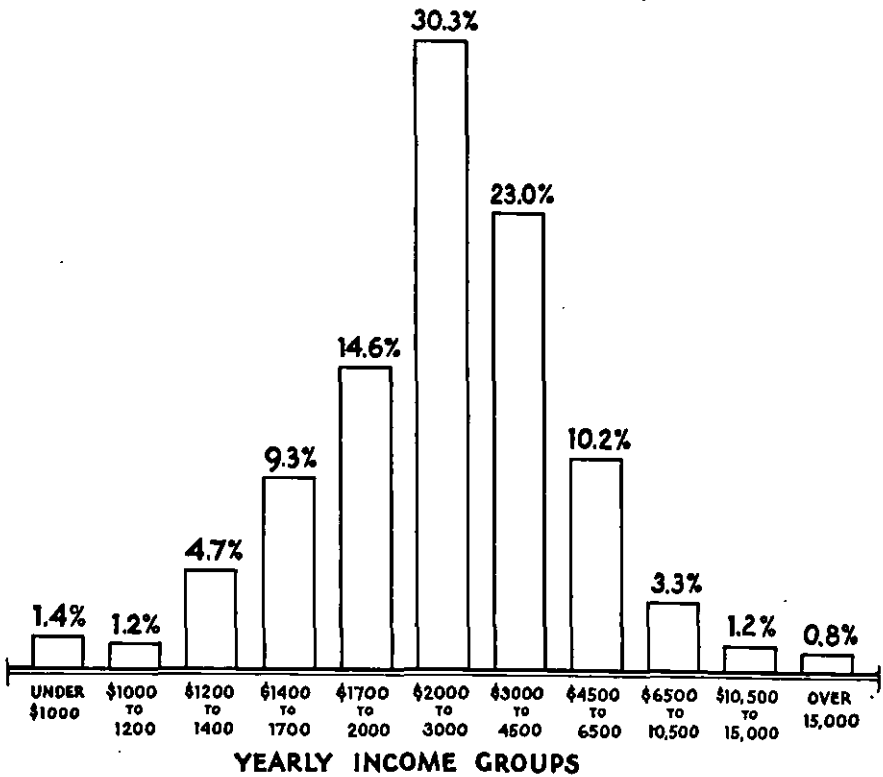
Eighty-six percent of the new cars sold in the United States and Canada during 1931 were in the \$750 or less (wholesale) price group. High price cars (having a wholesale value of \$3,000 or more) amounted to only .28 percent of total car sales.

Since the truck is always an element in business costs, every tax which it must pay adds to the price paid by the ultimate consumer. This is even more true in the case of the common carrier whose business is drawn largely from the little fellow who cannot afford to buy fleets.

### Taxes Penalize Production

Whatever is done to increase the taxes on either trucks or automobiles is a penalty on production which, inevitably, strikes back at the masses who use these vehicles or whose products are carried in them.

1931 Car Purchases By Income Groups



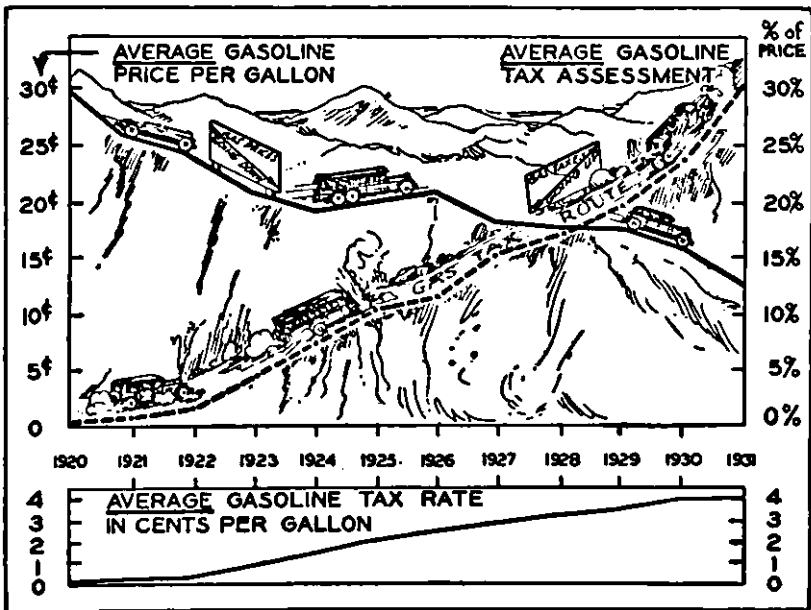
More than eighty-five out of every one hundred car buyers, it is estimated, have annual incomes of \$4,500 or less. More cars are sold to families with incomes of less than \$1,200 a year than are sold to families with incomes exceeding \$10,500 per year.

