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When most folks think of commercial trucks, they picture this:

But this is really what the commercial trucking industry looks like:

"Trucking": It's Everybody's Business

Comments to the SC House of Representatives' Transportation Infrastructure Management Ad-Hoc Committee
South Carolina Trucking Association – October 2014

As major taxpaying road-users, and the primary mode of transportation of goods and services for all South Carolinians, the following summarizes the freight industry's consensus views on the major components of what constitutes desired best-practices for the Department of Transportation's management structure, and other related matters.

The nature of any/every "DOT" renders it vulnerable to perpetual "underfunding." This leads to increased scrutiny, criticism, political pressure, unreasonable expectations and demands, resulting in calls for "reforms/restructuring" every so often. Those calls once seemed to come to a climax once a generation. Lately it has trended to about every 10-15 years. This time it's only taken 7 years to come to this point, directly coinciding with a long overdue call for practically-overwhelming funding. While every system/entity needs constant review and "reforms" – if for no other reason, to remain viable and efficient – we are not convinced that the SC DOT has major structural problems. But for the sake of input, we provide the following:

STRUCTURE/MANAGEMENT

- Ideally, SC DOT, as a major $1.5 billion state agency with direct influence over citizen's quality of life, should have a structure which provides for administrative accountability to some*one* – the Governor – and a policy-making process that incorporates philosophies and priorities balanced between the elected Executive and Legislative branches. Whether that can be perfected/maintained is debatable, but it is certainly worthy of serious effort.
- Arguably, that policy-making process may necessitate a Commission, which also directly represents and serves the interests of their constituents, despite the inherent parochialism that comes with any "Commission."
- A statewide-perspective with respect to major "system" and/or "corridor" improvements is challenged with a Commission and with how the agency is governed and funded, but it is increasingly imperative. However, the DOT and the Commission are adhering to data-driven requirements of Act 114.
- As such, we see pros – and - cons to any structure. (For example: We could support a Commission structure that provides one more At-Large Appointee/Commissioner to bring the body back to an odd number of 9. If the Secretary's position Sunsets by-law, we suggest the Governor be allowed to appoint the Commission Chairman. But we do not think a larger Commission means a better Commission; Quite the contrary.)
- We believe the Commission's recent-past conflicts and public/political-perception

problems have been rooted with issues related to I-73, and most recently I-526 (also attributable to the actions of the SIB and Charleston County).

- We firmly believe a critical lack of revenue is the *principle* reason behind the perceived "problems" with DOT.
- We are confident the (previous) Secretary, with Commission support, implemented processes that will largely cure the cash-flow and internal communications problems that became apparent with a rare confluence of events.
- The DOT (the "state") would benefit by shedding the responsibility to maintain roads that have no statewide or regional significance. The fact is that these routes are being ignored now, and will continue to be regardless of funding or ownership, due to their low priority status. C-funds could be utilized, and enhanced, for these routes – as could increased/re-focused Aid to Subdivisions, allowing local governments to decide – and fund - their own priorities. However, doing so would not do anything to solve the DOT's funding challenges. It would only reduce the "state's" "needs" numbers. Devolution is not a substitute for funding.
- The prioritization and weighting processes could be amended, particularly with respect to "economic development," considering existing business and industry, and in anticipation of iron-clad growth projections. This does not endorse a "build it and they will come" approach.
- Act 98 funding is being put to work, and is on the streets. Delays are for the most-part caused by federal government requirements.
- Unfortunately, the state legislature can't fix the cumbersome, time and expense-wasting federal rules. And project development timelines vary by type of project.
- As far as the SIB is concerned, "local match" monies for SIB projects should be required to be "hard" dollars, and be prospective.
- The functions of the SIB could be merged into the DOT, with possibly requiring additional scrutiny/authority for major project approval beyond just the Commission.
- Consideration could be given to expanding the role and purview of the Joint Transportation Review Committee.
- DOT and SIB should give significant priority to improvements to the existing system over adding new facilities, and the SIB coordinate projects utilizing the DOT's mandated prioritization process where practical. We do not consider adding capacity to existing facilities as "new" projects.

