

The Wisconsin Trucking Industry Perspective

Prepared by the
Wisconsin Motor Carriers Association
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Members of the Wisconsin Motor Carriers Association (WMCA) will be in Washington on April 25 & 26 to meet with members of the Wisconsin Congressional delegation. Although each WMCA member will have his or her own legislative priorities, this paper outlines some of the current issues for the trucking industry in Wisconsin.

The WMCA is a non-profit trade association representing the interests of truck owners within the state of Wisconsin. The association has 1,250 members, ranging from independent contractors with one truck to companies with thousands of trucks. The WMCA is affiliated with the American Trucking Associations (ATA) in Washington and works with the ATA on federal issues.

Overview: The trucking industry is probably one of the most regulated industries in the country, facing all of the general business regulations as well as trucking-specific state and federal requirements. For instance, truck drivers hauling hazardous materials now need to be fingerprinted. In addition, we have coped with a whole new round of environmental regulations on fuel in 2006 and on diesel engines beginning on January 1, 2007.

Government policies are important factors in the business decisions made by trucking company officials and we appreciate the chance to provide our perspective.

SUMMARY & RECOMMENDATIONS

The Wisconsin Motor Carriers Association (WMCA) wishes to emphasize some general perspectives that should be considered as regulatory and tax issues are addressed:

- The most important issue to members of the WMCA is a healthy economy;
- The trucking industry takes highway safety very seriously and has an excellent safety record.
- The trucking industry is very competitive and has very low profit margins;

The WMCA also makes the following recommendations on specific matters currently before Congress. Background information on these issues is provided in the following pages.

- The cost of building and maintaining bridges and highways should be paid primarily from highway user fees. These user fees should be placed in a national Highway Trust Fund and then should be used for highway purposes only;

- Maintaining the integrity of the Highway Trust Fund should be a top Congressional priority. Consideration should be given to providing incentives to encourage states to maintain that integrity or even sanctions if they don't;
- Oppose efforts to toll the existing Interstate Highway System;
- Support efforts to reduce the number of boutique fuels produced;
- Promote the use of alternative fuels as long as alternative fuels are not exempt from the payment of highway taxes and their use is not mandated;
- Support more domestic exploration of petroleum to help reduce the country's dependence on foreign oil;
- Provide financial incentives for trucking companies to buy anti-idling equipment and help to standardize the idling regulations in the various states;
- Support truck driver training funds for Wisconsin;
- Reassess the benefits for the finger printing for hazardous materials drivers;
- Evaluate regulations pertaining to drivers to insure that they are reasonable and promote safety without being excessively burdensome;
- Support tort reform measures;
- Support additional funding for the Highway Watch Program.

THE IMPORTANCE OF TRUCKING

The trucking industry provides efficient and safe transportation service to customers throughout the country. Nearly every good consumed in the U.S. is put on a truck at some point. Intercity and local trucks transport 9.8 billion tons of freight, representing 68.2% of total domestic tonnage shipped. Businesses chose trucks for 87 cents out of every dollar they spend on shipping.

There are 613,242 for hire, private, and mail carriers registered with the Federal Motor Carrier Safety Administration, 95.9% with less than 20 trucks. Commercial trucks make up only 10.6% of all registered vehicles, but pay 33.7% of the federal and state highway user taxes or a total of \$30.7 billion in user fees.

The trucking industry in Wisconsin provided over 195,000 jobs, or one out of 14 of all jobs in the state in 2005. Total trucking wages paid in Wisconsin in 2005 exceeded \$7.5 billion, with an average annual trucking industry salary of \$37,383.

HEALTH OF THE ECONOMY AND INDUSTRY ARE MUTUALLY DEPENDENT

Wisconsin's economy depends on trucks for freight movement. Trucks carry 83% of all manufactured freight transported in Wisconsin and over 77% of all Wisconsin communities are served exclusively by trucks.

The **most important issue to members of the WMCA is a healthy economy**. If new homes are not being built, if consumers are not purchasing goods and services, if agricultural products are not grown, there is little freight for the trucking industry to haul.

FINANCIAL HEALTH OF THE INDUSTRY

U.S freight volume fell 1.7% in February compared with business levels a year ago, marking the eighth straight decline in the index compiled by the American Trucking Associations. Trucking officials cited weakness in the housing and automotive industries for the freight drop, as well as an overall slowdown in the economy.

It should be kept in mind that costs (particularly the cost of fuel) remain high. These increased costs are difficult to absorb because profit margins in the trucking industry are very thin, traditionally between 2 and 4%.

