

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 27 & 28 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: These are critical times for the trucking industry. Fuel costs have escalated and insurance costs remain extremely high. Truck drivers hauling hazardous materials are now required to be fingerprinted. We are probably one of the most regulated industries in the country, facing all of the general business regulations as well as trucking-specific requirements from the Federal Motor Carrier Safety Administration, the Environmental Protection Agency, and the Department of Agriculture. Finally we will have to cope with a whole new round of environmental regulations on fuel in 2006 and on diesel engines in 2007.

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

RECOMMENDATIONS

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

- During highway reauthorization:
 - Oppose increases in excise taxes/fees on the trucking industry;
 - Oppose indexing the federal motor fuel tax;
 - Continue the fight to get a more equitable federal highway aid distribution for Wisconsin;
 - Make additional investments for truck parking spaces;
 - Oppose efforts to toll the existing Interstate Highway System;
 - Eliminate the current Single State Registration System (SSRS);
 - Support amendments relative to the movement of household goods;
 - Support additional truck driver training funds;
 - Oppose language in H.R. 3 relative to fuel surcharges.
- Support changes to the law that would amend the Sherman Act to make oil-producing and exporting cartels illegal.
- Support efforts to reduce the number of boutique fuels produced.
- Utilize financial incentives for the purchase of the 2007 Engines.
- Provide financial incentives for trucking companies to buy anti-idling equipment and help to standardize the idling regulations in the various states.
- Encourage the FMCSA to modify their proposed rulemaking on supporting documents relative to the hours of service.
- Reassess the feasibility and benefits for the finger printing and background checks for hazardous materials drivers. Also help to insure that there will be employer notification and phased enforcement of this program.
- Support raising the bond required for transportation brokers.

The association also wishes to emphasize a number of general perspectives that should be considered as regulatory and tax issues are addressed:

- The trucking industry is very competitive and has very low profit margins;
- This country needs to reduce its dependence on foreign oil by permitting more domestic exploration;
- The trucking industry takes highway safety very seriously and has an excellent safety record.

THE IMPORTANCE OF TRUCKING

The trucking industry provides efficient and safe transportation service to customers throughout the country. In 2004, truck tonnage grew 5.7% compared to the previous year. Last year, intercity and local trucks transported 9.1 billion tons of freight, representing 68.9% of total domestic tonnage shipped. Businesses chose trucks for 87 cents out of every dollar they spend on shipping.

There are 524,000 for hire and private carriers in the United States, 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.

In Wisconsin, the trucking industry employs over 241,000 people (or one out of every 11 workers) and pays more than \$8 billion in salaries annually. Wisconsin is home to more than 5,740 for-hire and private interstate trucking businesses.

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

According to ATA's Advanced Adjusted Truck Tonnage Index, freight for January of 2005 increased 3.4% over December of 2004. Furthermore, truck tonnage in 2004 grew 5.7% compared with 2003.

It should be kept in mind, however, that costs (particularly the cost of insurance and the price of fuel) remain high. These increased costs are difficult to absorb because profit margins in the trucking industry are very thin. As an example, according to the ATA, even though net profit margin rose improved in 2003 compared to 2002, it still only increased to 2.4%.

U.S. retail sales of Class 8 (heavy duty) trucks jumped 22.4% in March from a year earlier. That gain came on the heels of a 42% surge in February. According to R.L. Polk and Company new trailer registrations increased by 18.5% in 2004 from 2003 levels.

HIGHWAY REAUTHORIZATION BILL

The current reauthorization bill expires on May 31, 2005. The most important priority for members of the WMCA in the reauthorization bill is to **avoid any increased taxes**. Of particular note is our opposition to indexing the motor fuel taxes that are linked to the Consumer Price Index.

Congress took an important step in the TEA-21 Act, by **increasing Wisconsin's rate of return on Highway Trust Fund contributions**. WMCA members appreciate the efforts of the Wisconsin delegation in their fight to get a more equitable federal highway aid distribution for Wisconsin. We hope that trend continues in the 2005 legislation.

Some of the industry's initiatives during reauthorization would close the maintenance loophole on interchanged intermodal equipment and funding for increased truck parking facilities. Additional fights in reauthorization include pushing back on onerous new hazardous materials transportation regulations; a requirement forcing each truck to have an electronic decal showing proof of heavy vehicle use tax payment; and expensive new medical standards.

Other specific issues in the HR 3 include the following:

A. TOLLS – WMCA members were disappointed that the House rejected an amendment by Congressman Kennedy that would have curtailed the imposition of tolls by states on existing lanes of the Interstate Highway System. Tolling existing Interstates has never happened before, and there is virtually no available research demonstrating the safety, congestion, environmental and economic effects that could be substantial.

