

I am very happy that you propose to appropriate what seems to me to be a modest sum of money to study a problem which is having a tremendous effect on the welfare of our people and on their freedom to operate automobiles.

Thank you very much.

(Professor Conard's prepared statement follows:)

STATEMENT OF ALFRED CONARD, PROFESSOR, LAW SCHOOL, UNIVERSITY OF MICHIGAN

I. THE NEED FOR CONGRESSIONAL ACTION

The Committee on Interstate and Foreign Commerce deserves applause for its decision to examine the problem of reparation for automobile injuries. The failure of our society to provide for adequate reparation of automobile injuries is causing needless suffering, losses of productivity, and feelings of injustice. At the same time, the soaring costs of liability insurance are making automobile ownership impossible for many poor Americans. If they cannot own automobiles, they cannot emerge from the congested cities where public transportation is available, and cannot hold jobs at outlying factories. The present system of reparation produces two kinds of victims—those who are inadequately compensated for their injuries, and those who are charged the high insurance premiums required by a wasteful system.

Congress is properly concerned because poverty, productivity, interstate commerce, and justice are involved. Congress has itself contributed to the stream of traffic by supporting highway building, and the automobile itself is a product of interstate commerce. The problems are too vast to be solved by private individuals or by state governments alone. The federal government holds several of the keys to the puzzle.

II. IMPOTENCE OF THE STATES

The law of automobile injuries has fallen into obsolescence partly because it has been left to the states, and the states are powerless to make fundamental changes in the system. The stream of traffic is interstate. If my state of Michigan were to pass a uniquely rigorous insurance law, it would do nothing to protect our citizens against vacationing motorists from Illinois and Ohio. If we were to attempt to put heavy burdens on visiting motorists, it would probably have no effect except to scare a few tourists away from our vacation industry. Other states have similar problems.

A serious attempt to design a one-state reform is involved in the "basic protection plan" of Professors Keeton and O'Connell. In the opinion of many observers, it creates problems of conflict of laws which are insuperable.

We long ago learned that railroad and airline transportation are federal concerns. We have already recognized that highways are federal concerns. It is time to recognize that automobile injury reparation is a federal concern too.

III. FALLACY OF SUPPORTING THE PRESENT INSURED TORT LIABILITY SYSTEM

It would be a mistake for the federal government to come to the rescue of the insured tort liability system as it now operates. This is only one of several reparation systems operating to supply injury reparation, and it is by far the most expensive, ineffective and wasteful of all three systems.

The system is expensive in that it makes the public pay \$2.25 for every dollar of net benefit delivered to injury victims under the insured tort liability system. Comparing other systems, we find that workmen's compensation costs about \$1.45 for every dollar of net benefit; individual life insurance about \$1.40; group health about \$1.10; social security about \$1.03.

The system is not effective to provide medical restoration and rehabilitation to the disabled because the victim doesn't know whether he will be compensated, until months or years after the treatment would have to be administered.

It is not effective to relieve short term distress for the same reason—the delay and uncertainty of payments.

It is not effective to relieve long term destitution and poverty because the damages are paid in a lump sum which is easily dissipated, and is inadequate to