Before the

Subcommittee on Transportation and Infrastructure

Committee on Environment and Public Works

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Statement of

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On

Surface Transportation and the Global Economy

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AMERICAN TRUCKING ASSOCIATIONS

Driving Trucking's Success

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INTRODUCTION

Chairman Baucus, Senator Isakson, and members of the Subcommittee, thank you very much for inviting the American Trucking Associations[1] to testify before you today. I am Ray Kuntz, Chairman of ATA and Chairman of the Board and Chief Executive Officer of Watkins and Shepard Trucking, located in Helena, Montana.

Mr. Chairman, you are to be commended for calling this hearing and for focusing attention on one of our Nation's greatest challenges – building a transportation infrastructure system that can meet current and future demands of the global economy. When your predecessors were considering America's transportation needs 60 years ago, they recognized that a safe, efficient system of highways connecting America's cities, towns and rural areas was absolutely necessary to meet our country's economic and military security needs. Their vision produced an Interstate Highway System that has served our country well, and today allows a Montana-based trucking company to participate in a supply chain that stretches around the globe.

Every day thousands of trailers and containers, carrying everything from grain to machine parts, flow through our ports, across our borders, and on our rail, highway, air and waterway systems as part of a global multimodal transportation logistics system. It is a complex array of moving parts that provides millions of good jobs to Americans, broadens the choices of products on store shelves and creates new and expanding markets for U.S. businesses. Highways are the key to this system. Trucks move 69 percent of our Nation's freight tonnage, and draw 84 percent of freight revenue, and the trucking industry is expected to move an even greater share of freight in the future.[2] In addition, trucks transport 69% of the value of freight moved between the U.S. and our Canadian and Mexican trading partners.[3]

However, trucks are also crucial to freight moved on rail, in the air and on the water. The highway system connects all of these modes to manufacturing and assembly plants, retail outlets, homes and warehouses. An efficient highway system is the key to a fluid global supply chain, which in turn is a fundamental element of a growing and prosperous economy.

Unfortunately, Mr. Chairman, the highway system no longer meets our needs. While the condition of our highways and bridges has steadily improved in recent years, the bridge collapse in Minneapolis and the recent closure of Interstate 95 in Philadelphia remind us that our infrastructure is aging and large sections will have to be repaired or replaced in the coming years, at an enormous cost.

More troubling is the seemingly endless congestion on highways in urban areas. According to the most recent report on congestion from the Texas Transportation Institute, in 2005 drivers in metropolitan areas wasted 4.2 billion hours sitting in traffic, burning 2.9 billion gallons of fuel.[4]

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[1] The American Trucking Associations is the largest national trade association for the trucking industry. Through a federation of other trucking groups, the industry-related conferences and its 50 affiliated state trucking associations, ATA represents more than 37,000 members covering every type of motor carrier in the United States.
[2] Global Insight, *U.S. Freight Transportation Forecast to…2018*, 2007.
[3] U.S. Department of Transportation, Bureau of Transportation Statistics *Transborder Freight Data*, 2007.
[4] Texas Transportation Institute, *2007 Urban Mobility Report*.

ATA estimates that if congestion in these areas was ended, 32.2 million tons of carbon would be eliminated and, over a 10-year period, nearly 32 billion gallons of fuel would be saved, reducing carbon emissions by 314 million tons.

While the TTI study estimated that the national congestion cost due to congestion in urban areas was $78 billion in 2005[5], this figure likely underestimates the real cost of an inadequate highway system to the U.S. economy. Since deregulation and completion of the Interstate Highway System over the previous quarter century, the trucking industry has made continuous improvements that have allowed its customers to significantly reduce inventories and create manufacturing and supply chain efficiencies that have saved the U.S. economy billions of dollars, increased salaries, slowed consumer price increases and created countless jobs. Disruptions to the movement of freight on our nation's highway system due to congestion jeopardizes these gains. Congestion slows delivery times, creates unpredictability in supply chains and ultimately makes U.S. businesses less competitive and consumer products more expensive. Indeed, in its 2007 *State of Logistics Report*, the Council of Supply Chain Management Professionals described a logistics system whose costs are rising at triple the pace of general inflation.[6] The report found that business logistics costs rose over 11% in 2006 to $1.3 trillion, an increase of $130 billion over 2005. Trucking costs alone increased by $52 billion. Mr. Chairman, if we fail to address congestion, these costs will continue to rise, and will translate into higher consumer prices and slower job growth, and will weaken the United States' ability to compete in the global economy.

