Pennsylvania Motor Truck Association

Testimony

Of

James W. Runk, President & CEO
Pennsylvania Motor Truck Association

Before the House Transportation Committee

On

Privatization of the Pennsylvania Turnpike

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Chairman Markosek, Chairman Geist and members of the Committee, thank you for the opportunity to testify on behalf of the Pennsylvania Motor Truck Association (PMTA) on House Bill 2593.

Pennsylvania's trucking industry provides safe and efficient freight transportation service to millions of businesses and individuals in the Commonwealth. In fact, 88% of Pennsylvania communities depend solely on trucking for delivery of their goods, and trucks transport 90% of manufactured products in the Commonwealth. Pennsylvania's trucking industry provides nearly 400,000 jobs, or one of every 14 in the state. The Pennsylvania trucking industry pays $1.6 billion annually in state and federal roadway taxes and fees, 38% of total user fees paid, despite the fact that trucks make up just 10% of vehicle miles traveled. Thanks to a multi-state, multi-national agreement, all trucks in Pennsylvania pay state fuel taxes proportionate to the miles traveled in the Commonwealth at the Pennsylvania fuel tax rate, whether or not these trucks fuel up in the state. Government actions directed at the trucking industry which produce additional costs or create impediments to travel will directly impact Pennsylvania jobs, business competitiveness and consumer prices.

The Pennsylvania Turnpike is one of the Commonwealth's most valuable assets. It connects the state's largest population centers and is one of the Nation's busiest freight routes. Each day, more than half a million vehicles, including nearly 70,000 commercial vehicles, depend on the Turnpike to provide a safe and efficient means of transportation. However, even these impressive numbers do not begin to explain the value of the Turnpike to Pennsylvanians. Without the Turnpike's efficiency and relatively low cost to users (at least compared with potential toll rates under a lease agreement), Pennsylvania businesses would be less competitive, and residents would pay more for retail goods and services due to higher transportation costs throughout the state.

There is absolutely no doubt that Turnpike customers will pay a higher toll rate under a lease agreement. The lessees must recover the costs of the concession payment and draw a substantial profit for investors. The lease agreement does not require the Turnpike's private operators to make any improvements that the Pennsylvania Turnpike Commission could not do on its own at a much lower price to customers. The bottom line is that Turnpike customers pay more and receive no greater benefit under a lease agreement. Turning the Turnpike into a cash cow for the Commonwealth is akin to selling the golden goose. The short-term financial benefit will soon be eclipsed by the business opportunities and jobs lost due to the less competitive business environment created by higher freight transportation costs. For these reasons, Mr. Chairman, PMTA opposes the proposal to initiate a long-term lease of the Pennsylvania Turnpike.

Furthermore, PMTA opposes tolling of Interstate 80. Tolling is an extremely inefficient way to collect highway user fees. 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.[1] Adoption of open-road tolling will eliminate some labor costs, but the capital investment will take decades to recover.

Tolls 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. This was most

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

clearly illustrated by the exodus of traffic from the Ohio Turnpike when toll rates on that highway were increased by 82% in the 1990s. When the Ohio Turnpike increased its truck toll rate to 17.6 cents/mile for 5-axle trucks, the result was massive diversion to alternate routes. The Ohio Department of Transportation found that a decade after the increase, growth in truck traffic on the turnpike was static, while truck traffic on parallel roads tripled. ODOT determined that these parallel routes had much higher accident rates. For example, U.S. 20, which saw a 267% increase in truck traffic, had a fatal accident rate that was 17 times higher than the Turnpike's rate. The State of Ohio responded to this crisis by lowering truck toll rates by 25%. Had a private firm rather than a public agency controlled the Ohio Turnpike toll rates, such a response would have been difficult, if not impossible. Leasing toll roads takes away the state's ability to effectively respond to diversion of traffic.

In addition, 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 (62 cents in Pennsylvania), and they pay 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 $1,600 a year per truck ($1,715 in Pennsylvania), 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. The state fees effectively serve as a mileage tax because they are paid (by interstate trucks) based on miles traveled in the state. Therefore, although the motor carrier industry strongly supports a system of taxation based on highway use, charging tolls on top of existing highway user fees is inefficient, inequitable, and unfair. This is particularly true when the toll road is leased to a private investor, relieving the state of any cost responsibility for that facility.