WISCONSIN TRUCK SAFETY

Highway safety continues to be a top priority of the Wisconsin Motor Carriers Association. The tragedy of traffic fatalities hits home for everyone in trucking because the highways are our workplace. As an industry, we want to get the unsafe trucks off the road because it is difficult to compete with companies not obeying safety rules, abiding by weight laws, or maintaining their equipment.

Our commitment to highway safety is illustrated by the industry sponsored Wisconsin Road Team that visited with over 14,000 drivers education students in over 175 schools throughout the state last year, discussing how to safely share the road with a truck and emphasizing general highway safety tips.

The trucking industry in Wisconsin will continue to work at reducing accidents, but at the same time, it is proud of an excellent safety record. For instance, preliminary figures from the Wisconsin State Patrol indicate that both crashes and fatalities involving large trucks were down significantly in Wisconsin in 2006. Crashes involving large trucks were down 11.3% from the five-year average between 2001 and 2005 and fatalities involving large trucks were down 23.5% from the five average between 2001 and 2005.

WMCA members feel that Congress should give consideration to providing tax incentives for trucking companies that spend extra money on their equipment in order to install safety equipment that will maximize the vehicle's safety.

In Wisconsin the trucking industry enjoys an outstanding working relationship with the Wisconsin State Patrol and the Federal Motor Carrier Safety Administration (FMCSA) and it would support additional resources for these two organizations and the Motor Carrier Safety Assistance Program (MCSAP).

TRANSPORTATION FINANCE

As we move forward with SAFTEA-LU and look to the next Highway Reauthorization bill, WMCA members believe that the major part of the cost of building and maintaining bridges and highways should be paid through highway user fees. User taxes and fees should be the primary, but not the sole source of highway funds.

We also wish to emphasize our belief that these highway user fees should be placed in a Highway Trust Fund and that Fund should be used for highway purposes only. The Highway Trust Fund should also be supplemented by appropriations from the general fund in order to recognize the non-highway user benefits of the highway program.

In Wisconsin, our members have watched with dismay as over a billion dollars have been transferred from the supposedly segregated Transportation Fund over the last two budgets for non-transportation programs. Although additional bonding for highways was approved in both budgets, the net impact on the Transportation Fund was a drain of \$110 million in 2003-05 and \$127 million in 2005-07. The impact on the quality of transportation will also be felt for years because of the additional cost of debt service from that bonding.

The trucking industry needs good highways and bridges and it is willing to pay for them, particularly to reduce congestion. However, WMCA members question the wisdom of pouring more money into the transportation fund at the state or national level as long as the existing funds are being drained off for other purposes.

Maintaining the integrity of the Highway Trust Fund should be a top Congressional priority. Consideration should also be given to providing incentives to encourage states to maintain that integrity or even sanctions if they don't utilize the highway user revenues for their intended purpose.

TOLLS

The trucking industry supports a toll-free national Highway System. Fuel taxes and other existing highway user fees are efficient, effective and commonly accepted methods for collecting revenues for the maintenance and expansion of highways.

Truckers continue to oppose federal legislation that allows tolls on existing lanes of the Interstate Highway System. WMCA members have experienced first-hand the impact on trucking when tolls are raised, often without public hearing, by officials that are not accountable to the voters. Ohio and Illinois significantly raised their tolls and then were surprised that many truckers diverted from their facilities.

As this issue is debated, please keep in mind that:

- Tolls on existing Interstates will result in considerable diversion of traffic to other roads. Traffic diversion **reduces safety** because Interstates are the safest roads, and alternate routes can have much higher accident rates.
- This diversion will also lead to traffic on local roads that were not designed to handle heavy traffic, thereby leading to additional maintenance costs.

Tolls are an unfair and unsafe method of taxing highway users. **Please oppose any move to toll the existing lanes of the Interstate.**

CLEAN AIR REQUIRMENTS

Members of the ATA and the WMCA are committed to the maximum practical reduction of all types of pollution from commercial truck operations, vehicle maintenance and other industry facilities. However, it should be kept in mind that compliance with these policies has been extremely costly to the trucking industry.