Indeed, America's competitors have recognized the value of a good transportation system and are investing heavily in their infrastructure. Over the past five years China built nearly 120,000 new highway miles, including more than 17,000 expressway miles.[7] China currently has an Interstate-quality expressway system that is 33,000 miles long, and the country continues to invest approximately $22 billion annually in highway construction.[8] Over the same 5-year period, the country built 568 new port berths to handle mega container ships.[9] Many of these vessels will be calling at U.S. ports with inadequate landside infrastructure to handle the crush of containers. In addition, the European Union has launched a coordinated long-term initiative to address freight and other transportation needs.[10]

The United States has been living off the transportation infrastructure built by past generations, and our failure to keep up with the demands imposed on these systems by population and economic growth have weakened the Nation's competitive position relative to other countries. According to a World Bank analysis, the United States' logistics system ranks 14th in the world based on key measures such as the quality of transportation infrastructure, competence of logistics providers and terminal handling efficiency.[11] The U.S. lags behind many of our global competitors, including Germany, Japan, China, the United Kingdom and Canada. Eliminating

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[5] *Ibid*
[6] Council of Supply Chain Management Professionals, 18th Annual *State of Logistics Report*, June 6, 2007.
[7] Wen Jiaboa, Premier of the State Council. *Report on the Work of Government (2008)*, March 5, 2008.
[8] Government of China, Nov. 16, 2007.
[9] *Ibid*.
[10] European Union Directorate-General for Energy and Transport. *European Freight Transport*, March 2006.
[11] World Bank *Logistics Performance Index 2007*.

bottlenecks on our highways and at our ports and border crossings will greatly enhance America's competitive position.

Mr. Chairman, incremental solutions will not allow us to meet the Nation's current and future transportation needs. The federal surface transportation program in its current form will not suffice. While more resources than are currently available will be necessary to finance the transportation improvements needed to get our country out of traffic gridlock and to make driving less hazardous, we can no longer afford to spend limited federal resources on projects that do not meet our most important national needs. Therefore, federal funds must be invested in a manner that will most effectively address these requirements. Furthermore, outdated federal laws and regulations that are detrimental to motorists and to society at large must be reformed. My comments will focus on what changes must be made to the federal highway program in order to accommodate current and future highway freight transportation demands.

A NEW FEDERAL VISION: FOCUS ON MOVING FREIGHT

When the federal highway program was created, it had a clearly defined mission: to finance construction of the Interstate Highway System. When that mission was complete, the money was still coming into the Highway Trust Fund (HTF), but Congress did not identify a new federal role. With few exceptions, Congress and the states tend to view the HTF and the highway authorization process as simply an opportunity to address parochial interests, without putting these decisions into the context of a broader national vision. What attempts are made to focus on national priorities tend to get lost in the battle for greater state apportionments and earmarks for local projects. In the meantime, critical projects whose failings have national or broad regional implications go unfunded. The ability to plan, from a national perspective, for the transportation challenges of the 21st century, is impossible within this parochial atmosphere.

This is not to suggest that the current federal program is devoid of benefit. Local transportation challenges are necessarily dealt with by state and local governments, and the continued flow of federal resources to address these needs is important. However, because the full benefits of moving freight extend beyond metropolitan and state boundaries, projects which might otherwise receive a higher priority go unfunded, in part because many are extremely expensive and would, by themselves, eat up state budgets.

The failure by planners at all levels of government to identify and fund projects that are important to the movement of freight points to problems in the transportation planning process itself. While federal law requires states and Metropolitan Planning Organizations to identify transportation needs within their own boundaries, vehicle travel is not bounded by lines on a map. Transportation extends across state and local government borders, but currently the planning process does not. While some states have made great strides toward regional planning, the ability to fund projects outside of their states, even when they are likely to benefit greatly by such decisions, is tempered by political reality. The federal government is the only entity in a position to determine the national and regional benefits of highway projects that facilitate the movement of freight, and is singularly equipped to provide sufficient resources and strong leadership to ensure that these projects are completed.

ATA believes that the federal government must adopt a new mission: to provide the leadership and resources necessary to facilitate the safe and efficient movement of goods on the nation's highway system. We agree with other groups – such as the American Road and Transportation Builders Association and the Coalition for America's Gateways and Trade Corridors – that such a program should be segregated from the existing federal surface transportation program, and that its source of funding should be walled off within the Highway Trust Fund.

