**SSE Recommendation 5:**

Remove financial disincentives to safety improvements by requiring that all modes are required to have adequate financial responsibility

The degree to which a company can be required to pay for the losses it causes has a direct relationship to the extent to which it is willing to spend funds to prevent crashes. For example, the cost of entry in trucking is almost non-existent, and the required minimum insurance levels (for example, only $750,000 for property carriers) in trucking were set by Congress more than 30 years ago. They have not been raised, not even for inflation, in spite of the fact that Congress merely set the minimum amounts and specifically gave the Secretary of Transportation the authority to increase the amounts as appropriate. Where most segments of all other modes have huge investments in equipment and heavy capitalization that make investment in available safety-related options, systems, technologies and training economically feasible, a very significant portion of the trucking industry is insufficiently capitalized and operates on minimal operating and profit margins. When companies that have adequate financial responsibility cause a crash which results in death or serious injury, these companies are held fully financially responsible for the damages they cause.

As a result of the lack of capitalization and lack of required adequate insurance coverage in certain segments of the trucking industry, significant portions of the industry are able to externalize catastrophic crash costs because they do not pay for the damages they cause. The result is that many trucking companies are effectively "subsidized" by under-compensated truck crash victims (and by government programs such as Medicare, Medicaid, Workers Compensation, and Social Security that assist in paying for part of these damages). By "externalizing" these costs, a large segment of the trucking industry does not include them in its pricing structures, which leads to artificially low shipping prices and to an industry culture that has historically accepted fatal crashes as part of the "cost of doing business."

Trucking companies that are adequately capitalized and insured are forced to compete with companies that are not pulling their own weight. In effect, these more responsible companies are being penalized because they are not receiving the "subsidies" given to a substantial segment of the industry. The adequately capitalized and insured companies, often the larger operations, are purchasing the latest in safety systems and technology not only because they can afford to do so, but also because they cannot afford not to. The time to remove financial disincentives to safety improvements for all trucking companies is long overdue.

The Secretary of Transportation has the authority to require that industry participants are insured at an appropriate minimum level to cover a large percentage of the costs for the catastrophic losses and damage for which they are responsible. Cost allocation must be used to identify and eliminate or significantly reduce subsidies to freight transportation companies by undercompensated crash victims and through Medicare, Medicaid, Workers Compensation and Social Security. To improve safety practices, minimum financial responsibility levels for commercial motor vehicle carriers which were originally set by Congress in 1980 must be increased to levels commensurate with the financial and personal costs incurred in serious crashes, and past inflation. These levels of minimum insurance should include an automatic escalator to keep up with future inflation.

In addition, the cost-of-entry into the trucking industry is very low, and there are minimal financial or other requirements placed on those who are starting a trucking business. This practice needs to be evaluated to ensure that those entering the industry have the financial capacity and knowledge of the regulatory requirements to do so in a safe and responsible manner.

**SSE Community Impacts Recommendation *Prioritize Worker Health and Safety* SSE Recommendation 4:**

Transportation workers should be paid for all work performed.