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 of additional miles traveled and greater accident exposure. Interstates are the safest roads, and alternate routes can have accident rates four times higher or more.
- This diversion will also lead to traffic on local roads that were not designed to handle heavy traffic, thereby leading to additional maintenance costs.
- The quality of life of those people who live along routes parallel to the toll roads will be degraded.

Tolls are an extremely inefficient, unproductive and unsafe method of taxing highway users. **Please oppose efforts to toll the existing lanes of the Interstate Highway System.**

B. SSRS - For-hire carriers are subject to the requirements of the Single State Registration System, which involves the payment of annual per-vehicle fees in most states – but only on the part of for-hire carriers. SSRS is administratively burdensome and many members of the WMCA would like to see it repealed. For many years, ATA has been working to replace SSRS with a single unified motor carrier registration system at the federal level. ATA believes it to be in the interests of the industry to (1) replace the revenues the states now obtain through SSRS and (2) achieve a federal preemption against states replacing such revenue in any way other than strictly limited per-carrier fees levied on all carriers, not just for-hire. The House version of the federal highway reauthorization (H.R. 3) contains a repeal of SSRS, but does not include the ATA-supported language providing for revenue replacement and state preemption.

C. Household Goods Concerns - WMCA household goods movers support the majority of provisions in H.R. 3. However, the industry supports amendments to H.R. 3 that ensures the legislation applies only to individual shippers (not corporate or government); allows movers to collect for additional services at delivery as requested by the customer or necessary to accomplish delivery; eliminates unnecessary claim reporting requirements; contains stricter licensing requirements; and doesn't redefine a household goods carrier to eliminate moving services performed by other motor carriers.

DIESEL FUEL PRICES

The high price of diesel fuel continues to frustrate our members. The national price of diesel fuel was \$2.32 cents per gallon for the week of April 11th. Last year, the price was \$1.68, meaning that the price of diesel has jumped 64 cents per gallon in one year.

Fuel constitutes the second largest expense for most trucking companies, behind labor costs. If a truck consumes 20,000 gallons of fuel per year, this would mean that it would cost over \$12,000 more to operate that same truck in 2005 as it did in 2004. The problem of high diesel fuel prices is even more difficult in Wisconsin because the state diesel fuel tax rate is 32.9 cents per gallon, the highest in the country.

WMCA members also worry about the impact that higher fuel prices will have on the economy in general. As an example, the latest version of the ATA's freight volume index showed that February loads declined 2.4%.

The WMCA appreciated Senator Kohl's legislative efforts last session to have the OPEC oil cartel face antitrust lawsuits in U.S. courts. The measure, S-2270, would have amended the Sherman Act to make oil-producing and exporting cartels illegal. Our members are also convinced that this country needs to become less dependent on foreign oil by opening up more domestic exploration.

BOUTIQUE 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. Efforts should be made to standardize some of the fuels and reduce the number currently being produced.

In addition the industry will be adversely impacted by state boutique diesel fuel mandates. ATA is working with Representative Blunt (R-MO) to advance legislation that would limit the proliferation of boutique fuels. To date, California is the only state that has mandated a boutique *diesel* fuel; however, Texas and Minnesota have passed legislation to implement boutique diesel mandates later this year.

FUEL SURCHARGES

During the last few years, trucking companies have responded to drastic increases in the price of fuel by implementing fuel surcharges. A very competitive market restricts the success of truckers, particularly the small fleets or owner-operators, in passing these increased costs on to shippers. Even when a contract contains a fuel surcharge, the trucking company is rarely made whole because of the reluctance of shippers to pay them or because of a delay when the surcharge becomes effective. At a minimum, there is always a delay in paying the surcharge, causing cash-flow problems for the trucker.

Despite the frustrations with high diesel prices, the WMCA does not support the fuel surcharge provisions contained in the Highway Reauthorization Bill. That language would require a trucking company to pay an owner operator for a fuel surcharge, even if the trucking company doesn't collect a fuel surcharge from the shipper. We also oppose the provision of the bill that would provide owner-operators with a private right of action against carriers to enforce the mandatory pass-through provisions of the bill. Some WMCA members are also opposed philosophically to the government mandating price adjustments in contracts that are negotiated between two parties.

EPA's DIESEL RULES

EPA rules require the production and retailing of low-sulfur diesel fuel beginning in 2006 and sets out an aggressive schedule for reducing emissions of nitrogen oxides and particulate matter beginning in 2007 and 2010.