While trucks serve 100 percent of American communities and utilize nearly the entire four million mile road system, freight tends to be concentrated along a few major corridors. Many of these corridors are also among the most heavily congested in the nation. This presents both a challenge and an opportunity. The challenge is in finding the will and the resources to make what are often extremely expensive improvements to these corridors in order to ensure that freight does not bog down, thus disrupting supply chains throughout the nation, and causing ripple effects around the world. The great opportunity before us is to not simply keep up with freight transportation demands, but to develop a long-term vision of the transportation system that results in supply chains that are swifter and more predictable than they are today. ATA is presenting to the subcommittee for its consideration proposals that address the immediate and longer-term deficiencies plaguing important highway freight corridors.

Freight Corridors Initiative

A preliminary study for the Federal Highway Administration (FHWA)[12] identified the highway bottlenecks that cause the greatest amount of delay for trucks. The study estimated that the more than 200 identified bottlenecks cost the trucking industry more than 243 million hours annually, with a direct financial cost of approximately $7.8 billion. The study estimates that highway bottlenecks account for 40 percent of congestion, with the remainder caused by accidents, bad weather, construction, special events and poor signal timing.

This table,[13] which updated the report referenced above, shows, for illustrative purposes only, the worst highway bottlenecks for truck congestion.

RANK	CHOKEPOINT LOCATION	CITY	ANNUAL HOURS OF TRUCK DELAY
1	I-405 at I-605	Long Beach, CA	2,662,600
2	SR-60 at I-605	Los Angeles	2,400,200
3	I-75 at I-285	Atlanta	2,253,000
4	I-55 at Pulaski Rd	Chicago	1,888,600
5	I-80 at I-580/I880	Oakland, CA	1,838,700
6	I-285 at I-85	Atlanta	1,815,100
7	I-90/94 at I-290	Chicago	1,600,300

[12] Cambridge Systematics and Battelle Memorial Institute for the Federal Highway Administration, *An Initial Assessment of Freight Bottlenecks on Highways*, Oct. 2005.
[13] U.S. DOT, FHWA, Technical White Paper, *Application of Detailed Interchange Analysis to Top Freight Bottlenecks: Methods, Results, and Road Map for Future Research*, March 19,2007, Table 3.1 Annual Delay at Major Truck Bottlenecks.

RANK	CHOKEPOINT LOCATION	CITY	ANNUAL HOURS OF TRUCK DELAY
8	I-80 at I-94 Split	Chicago	1,365,300
9	I-15 at I-10	Ontario, CA	1,308,300
10	I-880 at SR-238	Oakland, CA	1,200,300
11	I-90 at I-290	Buffalo, NY	816,300
12	I-93 at I-95	Boston	726,500
13	I-77 at I-277	Charlotte	660,300
14	I-90 at I-94 split	Chicago	584,500
15	I-17 at I-10	Phoenix	493,200
16	I-710 at I-105	Long Beach, CA	425,200
17	SR-315 at I-70	Columbus, OH	367,500
18	I-75 at I-74	Cincinnati	305,800
19	I-20 at I-285	Atlanta	285,100
20	I-75 at I-85	Atlanta	272,600
21	SR-134 at SR-2	Los Angeles	267,600
22	I-290 at I-355	Chicago	263,600
23	I-93 at I-90	Boston	175,800

ATA is in the process of developing a new concept – the Freight Corridors Initiative – that is designed to fund highway projects which hold the greatest potential for improving the movement of freight. Most of the money would finance those projects identified as providing congestion relief at bottlenecks on corridors which have the most significant impacts on trucking mobility and on the U.S. economy. In order to ensure that the money is spent where it is needed most, it would be distributed in a manner that takes into account the relative importance of the corridor and the degree of impediment to the flow of truck traffic. Distribution of money to the states would therefore be based on various factors such as, for example, the number of bottlenecks in the state, annual hours of delay, the number of critical corridor miles in the state, and the amount of truck traffic on these corridors.

A smaller percentage of Freight Corridors Initiative money would be distributed to states that do not receive money for bottleneck relief. This revenue would be available for improvements to the states' Interstate Highway System. Distribution would be based on factors such as the number of Interstate Highway lane-miles and the amount of truck traffic in the state. While much of the Nation's attention has focused primarily on congestion in urban areas, many rural highways have inadequate capacity as well. According to the Federal Highway Administration, by 2020 nearly nine percent of rural highways serving the heaviest freight traffic will experience traffic gridlock for at least part of the day.

The amount of money states would be required to contribute as a matching share will be determined based upon the type of project according to existing law. Generally, the state match is 10 percent or 20 percent of the total project cost. The Freight Corridors Initiative and its source of revenue should sunset after a period of years to be determined in order to evaluate the effectiveness of the program.

