Statement of Joseph A Butzer

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Before

Senate Transportation Committee

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Chairman Langerholc, Chairman Sabatina, Vice-Chairman Scavello as well as members of the Senate Transportation Committee, thank you for allowing me to testify today. I am Joe Butzer, Interim President of the Pennsylvania Motor Truck Association representing over 32,000 trucking companies in the Commonwealth of Pennsylvania with the majority of them operating less than 6 trucks. The trucking industry employs over 310,000 hard working men and women in Pennsylvania which equates to 1 in every 17 jobs in PA.

I sit before you today not just as the Interim President but as a former executive of a trucking company located in Lancaster County that operated 45 trucks at one time and a trucking company that we ultimately shut down in 2018 due to increasing costs. Simultaneously at that time, my responsibilities also included operating a full-service truck rental and leasing company with just under 200 trucks which we sold in 2019 along with a storage trailer company with 450 trailers and containers that continues to operate successfully.

The trucking business is one of the most highly regulated in our country and one of the most difficult to maintain profitability due to constantly increasing costs. Costs that are out of our direct control and cannot be passed along to customers.

An example of these escalating costs would be tolls. In 2008, my company at the time spent $103,716 on tolls for 20 trucks and in 2015 the costs rose to $ 136,265 equating to over a 30% increase in just seven years and in spite of the fact that our company policy was to avoid toll roads whenever possible. Our toll miles declined but the toll cost to our business significantly increased. The impact of rising toll costs where tolls could not be avoided, and the ongoing impacts of Act 89 were two of the major contributing factors in shuttering our business along with lawsuit abuse increasing our insurance costs. Lawsuit abuse is a topic for a different day. Due to these increasing costs, we no longer found it worth the risk of being in the trucking business.

I am in front of you today to discuss why PennDOT's Pathways program in general and specifically their P3 Bridge Tolling strategy is the wrong approach to increasing the highway funding required to keep Pennsylvania's infrastructure sound and how this strategy will destroy the trucking industry in the Commonwealth. Our industry fully grasps the fact that we need our highways to be well-funded to be safe and efficient.

I need you to understand that the trucking business operates on razor thin margins. Anyone in the trucking business is happy to have a profit of 1 to 3% of revenue. Most operate at margins under 1%. **Toll costs cannot be passed on to our customers.**

When I say the trucking business cannot afford tolling, it is not about being greedy or increasing profits, it is about maintaining the little profit we have and survival. We are all responsible to banks and those banks have covenants that must be met annually. If those covenants are not met, the bank will increase your costs to continue your financing to protect their interests. In other words, the trucking business is highly leveraged from the day you purchase your first truck.

Act 89 increased our cost of operating significantly. Our industry was held hostage by PennDOT prior to the passage of Act 89 by reducing the weight rating of bridges throughout the Commonwealth to force our industry to support these increased costs. At that time, Act 89 increased Pennsylvania's fuel tax to the highest in the nation and today Pennsylvania has the second highest fuel tax in the country. Federal and State taxes on diesel fuel is almost $1.00 per gallon. Act 89 also increased registration fees on trucks. Today a tractor-trailer costs $688.50 more to license in Pennsylvania than it did in 2012. In total, operating a single tractor trailer today costs over $ 7,400.00 more than it did in 2012. As a point of reference, a registration for a car has only increased $2.00 since Act 89 was passed.

What I am saying is that according to the American Transportation Research Institute (ATRI) the trucking industry already pays almost **40% of transportation funding in the Commonwealth while only operating 9% of the miles** and PennDOT needs to look elsewhere before increasing our industry's costs any further.

I will attempt to explain how our trucking company operated which is just like many other trucking companies. My trucking company had relationships with a local manufacturer or a shipper. We had agreements with that shipper to haul their product from their location in Pennsylvania to somewhere else in the country. After delivering that product to the receiver, we now had an empty truck at that location and must find a load to return because we could not afford to just come home empty. To obtain this load to get back to PA, we would either use shipping brokers or load boards. A load board would be on an internet site with available shipments to pick up hopefully nearby with delivery hopefully ending near our home location.