The stricter engine standards that will become effective in 2007 will further reduce fuel economy and greatly increase the cost of purchasing new equipment. This will be a huge hit on transportation costs:

- The 2007 engines will use even more fuel. The combination of the 2002 emission requirements and the 2007 requirements will mean that 2007 engines could be 15% to 20% less efficient than the engines we had in 2001. With the price of fuel at \$2.32 a gallon, additional financial pressure will fall on the trucking industry...again.
- The cost of the equipment will increase. Although it is uncertain at this time exactly how much higher costs for new equipment will be, many believe it to be significant, as much as \$5,000 to \$10,000 per truck. All these costs will eventually be passed thru to the consumer and will likely cause disruptions in the industry in the interim.

- Federal taxes will increase. Simple application of current excise and federal fuel taxes to the more expensive and less fuel efficient new engines will result in an effective tax increase of over \$2,400 per engine in the first year.

WMCA members want to ensure a smooth transition under EPA's Rule and would like Congress to develop financial incentives (favorable tax treatment) for purchasing of the new equipment.

Apparently, EPA is also exploring the possibility of pursuing regulatory measures to retrofit all diesel engines with emission control devices. WMCA members are opposed to retrofit mandates, but support funding options for voluntary retrofit programs.

IDLING REDUCTION

Long-duration truck idling consumes approximately 960 million gallons of diesel fuel annually. 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. 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. In Wisconsin the WMCA is exploring alternatives with state legislators for legislation that would provide state tax incentives 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.

HOURS OF SERVICE - ELECTRIC ON-BOARD RECORDERS (EOBR)

The Federal Motor Carrier Safety Administration's current Hours of Service regulations have been challenged in the courts. The agency issued an Advanced Notice of Proposed Rulemaking (ANPRM) for EOBR devices in September 2004. The ANPRM requested input on a wide variety of technical and operational issues.

There are a number of policy questions that must be satisfactorily addressed prior to the ATA and the industry taking a position on this issue. These key issues include: tangible evidence that EOBR's result in greater fleet safety performance; data captured beyond hours of service information is protected from law enforcement action and excluded from civil litigation proceedings; driver privacy is reasonably proscribed; a reasonable performance standard is developed; and implementation occurs uniformly from a timing standpoint.

HOURS OF SERVICE – SUPPORTING DOCUMENTS

The Wisconsin Motor Carriers Association filed comments on the Federal Motor Carrier Safety Administration's (FMCSA) notice of proposed rulemaking (published in the *Federal Register* of November 3, 2004) concerning supporting documents relative to the hours of service of drivers. The WMCA indicated:

"Upon review of your proposal, we find it to be an unnecessary expansion of what is already required to document compliance with current HOS regulations. Your definition of 'supporting documents' appears to be overly broad and vague and far beyond what should be reasonably required to document the validity of a driver's HOS record of duty status.

"The proposal appears not to give any consideration to the time and cost involved for motor carriers for the retention and maintenance of such records. In an industry already burdened with recordkeeping responsibilities to insure compliance with substantial regulation, we would think the agency would approach the issue of "supporting documents" to reduce rather than add to paperwork requirements."

BACKGROUND CHECKS FOR HAZARDOUS MATERIALS DRIVERS

Congress passed the USA Patriot Act in October of 2001, in response to the terrorist attacks of September 11, 2001. 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.

Employer notification is a key aspect of this rule that must be included. If TSA runs a background check and a driver is found to be a security threat due to a past conviction, an employer should be notified immediately.

BONDS FOR BROKERS

The Owner-Operators Independent Drivers Association (OOIDA) has petitioned the U.S. DOT to raise the bond required for transportation brokers from \$10,000 to at least \$300,000. OOIDA argues that the \$10,000 is simply inadequate and that truckers are not able to effectively track the credit worthiness of every broker with whom they deal.

When the \$10,000 requirement was set in 1977, there were 70 registered brokers compared to some 15,000 today. The ATA is on record supporting an increase to \$250,000 while WMCA members agree that the bond should definitely be increased to a minimum of \$100,000.

COST OF INSURANCE & TORT REFORM

In a 2003 survey, WMCA 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.

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.

TRUCK DRIVER SHORTAGE & TRAINING FACILITIES

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.

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.

The ATA has recognized the WMCA with the Excellence In Safety Award. This national award is presented annually to the state trucking association with the best safety programs.

Our commitment to highway safety is also 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.

The trucking industry is proud of an excellent safety record. Consider, for instance:

- According to the Federal Motor Carrier Safety Administration, the 2004 large truck fatal crash rate was 2.23 per 100 million miles, down from 2.31 in 2003. Overall, there has been an 18% decline in truck fatalities from 1996 to 2003.
- Truckers in Wisconsin also have an excellent safety record. Twin trailer combinations have the lowest total crash involvement rate of all large truck categories.