We are confident that this approach will address immediate and long-term needs on major highway freight corridors. However, ATA is currently discussing this proposal with other stakeholders and we are willing to consider different options, provided they achieve the same goals.

Sources of Funding

The Freight Corridors Initiative will require a significant infusion of revenue. We believe that trucking companies would be willing to bear a significant share of this expense if they perceive value from the expenditures. The source of revenue from the industry should:

- be easy and inexpensive to pay and collect;
- have a low evasion rate;
- be tied to highway use; and
- not create impediments to interstate commerce.

Fuel Tax

ATA believes that fuel taxes meet all of these criteria. Currently, the federal tax on diesel generates approximately $400 million per year for each penny collected. ATA believes that a reasonable increase in this tax could finance a significant share of the programs described above, assuming the revenues are not diverted to other uses. We recognize that over the long term, due to changes in vehicle technologies, the tax on diesel and gasoline may not be a viable source of revenue. We are willing to consider alternatives that meet the criteria described above.

Tolls

Because of important measures adopted by Congress and by state and federal taxation agencies, fuel tax evasion is relatively low. Tolls, on the other hand, are often easily evaded, usually by motorists using alternative, less safe routes that were not built to handle the level and type of traffic experienced due to toll evasion.

There are significant capital and operating costs associated with collecting tolls, while fuel taxes are relatively inexpensive to administer. While state fuel tax collection costs are one to two percent of revenue, on major toll roads collection expenses constitute one-quarter to one-third of revenue.[14] Furthermore, as the number of toll facilities grows, so too do the number of points of collection, creating an administrative nightmare for trucking companies who operate throughout the country and are often required to establish accounts with multiple tolling authorities. A lack of transponder uniformity will also force carriers to purchase and install multiple transponders.

Congestion Pricing

An element of tolling is congestion pricing – the theory that if users pay their full marginal social costs of driving some would make different choices. Generally, the choices are to travel at a time of day when traffic congestion is less severe or to choose an alternate travel mode. For the

[14] American Transportation Research Institute, "Highway Funding Analysis: Defining the Legacy for Users," 2007.

trucking industry, no alternate mode exists. In addition, the trucking company's customers generally decide pick-up and delivery times. Because of the competitive nature of the industry, many trucking companies find it extremely difficult to allocate toll costs to individual deliveries, thus giving the shipper no incentive to change schedules. Therefore, congestion pricing is not an appropriate mechanism for regulating travel time choices of trucking companies. A more effective approach would be to give direct incentives to shippers who make choices that are likely to reduce traffic congestion.

Privatization of Toll Facilities

We strongly believe that while private financing of highway infrastructure may play a limited role in addressing future transportation needs, certain practices may generate unintended consequences whose costs will vastly exceed their short-term economic benefits. In particular, we are very concerned about attempts by some states to carve up the most important segments of the highway system for long-term lease to the highest bidder. We believe that leasing existing highways to private interests is inconsistent with the efficient and cost-effective movement of freight, is not in the public's best interest, and represents a vision for the Nation's transportation system that is short-sighted and ill-conceived. We therefore oppose these schemes.

While privatization discussions tend to center on financing concepts and the great public benefits from concession fee revenue, what often gets lost or ignored is the impact of these deals on the users of the toll facilities and on the general public. Chief among the concerns is the impact of toll road privatization on toll rates. Demand elasticity, the art and science of determining how high rates can increase before a significant number of users will abandon the toll road, is the private operator's chief method for deciding appropriate toll rates. Private toll road operators need not be concerned about the social impacts of toll rates on low-income workers, or on the costs to businesses that depend on the highway for transporting employees, customers, goods or services. Nor do private operators care about the extent of traffic diversion to lower quality, less safe, roads. Their main concern is to maximize the toll road's profitability within the confines of the lease agreement and the law.

Supporters of privatization point out that toll rates are unlikely to increase substantially because customers will choose to simply migrate to toll-free roads. In some cases, this may be true – a reasonable toll-free alternative may be available. On most major toll roads, however the only alternative may be a two-lane road with traffic lights and a significant amount of local traffic or, in the case of a toll bridge or tunnel, no alternative at all. Complicating the situation is a standard practice of including non-compete clauses in lease agreements, which prohibit or severely restrict improvements to competing roads.

