

Before the

**Subcommittee on Transportation, Housing and Urban
Development, and Related Agencies**

Committee on Appropriations

United States House of Representatives

Statement of

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On

**Strengthening Intermodal Connections & Improving
Freight Mobility: An Outside Perspective**

March 16, 2010



Driving Trucking's Success

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INTRODUCTION

Chairman Olver, Congressman Latham and members of the Subcommittee, thank you very much for inviting the American Trucking Associations¹ to testify before you today. I am Tim Lynch, Senior Vice President for Federation Relations and Strategic Planning for ATA.

Mr. Chairman, you are to be commended for calling this hearing and 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 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 even the smallest entrepreneur to serve markets throughout the country and around the world.

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 70% of our Nation's freight tonnage², and draw 83% of freight revenue, and the trucking industry is expected to move an even greater share of freight in the future.³

However, trucks are also crucial to freight moved on rail, in the air and on 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. It should also be noted that despite the emphasis on promoting the use of intermodal transportation for moving the Nation's freight, 93% of freight moves by a single mode.⁴ The reason for this is that moving freight by multiple modes adds handling costs and additional time, and increases the possibility of breakage. Therefore, the amount of additional freight that could benefit from intermodal deliveries is extremely small, and the vast majority of freight will continue to be carried by trucks on the highway system well into the foreseeable future.

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 U.S. Census Bureau, *2007 Commodity Flow Survey*, Dec. 22, 2009.

³ Global Insight, *U.S. Freight Transportation Forecast to...2020*, 2009.

⁴ U.S. Census Bureau, *2007 Commodity Flow Survey*, Dec. 22, 2009.

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, our infrastructure is aging and large sections will have to be repaired or replaced in the coming years, at an enormous cost. According to the U.S. Department of Transportation, an additional annual investment, by all levels of government, of \$27 billion (2006 dollars), 35% above current revenues, is needed to simply maintain current highway and bridge conditions over the next 20 years, while up to \$96 billion (2006 dollars) is necessary to make improvements, an increase of 67%.⁵

More troubling is the seemingly endless congestion on highways in urban areas. In 2007 drivers in metropolitan areas wasted 4.2 billion hours sitting in traffic and burned 2.8 billion gallons of excess fuel, at a cost of \$87 billion.⁶ This figure likely underestimates the real cost of an inadequate highway system to the U.S. economy because it does not take into account the costs associated with highways that are becoming increasingly unreliable. Since deregulation and completion of the Interstate Highway System over the previous 30 years, 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 inflation 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 2008 *State of Logistics Report*, the Council of Supply Chain Management Professionals described a logistics system whose costs between 2003 and 2007 rose nearly twice as fast as GDP.⁷ 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 weaken the United States' ability to compete in the global economy.

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 15th in the world based on key measures such as the quality of transportation infrastructure, competence of logistics providers and terminal handling efficiency.⁸ The U.S. lags behind many of our global competitors, including Germany, Japan, the United Kingdom and Canada. Eliminating 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

⁵ U.S. Department of Transportation, *2008 Status of the Nation's Highways, Bridges and Transit: Conditions and Performance*, 2009.

⁶ Texas Transportation Institute, *2009 Urban Mobility Report*.

⁷ Council of Supply Chain Management Professionals, 19th Annual *State of Logistics Report*, June 18, 2008.

⁸ World Bank *Logistics Performance Index 2010*.

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 and appropriations 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 which 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. Such a program should be segregated from the existing federal surface transportation program, and 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. ATA is presenting to the subcommittee for its consideration proposals that address the immediate and longer-term deficiencies plaguing important highway freight corridors.

Freight Bottlenecks

A study for the Federal Highway Administration (FHWA)⁹ identified the highway bottlenecks that cause the greatest amount of delay for trucks. Based on the agency's estimates, ATA calculates that these bottlenecks cost the trucking industry approximately \$19 billion per year in lost fuel, wages, and equipment utilization. The study estimated that highway bottlenecks account for 40 percent of congestion, with the remainder caused by accidents, bad weather, construction, special events and poor signal timing.

ATA supports an increase in the fuel tax, provided the revenue is dedicated to funding projects which address the most critical highway needs. We believe that the FHWA bottleneck study is the type of analysis which is needed to ensure that limited funds are put to the most efficient use. However, in order to properly identify priorities, good data is needed. Unfortunately, over the past few years, funding for freight data has been cut substantially. The Census Bureau's Commodity Flow Survey, which is funded by the HTF under the auspices of the Bureau of Transportation Statistics, provides the underlying data for many multimodal freight studies by federal, state and local government agencies, as well as academic institutions and the private sector. Unfortunately, it is no longer as robust as it should be, and its utility has been depleted due to a lack of resources. The Vehicle Inventory and Use Survey, also a BTS program, which has collected information on the physical and operational characteristics of the trucking industry since 1963, was halted after the 1997 study due to budget constraints. A relatively small investment in these invaluable sources of data will help government agencies nationwide to make the best use of scarce transportation funding resources.