It is becoming increasingly clear that Governor Rendell's $12.8 billion lease deal, which he claims will deliver $1.1 billion in annual investment income based on a 12% rate of return, represents a very optimistic scenario. The reality is that once $2.3 billion is siphoned off to cover existing Turnpike debt, state-financed law enforcement costs are factored in, and a more realistic rate of return is calculated, the Commonwealth's windfall begins to shrink like a deflated balloon. Other public costs, which have been conveniently ignored, but must be included in the net estimate of financial return, relate to traffic diversion. How many vehicles will choose to take an alternate route rather than pay the exorbitant toll rates that are likely under either a Turnpike lease or I-80 toll? PennDOT and county governments will be forced to take money out of their budgets for additional roadway repairs and, potentially, capacity improvements to accommodate the additional, unplanned traffic growth on local roads. Furthermore, since these roads are likely to be less safe than the Turnpike, crash costs, including fatality and injury costs, must be included in the analysis, as must energy and environmental costs caused by motorists shifting to longer, less free-flowing travel. Add to these costs the economic losses caused by a more expensive transportation system and it quickly becomes apparent that a Turnpike lease is very likely to become a financial bust for the Commonwealth.

In order to keep Pennsylvania competitive in the future, all of us, citizens and businesses alike, will need to pay our share to restore our aging infrastructure. Accordingly, the key ingredients in our infrastructure funding plans should be fairness and equity. We should not be turning to upfront cash schemes that inevitably pit regions of the state against one another. Additionally, infrastructure-funding revenues should be dedicated solely to restoring and improving our transportation infrastructure, not diverted to other state-wide needs. If the tragic bridge collapse in Minnesota last year taught us anything, it should be that ignoring this overwhelming need can have catastrophic results.

There are two equitable funding mechanisms that deserve the same attention we have given to the unpopular plans to privatize the Pennsylvania Turnpike or toll I-80: modernizing both the fuel tax and/or the outdated oil franchise tax.

Fuel taxes have been used for decades to develop our current infrastructure, and equitably spread the cost of road maintenance to all users. They are the ultimate "user fee" or pay as you go approach, and the administrative costs of collecting fuel taxes are roughly 10 to 20 times lower than what it costs the Turnpike Authority to collect tolls. That translates into more money dedicated to addressing critical needs, and less going to fund state government bureaucracy or private profits. Certainly there is validity to the argument that this is not a good option when coupled with the rising costs we are all paying at the pump. However, a toll also places a financial burden on motorists. Although fuel taxes are outdated, if modernized appropriately, the current system can continue to fund itself for many years.

In November 2006 a Commission created by Governor Rendell and chaired by Secretary Biehler released a report that, in part, described options for raising revenue for transportation.[2] Among

[2] Commonwealth of Pennsylvania, *Report of the Transportation Funding and Reform Commission*, November 13, 2006.

the many options identified, the Commission suggested removing the artificial cap on the fuel franchise tax. Enacted in the 1980s when nobody could conceive of $4.00 per gallon fuel prices, the current cap leaves all fuel costs above $2.00 untaxed. This money should be dedicated to transportation funding. Modernizing this outdated system to coincide with the actual market would allow our elected officials to address our serious transportation problems without imposing new taxes. According to the Commission report, modernizing the franchise tax would have raised approximately $750 million in real money in 2006. The report suggested that additional revenue could come from increases in vehicle registration and licensing fees.

Mr. Chairman, we need an equitable solution and we need it now. Our infrastructure problems will only get worse with delay. I am confident that in addition to those strategies I have suggested, there are other approaches that should be explored. It is not necessary to mortgage the Commonwealth's most valuable assets or impose highly inefficient and destructive tolls on our Interstate Highways. The system that is in place has served Pennsylvanians well for decades and can continue to do so for years to come. We don't need budget gimmicks to pay for transportation. We simply need to make adjustments to current funding sources in order to match revenue to need. Mr. Chairman, PMTA looks forward to working with you to meet our common goals.