Privatization boosters also point to caps on toll rate increases that have been a standard part of privatization agreements. However, two major lease agreements that have been completed in the United States – the Indiana Toll Road and Chicago Skyway – have been accompanied by very large initial rate increases combined with caps on future increases that by some estimates could exceed six percent annually. Close examination of these deals reveals the extent of the problem and should serve as warnings about future privatization efforts

Indiana Toll Road

In 2006, the state of Indiana agreed to lease the Indiana Toll Road to the Macquarie-Cintra private sector consortium. In exchange for a $3.85 billion concession fee, the firms can collect the toll revenue and agree to operate, maintain and improve the highway. Under the agreement, toll rates for a 5-axle truck increase incrementally from $14.55 to $32.00 in 2010 (all figures assume the truck traverses the entire length of the highway). On June 30, 2010 the lessee can increase toll rates by 8.2 percent, the rate of inflation (CPI) or the annual rate of change in national GDP per capita, compounded over the previous 4 years. Since 1960, the annual average rate of change in GDP/capita was 6.2 percent. From 2004 to 2005, the increase was 5.4 percent. Assuming a 5.5 percent annual average increase, the toll rate for a 5-axle truck may therefore rise by up to 23.9 percent, or to a rate of $39.64 in 2010. Therefore, toll rates for a 5-axle truck may increase by about 172 percent over five years if the lessees decide to maximize toll rate increases.

Less than two years after financial close, toll rates for a 5-axle truck have increased by more than 87%, from $14.55 to $27.25. Toll rates on cars paying cash went up by 72%. However, the State of Indiana has been paying Macquarie-Cintra to delay toll rate increases on passenger vehicles with electronic toll tags. Therefore, the financial impact on taxpayers has been understated. The impact of Turnpike privatization on users of the highway has been significant. Over a 2-year period between September 2005 (prior to privatization) and September 2007 (14 months after privatization) revenue increased by more than 62% despite a four percent reduction in traffic.[15]

Toll rate increases of these magnitudes will inevitably result in diversion of traffic. The experience from toll rate increases on the Ohio Turnpike during the 1990s is instructive. When the Ohio Turnpike increased its truck toll rate to 17.6 cents/mile for 5-axle trucks, the result was massive diversion to alternate routes. The Ohio Department of Transportation found that a decade after the increase, growth in truck traffic on the turnpike was static, while truck traffic on parallel roads tripled. ODOT determined that these parallel routes had much higher accident rates. For example, U.S. 20, which saw a 267 percent increase in truck traffic, had a fatal accident rate that was 17 times higher than the Turnpike's rate. By 2010, the truck toll rate on the Indiana Toll Road is likely to be approximately 25 cents per mile, 42 percent higher than the Ohio Turnpike's toll rate at its peak. The two highways are essentially the same route, and have similar alternatives. Therefore, it is reasonable to expect a level of diversion on the Indiana Toll Road that is at least as great as was experienced in Ohio.

There is a significant difference between the states that allows one to address these challenges effectively and forces the other to suffer the consequences. Because the Ohio Turnpike Commission is a public authority, the Governor and Secretary of Transportation were able to make changes – including lowering truck toll rates and increasing speed limits – which attracted a substantial amount of truck traffic back to the turnpike. Since control of the Indiana Toll Road has shifted from public to private hands, addressing these types of issues will not be quite as easy, and the lessees will base all changes in their operations on the potential impacts on their profitability, and not on the impacts on the public welfare.

[15] Macquarie Infrastructure Group. Press Releases October 8, 2006; October 8, 2007.

As bad as the situation may be under the 2010 toll rates, it may even get worse. Beginning on June 30, 2011, the lessees may use the same criteria identified for annual toll increases. Assuming an average annual 5.5 percent increase in GDP/capita, the maximum potential toll rates for a 5-axle truck are:

- 5 years: $51.81
- 10 years: $67.71
- 20 years: $115.56

This rate of increase will produce a toll rate that by 2016 will be equivalent to a fuel tax of approximately $2.00 per gallon, and by 2031 will equal $4.42 per gallon.

It has been suggested that these massive toll rate escalations are unrealistic because, as has been demonstrated on other facilities, including the Ohio Turnpike, raising the toll rate too high forces significant traffic off the highway. However, the lessee will set a toll rate to a level that maximizes profitability, not traffic. In fact, when the Ohio Turnpike lowered its toll rates, the highway experienced an income loss, despite significant traffic increases. Private sector operators have little or no interest in and no responsibility for what happens off the toll road. In fact, if Indiana wants to upgrade alternative routes to Interstate Highway quality standards to address traffic problems caused by diverted toll road traffic, the state will have to compensate the toll road operators for loss of revenue. This creates a perfect scenario for the lessee: a portion of the revenue lost due to diversion of traffic as a result of high tolls will simply come back as compensation from the state, and the lessee profits additionally by avoiding maintenance and expansion costs that it would otherwise have borne had that traffic not diverted. The combination of construction costs and compensation to the lessee could, over the course of a 75 year lease, easily exceed the state's concession fee plus earned interest.