Comments to the SC House of Representatives' Transportation Infrastructure Management Ad-Hoc Committee

South Carolina Trucking Association – October 2014

As major taxpaying road-users, and the primary mode of transportation of goods and services for all South Carolinians, we are providing the freight and distribution industry's consensus views on the major components of what constitutes desired best-practices for road-funding, levying user fees and current levies. We have also provided under separate cover, these documents:
"Evaluating a Tax Proposal"
"SCTA Board Endorses Fuel User Fee Increases…"
"Freight Carriers' Positions on Tolling Interstates"
Documents on IFTA and IRP
SCTA Highway Transportation & Distribution Issues
Comments: Structure/Management

In addition we concur with the comments made/submitted by the SC Chamber of Commerce, and the SC Alliance to Fix Our Roads.

FUNDING

- Our road system is our economic lifeline, but it is falling way behind in performance compared with our sister-state competitors.
- South Carolina needs to act now, as major projects take at least several years, and the backlog of critical needs will consume decades.
- Trucking and transportation is fundamental to the economy, and as such it should not be taxed inefficiently.
- Trucks (commercial motor vehicles – CMVs) of all shapes, sizes, weights and configurations haul practically everything we use, need and consume. They are the workhorses of the American economy. "Trucking" is a quasi-public utility. (see pictures)
- Over 65% of all medium and heavy-duty trucks are owned and operated by "Main Street"-type businesses (private fleets), not for-hire trucking companies.
- Trucks pay ALL the same taxes every other business pays – with no "exemptions." The pay a host of federal taxes, most of which are returned to the state for use on federal-aid routes. Trucks pay a fuel tax and a registration fee to each state through which they run – through IFTA and IRP. (documents provided)

- CMVs are not discretionary users of fuel, with fuel economy varying little between vehicle classes. The typical class 8 tractor trailer gets between 6-7 mpg. That same vehicle pays over $800 per year for a registration fee.
- Operators do not argue against "tax increases," just new tax collection mechanisms.
- We support a requirement that all "truck-related" taxes, including property taxes paid on trucks >26,000 GVW, be applied exclusively to the road system. All of the other taxes paid by the companies are used for general government services.
- The per-gallon motor fuel user-fee is counterproductively low. It is not a "broken paradigm" (certainly not for CMVs) and will be the most viable means to collect user-fees for the next generation. The fuel user-fee generates revenues immediately, costs little to administer, and by far the superior user-fee.
- Existing user fees are long overdue for "adjustment," and if using such semantics, or a Constitutional Amendment to protect them from diversions helps politically, we support that.
- Of course we prefer the state to use existing revenue streams, before raising taxes and fees. But we will support raising/"adjusting" existing user-fees when that becomes the obvious best-solution. But that realization needs to be made quickly
- The "Money Tree" cannot sustain the long-term funding needed for our road-system needs in South Carolina.
- Bonding is not a substitute for funding - "Financing is not funding." Issuing bonds as a mechanism for most projects is an inefficient way to do business and does not provide a long term solution for meeting needs. When the state/DOT runs out of capacity, they are stuck with no ability to do anything and faced with years of debt service.
- Resurfacing costs at least $111,000 per mile.
- Adding Interstate lanes within existing ROW costs average $10-12 Million per mile. It's higher under other circumstances. Noise mitigation barriers add significantly to the cost, and are of questionable value.
- Interstate Interchanges cost $35-50 Million each.
- Roads and bridges, like everything else, age and deteriorate. Citizens hate taxes, but count on government to provide safe and efficient roads.
- "Tax Reform" may yield revenues, but it is extremely difficult, and not necessarily in all respects beneficial.

- DOT can't cut enough "waste" to make a dent in the funding challenges.
- Devolution of the system back to the locals isn't a substitute for funding. But it does reduce the "states'" obligations.
- DOT will be a "Beast" no matter its structure/governance, and because it will likely remain underfunded.
- Low-priority roads will suffer benign neglect whether "owned" by state or locals, because we simply/likely can't afford to improve all the roads we have.
- A state can't toll existing lanes of federal interstates. (see documents)
- We can't export the tax burden, or our obligations. Other states have bitten the bullet long ago, and SC must do the same.