That load obtained from a load board or broker has a price to pick up and deliver that shipment to its destination and let us say that price is $500.00. That price is the final price, PERIOD. No surcharges can be added. **We cannot recoup tolls that we paid nor any fuel surcharges nor for any delays in driving time.** We are told what time to pick up the load and what time it must be delivered at its destination. Plus, making matters even worse, the shipper may actually reduce your payment if you are late for your scheduled appointment time. This really becomes a disaster for truckers when PennDOT closes highways in the winter and unnecessarily delays the shipment. In this case, at a 1% profit, the company made a profit of only $5.00 for this leg of the shipment. If they had to cross a tolled bridge at $10.00, the company lost money that cannot be recovered.

Also, imagine a scenario when you have a shipper on Route 81 in southern Pennsylvania with a Pennsylvania trucking company north of a tolled bridge and a Maryland trucking company further south on Route 81 in Maryland. The Maryland trucking company is at a price advantage as they would not have to pay any tolls to pick up the shipment whereas the Pennsylvania trucker would have to pay the toll. When the PA trucking company loses the business, the Commonwealth loses the wages and other taxes paid by the Pennsylvania trucking company because the PA trucking company could not compete due to a single bridge being tolled.

PennDOT, by their own admission stated that it will "spread out the 5 to 10 tolled bridges across the state so as not to hurt or overly burden one area". No matter where these tolled bridges may be located, there will be winners and losers in trucking all depending on which side of the bridge your business is located.

As I reviewed PennDOT's 2019 annual report, I was surprised to find that only 48.5% of taxes I paid to operate on Pennsylvania roadways actually goes to highways and bridges. The remainder goes to Mass Transit, multi-modal, State Police, bike paths and so on. What I am saying is the trucking industry in Pennsylvania is paying for roads and bridges and we are not getting anywhere near what we are paying for because more than half of these funds are being diverted away from highways.

In closing, our industry fully grasps the fact that we need our highways to be safe and efficient and are willing to pay our fair share. The highways are our office and we fully support funding these assets however as I stated above, the trucking industry pays almost **40% of the taxes when it only operates 9% of the miles.** We already pay more than our fair share and I implore you to find funding somewhere else because my industry will not survive more cost increases.

Thank you for your time and consideration.

Impact of Act 89

Fuel tax annual increase = $ 6,763.63

(2010 – $.243 Federal plus $.380 State)
(2020 – $.243 Federal plus $.752 State)
(based on a truck operating 100,000 miles per year at 5.5MPG)

Registration fee annual increase = $ 688.50

(2010 Tractor and Trailer- $1,812.50)
(2020 Tractor and Trailer- $2,501.00)

ACT 89 TOTAL ANNUAL INCREASE PER TRUCK

$ 7,452.13

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Increase in sales and excise taxes paid due to increase in truck prices from 2010 to 2020

$ 7,015.50

Cost of a tractor and refrigerated trailer in 2010 - $ 191,960.59
Cost of a tractor and refrigerated trailer in 2020 - $ 237,951.09

Taxes paid for each tractor and trailer

Federal – 12% Excise Tax on purchase price of unit
State – 6% Sales Tax on purchase price of unit
Federal Highway Use Tax - $ 550.00 annually
Tire tax - Federal - $25.23 for each tire
Tire tax - State -$1.00 for each tire
State – 6% Sales Tax on purchase of all parts and sublet labor
State PTA tax- $2.00 per day on any truck rental
State IFTA - $12.00 annual decal
Federal UCR - $59.00 annually

Total annual increase in all taxes paid from 2010 to 2020

$ 10,095.81

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WE CANNOT AFFORD

TOLLS ON OUR HIGHWAYS