Finally, the projected toll rates far exceed what is necessary to raise sufficient money for the operation, maintenance and improvement of the Indiana Toll Road. This means that toll road users will be forced to subsidize other state functions and enrich toll road investors, with little benefit to themselves.

Chicago Skyway

Effective 2005, the City of Chicago agreed to a concession agreement in which Macquarie-Cintra would take control of the Chicago Skyway for 99 years in exchange for $1.8 billion. Concession revenue is to be used primarily to pay off city debt.

Macquarie-Cintra used similar toll escalation caps for both the Indiana Toll Road and Skyway deals. However, the availability of free alternatives may hold rates down. On the other hand, because the Chicago area is already very congested, an acceptable loss of traffic to the owners of the Skyway due to toll rate increases may have a negative impact on the mobility of the alternative routes. Again, however, profit, not regional mobility or the larger public interest, is the lessee's main concern. Therefore, by giving up control of this asset, the city has also given up the ability to incorporate it into a broader transportation strategy.

Toll rates will increase by 150 percent over the first 12 years of the lease and then are capped at about 6 percent (based on historical GDP/capita). Most Skyway users are Indiana residents, so there is little political impact from these increases and little recourse for users of the toll road other than to vote with their wallets and use an alternative route if possible. The toll increases are essentially a commuter tax, with the lessees and the city, not the payers of the tax, enjoying the benefits of the revenue.

Beyond the concerns over toll rates, there are also questions about whether private toll road operators will act in the public's best interest. It is impossible to to predict changing circumstances over the life of a lease, which tend to be long-term – up to 99 years in duration. Many of the facilities under consideration for private takeover are among the most critical links in our freight and military logistics chains. They are also important commuter and tourist arteries. Will the private operators act in the public interest, even if it cuts into their bottom line? Given that their responsibility is to their shareholders, this is unlikely. When other corporations act in a manner that is not perceived to be in the public's best interest, the free market tends to correct their behavior. In a situation where the corporation essentially has a monopoly, these market forces do not exist. When the free market fails, government must often step in to protect the public. ATA believes that when it comes to the long-term lease of critical highway infrastructure, it is necessary and appropriate for the federal government to take action to protect the public interest and to establish interstate commerce protections, as required of the federal government by the Constitution.

We also believe that if too much reliance is placed on the private sector for financing highways, the criteria for project selection will shift from larger public benefits such as congestion mitigation, safety and reduction of emissions, to an evaluation of the project's ability to pay for itself and to subsidize unrelated government functions.

Tolls on Existing Interstate Highways

ATA is strongly opposed to tolls on existing Interstate highways. While federal law generally prohibits this practice, Congress has, over the years, created a number of exceptions. Imposing tolls on existing lanes of the Interstate System would have a devastating effect on the trucking industry. Virginia, for example, recently considered a truck-only toll on I-81 of $0.37 per mile. The trucking industry is highly competitive and taxes of this magnitude simply cannot be passed along to shippers.

In this connection, it must be pointed out that tolls represent double taxation. Truckers pay an average of nearly 50 cents per gallon in federal and state taxes on the diesel fuel they consume, and they pay addition federal excise taxes on the equipment they purchase, on the tires they use, and for the privilege of using their trucks. The states levy truck registration fees that average more than $1,500 a year per truck, and some states impose other highway user taxes as well. These federal and state taxes apply whenever a motor carrier uses a road – whether that road is tolled or not. Therefore, although the motor carrier industry strongly supports a system of taxation based on highway use, we believe that charging tolls on top of existing highway fees is inefficient, inequitable, and unfair.