Evaluating a Tax Proposal

A Tax Should Be…

- **Efficient**
  - A tax should have a low ratio of administrative cost to revenue produced.
  - Implications for enforceability, competitiveness, and neutrality.
  - Example: The fuel tax is highly efficient.
- **Equitable**
  - A tax should be structured so as not to discriminate unduly among taxpayers large and small, interstate and local, and so forth.
  - A tax inequitable by itself may be made fairer by coupling it with another - for instance, a fuel tax levied in tandem with vehicle registration fees.
- **Effective**
  - A tax should raise adequate revenues at reasonable rates.
  - Implications for efficiency.
  - Example: The fuel tax is an effective tax for the purpose of funding highways.
- **Enforceable**
  - A tax should be structured and administered so as not to invite evasion.
  - Large implications for efficiency and equity, some also for effectiveness.
  - A self-assessed tax is usually not highly enforceable.
  - Highly enforceable taxes tend to employ a withholding mechanism or to have a small number of taxpayers.
  - Employment of "modern technology" does not ensure enforceability.
  - Enforceability does not ensure proper enforcement.
  - Examples: The gasoline tax is highly enforceable, the diesel tax less so; a weight-distance tax and the HVUT are not readily enforceable.
- **Competitive**
  - A tax should not disadvantage businesses located in the taxing state vis-à-vis out-of-state competitors, or taxpayers in one industry vis-à-vis competing industries.
  - Implications for equity, efficiency, and effectiveness.
- **Neutral**
  - A tax should be structured so as not to unduly influence business investment decisions or run counter to important state policies.
  - Example: A gross receipts tax is not a neutral tax, since it distorts business investment.
- **Nonintrusive**
  - A tax should not unduly implicate privacy concerns, either individual or commercial.
  - Examples: Income tax reporting, both personal and corporate is intrusive, and implicates serious privacy concerns. So does government tracking of private vehicles for tax administration.

South Carolina Trucking Association, October 2014

VIEWPOINT VIEWS, PERSPECTIVES AND READERS' LETTERS

Tolling worst option for road funding

Business Journals:
· Gvll/Sptbg
· Columbia
· Charleston

Our interstate system has facilitated an unrestricted supply chain of goods, services and people quickly and efficiently for the better part of 50 years. Interstates are indispensable infrastructure for every aspect of our economy, and critical for our competitiveness. For the general citizenry, these freeways determine quality of life. However, the state has no long-term plan for how to comprehensively fund maintenance and improvements.

J. Richards Todd

We caution that some libertarians and policymakers are advocating placing tolls on existing interstate lanes, suggesting it is the political and funding panacea. In reality, as has been shown time and again, this notion of tolls as savior is fool's gold and too costly for everyone.

Even if you can get past the compromised principle of paying for the same road twice — both with a fuel tax and a toll tax — there are other reasons why placing tolls on currently non-tolled interstate lanes will create costly inefficiencies in the supply chain.

First, tolls are expensive to administer, collect, and enforce, with costs sometimes reaching 33.5% of the revenue generated. Transportation is fundamental to the economy, and as such should not be taxed inefficiently. Compare that with the current cost to administer the gas tax, which is 1% of revenue generated, and it's clear tolling is not cost effective, certainly not a "conservative" way to tax.

Second, its proven drivers (especially commercial fleets) avoid tolls by diverting onto secondary roads, leading to longer, less efficient routes with safety issues. Third, they are generally prohibited by federal law (although some think tanks and their private-sector funders want to change that). And finally, people simply hate tolls — unless they're optional.

Some states have considered them. A 2009 study on the impacts of proposed tolls on Interstate 80 in Pennsylvania, estimated shippers, truckers, and consumers would suffer a combined annual deadweight loss in the tens of millions of dollars per year just due to tolls. In North Carolina, projected traffic diversion from proposed tolls on Interstate 95 would have cost businesses along the corridor an estimated $1 billion in revenue over several decades due to toll-averse highway users bypassing their businesses along with the tolls.

Virginia, home to one of the largest ports in the United States, toyed with tolling existing lanes on I-95 as part of a transportation funding plan. Instead, the state passed a comprehensive transportation funding reform bill that included a provision effectively prohibiting I-95 tolls. They all realized punitive and inefficient toll charges, combined with diversion, would impact the whole supply chain. If South Carolina wants to keep I-95 "The Corridor of Shame," toll it.

There is no question that the long-term sustainability of this network must be a priority, and growing states like South Carolina will have to accelerate investments, with the legislature and the DOT Commission making funding interstates their top priority.

Allowing states to balkanize, and in some cases even "monetize," these public assets is bad public policy. It would also be a betrayal to those businesses and consumers who have established presences along a newly tolled corridor.

There are sensible, fair and cost-effective solutions that don't unduly stifle growth and efficiency. But tolling existing lanes of interstates is not one of them.

There are reasons why no state has ever tolled existing lanes of interstate. We don't need to go there.

J. Richards Todd is president and CEO of the S.C. Trucking Association.