Certainly each should pay his share of the costs of the facility but when that has been done, no taxation or regulation can be imposed to add to the cost of the movement without damage to society as a whole.

To say that such laws should be passed to equalize competition between different types of transportation is to say to the public that it should not have the use of the highways and motor vehicles which it has bought.

Moreover, the attempt can only react against other transport agencies, since in the long run progress cannot be denied. The rails must turn to those types of service which are most efficient, or they will lose the business.

### Comparison of Gas Taxes and Prices 1920-1931



(From American Automobile Association)

How the rising trend of gasoline taxation has prevented car owners from realizing the full advantage of lower fuel prices is shown above. In 1931, the average gasoline tax assessment was more than 4 cents per gallon or 30 percent of the average retail price for the commodity.

## **Drive on for Undue Regulation and Taxation**

Nonetheless, the drive for increased motor vehicle taxation and regulation is on in force throughout the country. When the forty-four state legislatures which meet next year convene, it is safe to assume that all of them will have before them proposals which, if carried out, would add greatly to the already heavy burden of the motorist.

Recognizing the public urgency of this situation, Alfred P. Sloan, Jr., President of General Motors Corporation and a member of the Board of the National Automobile Chamber of Commerce, issued an invitation to representatives of many large national organizations to consider this problem with him some months ago.

Some fifty organizations, including the National Petroleum Association, were represented and out of their unanimous conviction that the public interest in transportation was threatened by these new developments, a Highway Users' Conference was established.

The purpose, functions, principles and limitations of this organization are best set forth in its Articles of Organization which read as follows:

### **Purpose**

Its purpose shall be to encourage the development of equitable bases of taxation for the use of public highways and to prevent imposition of undue burdens upon highway traffic.

### **Functions**

The functions of this organization shall be:

- (a) To act as a clearing house for the collection and dissemination to its members of information concerning present and proposed national, state and municipal legislation affecting motor vehicle taxation and regulation and the taxation of products used in motor transportation.
- (b) To study equitable policies of taxation for the provision and maintenance of public highways.

- (c) To serve as a meeting ground for the discussion of the policies of taxation of highway-users and the problems of securing an adequate highway transportation system.
- (d) To act as an agency for coordinating as far as practicable the activities of its members in carrying out the purpose of this organization.

### **Statement of Principles**

1. Owners and operators of motor vehicles should be required to pay their proper share of the cost and upkeep of the highways.
2. Reasonable requirements of operation to safeguard against personal injury, property damage and damage to highways should be required of all highway-users.
3. No highway-user who has met reasonable requirements of taxation and operation should be subjected to further special taxation or governmental restriction of physical operations which would result in an unwarranted increase in the cost of using the highways.
4. Special taxes and fees which are imposed, directly or indirectly, for the use of highways should not be diverted to other governmental uses.
5. Uniform and reciprocal programs for taxation and regulation of physical operations of interstate movements of motor vehicles should be developed among the several states as far as practicable.

### **Restrictions**

This organization shall not make public use of the views of any member without the consent of the duly authorized representative of such member. It shall not obligate any of its members for the payment of any costs or expenses of operation of the organization. No expenditures shall be undertaken in behalf of the organization until funds have been provided for such purpose by voluntary contributions from interested members. There shall be no dues or assessments against any member.

So from the outset, it will be seen that the common ground was one of an aggressive cooperation against repressive regulation of motor vehicle use and unfair taxation of the products entering into its manufacture or use.

## ~~ON~~ Not A Super-Organization

So, too, the Conference is in no sense a super-organization.

Instead, it is a clearing house, through which highway-users everywhere can familiarize themselves with the facts surrounding their own use of the highways.

With this knowledge, the individual members can then make such appearances before the state legislatures as are justified by their interest in and use of motor vehicle transportation.

In this way, complete freedom of action and complete autonomy are retained by each group. There is no effort to either impose the views of others or set up a new agency to speak for any member.

Finally, the Conference is essentially designed to distribute the facts of motor transportation, and not as an instrument of attack upon any other form of transportation.

The membership is made up of shippers to whom the continuance of a prosperous railroad system is as much a cardinal principle as is protection of the public right to the use of the highways.

There is no thought of depriving any agency of the transportation which it can carry most efficiently and with due regard for the shippers' demand for service.

Instead the hope is that through a better dissemination of fact, that fallacy will be broken down and eventually that all transportation groups as well as the shippers and the general public will benefit.

Certainly the problems involved are vital enough to demand the most far-seeing attention and thought that can be brought to bear upon them.