Additional Revenue Sources

We encourage the Committee to consider potential additional revenue sources identified in a study by the American Transportation Research Institute.[16] Government fleets represent a very large hidden subsidy vis-à-vis their exemption from, or tax reimbursement of, fuel taxes. These fleets are large – easily exceeding more than 5 million vehicles, although this may not include local government fleets. Of these, nearly 2 million are trucks. The simplistic argument is that government ought not to charge itself taxes. Unfortunately, the more pressing, and unstated, issue is user-payment equity and unfair subsidies. It is well understood that publicly owned vehicles such as transit buses, snow-plows and road construction trucks transmit considerable axle-weight pressures. ATRI research shows that a significant percentage of these government vehicles do not pay state and/or federal fuel taxes. The effect is that pavement damage, infrastructure maintenance costs, and related revenue shortfalls caused by government fleet exemptions are borne by, and blamed on, the private-sector users. This creates an ironic hypocrisy to government-generated arguments that vehicles are not paying fully allocated costs of using the transportation system.

All IRS federal fuel tax exemptions must be eliminated in order to identify, attribute and collect the desired federal user fees. The impact of exempting government fleets from state fuel taxes is also significant and important, but more politically challenging. The value to just the Federal HTF exceeds $500 million per year.

Existing transit operational subsidies are typically $1 - $2 per regular route passenger, and can exceed $20 per rider for suburban and paratransit systems. While it may not be politically palatable to eliminate the $6 billion HTF transfer per year made to transit, it is not well known that the hundreds of thousands of transit vehicles are also not paying the majority of state and federal fuel taxes. To fully understand the true costs and impacts of transit, transit exemptions should be disclosed.

Finally, Mr. Chairman, in nearly every instance that a state "leaking underground storage tank" remediation fund has been challenged in court as not being an appropriate use of HTF revenues, the court has required the removal of the LUST fund from the HTF. Furthermore, the Federal LUST fund receives more than $72 million each year from gas and diesel fuel tax. This money should instead be dedicated to transportation projects.

IMPROVE TRUCKING PRODUCTIVITY

The United States has the most restrictive truck size and weight regulations of any developed country: the lowest axle weight limits, most limiting bridge formula, and the lowest gross weight limit. At the same time, America's freight transportation demands are greater than any other nation, and we have the world's most well-developed highway system. Therefore, the potential productivity benefits of changes to size and weight regulations are very significant.

More important, however, are the possible safety benefits of size and weight reform. Research demonstrates that more productive trucks can be as safe as or safer than existing configurations.

[16] *Ibid*.

Furthermore, because fewer truck trips will be needed to haul a set amount of freight, accident exposure – and therefore the number of accidents – will be reduced.[17] More productive trucks will reduce congestion and will decrease the amount of fuel needed to carry the same amount of freight, thus reducing emissions. A recent study found that use of these vehicles could reduce fuel usage by up to 39%, with similar reductions in criteria and greenhouse gas emissions.[18]

ATA recommends six limited reforms to federal truck size and weight regulations:

1. Allow western states to harmonize longer combination vehicle laws and regulations.
In April 2004, the Federal Highway Administration released its "Western Uniformity Scenario Analysis." The report looked at the impacts of allowing uniform western state longer combination vehicle (LCV) use, including the impacts if LCV use was expanded to the entire western region's Interstate Highway System (excluding California, Arizona, New Mexico and Texas).

The report found a 25.5% reduction in total truck vehicle miles, and little impact on rail market share or profitability. The study found a slight reduction in pavement maintenance costs, but due to higher bridge costs, the study estimated that infrastructure costs would rise by between $43 million and $133 million per year in the study region. These costs, however, pale in comparison to the benefits. The reduced VMT would result in 12% lower energy consumption, 10% less noise, and 12% lower emissions. Shipper savings would total just over $2 billion per year, about a 4% cost reduction. The report concluded that this regulatory change would reduce fuel consumption by 6.1 billion gallons over 10 years, and ATA estimates that release of 67.4 million tons of carbon dioxide would be prevented as a result.

2. Allow states to authorize 6-axle, 97,000 pound tractor semi-trailers.
ATA recommends the authorization of single-trailer trucks with a GVW of 97,000 lbs, provided the truck has six axles, including a tridem axle on the rear of the trailer. Maximum weight on the tridem axle is limited to 51,000 lbs. While current single and tandem axle weight limits would continue, this vehicle would exceed the GVW allowed under the current bridge formula.