- In June 2006, the country began the transition to ultra low sulfur diesel fuel (ULSD). The new fuel standard reduced the amount of sulfur in on-road diesel by 97% (i.e., 15 ppm) and was necessary to support the next generation of emissions control equipment to be used on diesel trucks. The fact that ULSD has a slightly lower energy content (~1%) has translated to a reduction in miles per gallon for each truck that uses ULSD. In addition to the increased cost of the new fuel, ULSD also has lower lubricity, which has necessitated the use of fuel additives to avoid the failure of critical engine components.
- EPA has set out an aggressive schedule for reducing emissions of nitrogen oxides and particulate matter. New diesel engine emissions standards went into effect in 2002. Far more stringent standards became effective 1-1-07 and additional requirements will be in place in 2010. Because the rule required new and vastly different engine technologies, the introduction of these new engines has impacted the cost of purchasing new equipment, fuel economy, routine vehicle maintenance, and operational costs. Further price increases are expected again in 2010.

DIESEL FUEL PRICES

The high price of diesel fuel continues to frustrate our members. According to the Department of Energy, the national price of diesel fuel was up 11.4 cents per gallon last week. The average of \$2.79 per gallon was the highest level since mid-September and 17.3 cents per gallon higher than it was in the comparable week of 2006.

Fuel constitutes the second largest expense for most trucking companies, behind labor costs. While surcharges allow many fleets to pass through the increases, history shows that many fleets continue to lose money when prices rise. Many smaller fleets do not have surcharges and empty miles and idling are often cited as areas where the higher prices are never recouped.

In addition, the higher diesel fuel prices have effects in other areas. For instance many of the tire manufacturers recently announced another round of price increases (around 5%), citing the rising price of petroleum.

High diesel fuel prices are even more difficult in Wisconsin because the state diesel fuel tax rate is 32.9 cents per gallon, is one of the highest in the country.

WMCA members also worry about the impact that higher fuel prices will have on the economy in general. Our members are also convinced that this country needs to become less dependent on foreign oil by opening up more domestic exploration and by exploring alternative fuels.

ALTERNATIVE FUELS

WMCA members are convinced that the different boutique fuels that are produced in this country are at least part of the reason for high fuel prices. For that reason, efforts should be made to standardize some of the fuels and reduce the number currently being produced. In addition the industry supports a single national diesel fuel standard. The use of biodiesel, in blends of up to 5% (B5) is an appropriate means to increase the supply of diesel fuel, provided that the biodiesel blend meets the ASTM D975 standard for on-road diesel fuel.

The WMCA and the trucking industry, however, do not support state or municipal government mandates to use alternative fuels. Last year, the Wisconsin Senate voted 17-15 to indefinitely postpone Assembly Bill 15, the proposal to mandate gasoline sold in Wisconsin contain 10 percent ethanol. The WMCA and most business groups opposed the bill because it was a mandate and because the increased air pollution would lead to increased regulations for industry. The Wisconsin Department of Natural Resources (DNR) reported that it would seek increased regulation on industry to offset the pollution caused by vehicles burning the fuel blended with ethanol. The DNR projected the ethanol mandate would increase NOx emissions as much as a 350-megawatt coal-fired power plant.

The trucking industry supports voluntary research, investigation and demonstration projects that evaluate the feasibility and cost-effectiveness of using alternative fuels in commercial fleet vehicles. For instance after a recent study by Cummins, the engine maker announced that it would recommend using B20 biodiesel fuel in its 2002 and newer engines, including its 2007 models with federally mandated emission controls.

Alternative fuels should not be exempt from the payment of highway taxes or other fees to maintain the network of roads. Federal and state incentives to encourage the use of alternative fuels are appropriate provided however, that no such incentive should reduce funds collected or otherwise designated for transportation funding.

TRUCK IDLING

The average truck consumes .80 gallons of diesel fuel per hour when idling (not to mention that studies have shown maintenance on trucks increases on average \$1.13 per day as a result of reduced oil change and overhaul intervals). All trucking fleets improve their bottom-line by reducing idling. Long-duration truck idling consumes approximately 960 million gallons of diesel fuel annually.

WMCA members support federal legislation that would afford fleets tax credits of up to \$7,000 per truck, if they are equipped with idle reduction devices.

The Energy Bill included ATA language that allows for a vehicle weight exemption of up to 400 pounds as a further incentive for fleets to purchase idling reduction equipment. Unfortunately, Wisconsin has yet to adopt this language and many states view this language as optional, which has led to inconsistent treatment of the 400-pound provision.

In Wisconsin, in 2005 the state legislature approved a five-year diesel engine idling reduction program. The Department of Commerce began accepting applications for this program on July 1, 2006. By July 10th, they had over \$4.0 million of requests for the purchase of idling-reduction devices.