Sources of Funding

As stated above, trucking companies would be willing to support an increase in their highway user fee payments if they perceive value from the expenditures. The source of revenue from the trucking industry should:

- be easy and inexpensive to pay and collect;
- have a low evasion rate;
- be tied to highway use; and

⁹ Cambridge Systematics for the Federal Highway Administration, *Estimated Cost of Freight Involved in Highway Bottlenecks*, Nov. 12, 2008.

- 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, while each penny of a gasoline tax produces around \$1.3 billion. 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.¹⁰ Even on newer toll roads which utilize the latest technologies, collection costs are significant compared with the fuel tax, ranging between 12% and 20% of revenue.¹¹ 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 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

¹⁰ American Transportation Research Institute, "Highway Funding Analysis: Defining the Legacy for Users," 2007.

¹¹ *Comparative Analysis of Toll Facility Operational Costs*, Washington State Department of Transportation, Feb. 22, 2007.

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.

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 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 additional 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.

The Current Reality – Deficit Funding of Transportation

ATA believes that increasing the fuel tax is the only viable long-term solution to the current highway funding crisis. However, we are aware of the political difficulties surrounding this proposal. The federal transportation program is now being funded by a combination of user fees and, increasingly, General Fund appropriations. We are concerned that the continued reliance on the General Fund, and the associated lack of long-term funding certainty that this creates for state transportation departments, will prevent investments in critical highway projects that demand a stable source of revenue.

Given this environment, it may be time to consider an alternative strategy – one option might be to transfer the Highway Trust Fund’s Transit Account to the general account and use the revenue needed to make up for Highway Trust Fund shortfalls from the General Fund to pay exclusively for transit projects. This will provide an immediate injection of approximately \$5 billion in highway funding annually, while strengthening the user pays principle that has historically been the foundation of the Highway Trust Fund. New or expanded transit projects increasingly justify their federal funding based on benefits that have little to do with improving highway mobility. This includes providing transportation services to underserved populations such as the elderly or handicapped, spurring community economic development, and supporting “livability” initiatives. The Obama Administration acknowledged this shift in policy with the issuance of new guidance in January.¹² It is appropriate, therefore, that these investments, made for the general good, should be paid for out of the General Fund, while highway investments, which primarily benefit highway users, should be funded by the Highway Trust Fund.

It should be noted that even with the additional revenue generated by elimination of the Transit Account, an increase in federal funds will be necessary to pay for an adequate highway program. While any increase in the fuel tax will be unpopular, the approach we have presented will necessitate an increase of roughly five cents per gallon in order to fund a highway program that continues the funding levels under SAFETEA-LU. This assumes that Congress changes the law to allow the Highway Trust Fund to draw interest and to eliminate HTF subsidy of fuel tax exemptions. While we recognize that in the current economic environment any loss of income can be a hardship, for the typical driver of a passenger vehicle, a five cents per gallon increase in the price of fuel will add less than \$1 to the cost of a fill-up, or about \$28 per year. This is a very small price to pay for safer, less congested roads. Barring an increase in the fuel tax, an additional infusion of \$8 billion to \$9 billion will be needed to fund a bare-bones highway program. Let me stress that we do not believe that this level of funding is adequate to meet current and future needs, but given the current opposition to both fuel tax increases and greater deficit spending, it may be the only politically realistic option.

The Administration’s Budget

We are concerned with the Administration’s proposal to divert \$527 million of state apportionments to an ill-defined livability initiative. Given the lack of funding in just about every state, if not all 50 states, for a basic highway maintenance and improvement program, shifting money from “must-have” projects to “nice-to-have” projects is simply irresponsible, and is not a good use of taxpayers’ money. It should be noted that states have significant flexibility to spend their federal apportionments on the types of projects envisioned under the livability initiative. They should be allowed to determine whether this is the best use of these resources.

¹² http://www.fta.dot.gov/news/news_events_11036.html

IMPROVE TRUCKING PRODUCTIVITY

In addition to better, less congested highways, the trucking industry will need to improve our equipment utilization in order to meet future demands. According to a soon to be released report by the Organisation for Economic Co-operation and Development (OECD), the United States has the most restrictive truck weight regulations of any developed country. At the same time, America's freight transportation demands are greater than any other nation's, 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. 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.¹³ 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.¹⁴

A new federal-state partnership is necessary to promote truck size and weight reforms that meet the important and legitimate financial goals of U.S. businesses, while also addressing the equally important and legitimate concerns of federal and state government agencies and officials who seek to safeguard public safety, promote air quality goals and protect their investments in highway infrastructure. In order to take advantage of the benefits that productivity increases can deliver, Congress must reform its laws to give states greater flexibility to change their size and weight regulations with oversight by the Federal Highway Administration.

CONCLUSIONS

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

¹³ 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.

¹⁴ American Transportation Research Institute, *Energy and Emissions Impacts of Operating Higher Productivity Vehicles*, March 2008.