Operation of this vehicle is expected to produce positive safety, energy, environmental, congestion, economic and infrastructure preservation benefits. The U.S. Department of Transportation estimated that nationwide operation of this vehicle, along with the double trailer configuration described in #6 below, would reduce overall truck vehicle miles traveled by 11%.[19] This would produce measurable reductions in the number of truck-involved accidents and levels of congestion. In addition, the vehicle's higher payload, despite a slight fuel economy penalty,

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[17] See for example: Campbell, K.L., *et al*., "Analysis of Accident Rates of Heavy-Duty Vehicles," University of Michigan Transportation Research Institute (UMTRI), Report No. UMTRI-88-17, Ann Arbor, MI, 1988.; Transportation Research Board, National Research Council, "Truck Weight Limits," Special Report 225, Washington, D.C., 1990; Cornell University School of Civil and Environmental Engineering, "Economic and Safety Consequences of Increased Truck Weights," Dec. 1987; Scientex, "Accident Rates For Longer Combination Vehicles," 1996; Woodrooffe and Assoc., "Longer Combination Vehicle Safety Performance in Alberta 1995 to 1998," March 2001.

[18] American Transportation Research Institute, *Energy and Emissions Impacts of Operating Higher Productivity Vehicles, March* 2008.

[19] U.S. Department of Transportation, "Comprehensive Truck Size and Weight Study," Volume 3, August 2000.

would produce a 19% decrease in fuel consumption and emissions versus an 80,000 lbs GVW truck, when measured on a ton-mile basis. ATA estimates that over a 10-year period, operation of these vehicles would save more than 20.5 billion gallons of diesel fuel and prevent the release of 227.3 million tons of carbon dioxide.

There is also substantial evidence to suggest that adoption of this vehicle, on either a nationwide or regional basis, will lower shipping costs, thus reducing costs to U.S. manufacturers, farmers, retailers and, ultimately, to consumers. Finally, the additional axle would offset the extra weight of this truck, eliminating negative pavement impacts, and in fact producing cost savings as a result of the reduction in the number of trips expected due to the vehicle's greater payload. While there are potential negative cost impacts for bridges, allowing states to regulate routes of operation should allow them to minimize these costs, and may actually produce cost savings if heavier vehicles shift from secondary roads to Interstate Highways that have stronger bridges.

3. Uncap Bridge Formula B for 5-axle combination vehicles.
Maintain current federal axle weight and bridge formula limits, but lift the 80,000 lbs GVW cap. This will have two benefits. First, for those trailers with tandem axles that slide independently, spreading the axles 96 inches or more allows the axles to be weighed independently as single axles, thus allowing up to 20,000 lbs on each axle, for a maximum GVW of 86,000 lbs. Another benefit is that the absence of a GVW cap will help to compensate for the increased weight of tractors due to federal emissions regulations and state and local idling restrictions.

4. Allow limited expansion of LCVs beyond western scenario states.
Longer Combination Vehicles operate on a limited basis in states beyond those in the western uniformity scenario. LCV doubles and triples are currently allowed on the Ohio Turnpike and Indiana Toll Road. LCV doubles are also allowed on the Florida Turnpike, New York Thruway and Massachusetts Turnpike. In addition, LCV doubles and triples operate on a short section of I-15 in Arizona and in Alaska. Limited expansion in states that are interested in allowing these configurations can help relieve congestion, improve air quality, reduce crashes, and reduce fuel usage.

5. Standardize 53 foot trailer length.
Current federal law establishes 48' as the minimum trailer length on the National Network (NN). There is no federal limit on trailer length, and all states impose length restrictions. Trailer length on the Interstate System is limited to 53' except in the following states, which allow trailers longer than 53': Alabama, Arizona, Arkansas, California, Colorado, Florida, Kansas, Louisiana, Mississippi, Montana, Nevada, New Mexico, Oklahoma, Texas, Washington, and Wyoming. In addition, 53' trailers are not allowed on I-95 in New York City or on I-295 in Washington, DC. Some jurisdictions restrict the movement of trailers longer than 48' on National Network highways that are not part of the Interstate System.

While national trailer uniformity is federally protected for 48' trailers, 53' trailers have become the industry standard. Federal law should be brought up to modern standards to ensure the continued protection of the flow of interstate commerce by changing minimum trailer length limits to 53'. In addition, ATA supports capping trailer length at 53' except in states where longer trailers are currently allowed.

6. Allow states to authorize double 33-foot trailers.
Transportation Research Board Special Report 267 recommended nationwide operation of double 33' trailers, with no gross weight cap and weight limited by the current federal bridge formula and axle weight limits. According to the TRB report, the bridge formula would allow for a maximum weight of 111,000 lbs on 9 axles. The double 33' trailer combination is appropriate for operation on most highways because its operational characteristics are similar to a 45' tractor-semitrailer combination.

CONCLUSIONS

ATA would like to thank the Committee for the opportunity to testify. We look forward to working with you to develop a new and greatly improved highway bill that meets current and future transportation needs.