The industry continues to face a multitude of state and local restrictions on idling. The ATA's research organization, the American Transportation Research Institute (ATRI), has completed a pocket guide for drivers that shows anti-idling restrictions on a state-by-state basis. Placing this guide in the hands of drivers has helped them avoid costly anti-idling citations and associated court costs, but it continues to be a frustration dealing with the various requirements.

TRUCK DRIVER SHORTAGE & TRAINING FACILITIES

ATA contracted with *Global Insights Inc.* to quantify and qualify, the actual and projected driver shortages. According to the report, the truckload segment of the industry is currently experiencing a shortfall of 20,000 truck drivers and "in the absence of substantial market adjustments" could rise to a shortfall of 111,000 in 2014.

Because of the acute shortage of truck drivers, the WMCA supports the effort to provide additional assistance to the truck driver training programs through the Technical College system. The Wisconsin legislature has approved implementing a state \$8 surcharge on all commercial motor vehicle citations as a means of providing additional money to the technical colleges for truck driver training.

Additional federal aid for truck driver training would be helpful to the technical college system and to the trucking industry in general. It should be remembered that truck-driving jobs are good paying jobs and good employment opportunities for minorities and others that may be unemployed or underemployed.

EXCESSIVE REGULATIONS MAKE DRIVING A VERY DIFFICULT JOB

There is a growing frustration in the trucking industry that excessive regulations governing truck drivers have made the job very difficult and have in some ways contributed to the current shortage of drivers. Many of the regulations, taken as an individual regulation, are not unreasonable or overly burdensome. However, taken in total, they represent a disincentive to become a commercial truck driver. Examples of these include:

1. **Background Checks for Hazardous Materials Drivers** - The Transportation Security Administration (TSA), issued rules to implement the provisions of the law dealing with the background checks and fingerprinting of hazardous materials drivers on January 31, 2005. Our members question whether this costly procedure will have the desired effect of insuring that hazardous material vehicles are not used for terrorism activities. This process has proved to be burdensome and costly to drivers of hazardous materials and represents yet another barrier to becoming a truck driver.
2. **OWI in Personal Vehicle Means a Loss of Livelihood.** As of September, 2005, if an individual gets an OWI violation in his or her personal vehicle, they lose their Commercial Drivers License (CDL) and as a result, their ability to make a living as a truck driver. The association in no way condones drinking and driving, but this regulation seems to be more stringent on commercial vehicle operators than it is on other professions.
3. **Vision Restrictions** – In Wisconsin, you need to have visual acuity of at least 20/100 or better in one eye in order to get a drivers license, but you need 20/60 in

order to get a CDL. In some ways, that requirement makes sense, but the stricter standard provides yet another barrier in hiring truck drivers.

COST OF INSURANCE & TORT REFORM

In a WMCA survey, our members indicated that the two most critical issues to them were “Controlling Insurance Costs” and “Tort Reform & Lawsuit Abuse”. Over 80% indicated that controlling insurance costs was very important to them while 74% ranked tort reform as very important.

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An ATA Insurance Task Force found that in the long term, legal (tort) reform is the most important goal to deal with rising insurance premiums, especially at the state level. While insurance claims against the trucking industry have fallen over the years, the cost per accident has continued to climb, mostly as the result of large jury awards.

In Wisconsin, numerous tort reform measures have passed the legislature, but the Governor has vetoed almost all of them.

HIGHWAY WATCH

Highway Watch conducts anti-terrorism and safety awareness training for highway professionals, and then shares and analyzes observations collected from its members. Highway Watch also assists the transportation sector to be ready for potential terrorist attacks or natural disasters through research and technology demonstrations. Administered by the ATA, Highway Watch is funded by the U.S. Department of Homeland Security (DHS). Program funding facilitates the flow of information and supports the highway transportation and law enforcement partnerships required to share information for a safer and more secure nation.

Highway Watch has trained more than 570,000 highway professionals to recognize and report suspicious behavior as well as safety hazards. During 2006, on average, the Highway Watch call center responded to 1,303 calls per month. The program is unquestionably a success.

President Bush included in his FY '08 budget request, funding for Highway Watch at a \$9 million level. ATA has formally requested to both the House and Senate Appropriations Committees an increase of \$9 million in Highway Watch funding for a total of \$18 million. We are asking members of the Wisconsin delegation to sign onto a letter in support of the increased funding level. In the House, Rep. John Carter (TX) and Rep. Gene Green (TX) have agreed to spearhead the effort for increased funding. House members may contact those offices if they agree to cosign the letter of support. In the Senate, Sen. Kit Bond (MO) has agreed to spearhead this effort.