



FREIGHT IS FUNDAMENTAL

Highway & Freight Transportation Public Policy Issues

South Carolina's greatest economic asset is its transportation system – it is the backbone of the economy. South Carolina depends primarily on commercial motor vehicles for the delivery of goods and services. Businesses and individuals operating these vehicles are impacted by our infrastructure, so ongoing improvements will promote safety and efficiency. The following outlines some important points about the critical role that commercial fleets play in the state's economy, and how South Carolina fits into the interstate and regional system of moving goods and services.



The SC Economy Depends on Moving Freight by Truck and Always Will

- The “trucking industry” is an eclectic mix of industries. The majority of medium and heavy-duty Commercial Motor Vehicles (CMVs) on our nation’s roadways are owned and operated by small businesses, using their trucks for their own purposes – not for-hire trucking fleets.
 - **Roughly 97% of SC’s 27,000 “motor carriers” have 20 or fewer trucks and are considered small businesses.** (Generally, all truck owners with vehicles in commerce over 10,000 pounds gross vehicle weight are defined as “motor carriers.”)
- **About 80% of SC communities rely exclusively on CMVs to receive their goods and services.**
- **Highway freight accounts for 84% of the tonnage (and most of the dollar-value) of all freight moved within the state.**
- Most shippers use CMVs because of flexibility, reliability, and the efficiency of door-to-door and just-in-time delivery. To most, it’s the only option.
- **Over 130,000 South Carolinians hold Commercial Drivers Licenses (CDL),** mostly for medium and heavy-duty CMVs.
- The economic activity generated by **freight interests and their employees produce a significant amount of tax revenue** for the state and its highway system.

South Carolina's Highway Network Serves Everyone & Trucking Operations Share in Providing Funding

- Freight interests pay a significant percentage of the revenues spent for highway construction and maintenance in the state. Medium and large CMVs account for:
 - 3% of the total vehicle registrations in SC
 - 10% of total vehicle mileage traveled in SC
 - Pay approximately 36% of all highway user taxes and fees collected for the state and nearly 40% of federal.
- **Practically all interstate freight hauling vehicles that pass-through South Carolina pay to the State of South Carolina: registration fees** (through the **International Registration Plan - IRP**), **fuel use taxes** (through the **International Fuel Tax Agreement - IFTA**), and, beginning in 2019, **apportioned property taxes** - for the privilege of operating on our roadways. Conversely, private passenger vehicles enjoy free tax [fuel/tag/property tax] reciprocity throughout North America.

State & Federal Truck Taxes Fund South Carolina's Highway System

- **All commercial trucks pay annual weight-based registration fees to SC** (and who operate in/through SC via IRP) up to \$800 per truck. In 2015, \$68 million dollars in truck registration fees were dedicated to the State Infrastructure Bank (SIB).
- **Trailers and semi-trailers must have a license tag, which may be permanent or renewed annually** and this revenue is split between local governments and the state. (All states treat these vehicles similarly.)
- **SC's diesel and gasoline fuel tax is levied/paid on a per-gallon basis** and practically all is dedicated to the highway program. (Each 1¢ per gallon fuel tax generates roughly \$33 million, including \$7+ million from diesel.)
- A share of the **12% federal excise tax (FET)** on all trucking equipment, the **Heavy Vehicle Use Tax (HVUT** - annual federal truck registration fee), and the **federal excise tax on tires** is returned to SC.
- The payment of **IFTA, IRP and apportioned property taxes** (beginning in 2019) ensure that interstate trucks pay fuel and operating taxes to South Carolina, based on mileage operated here.

The Trucking Industry's Investment in Safety is Paying Off

The trucking industry invests at least \$9.5 billion annually in safety. (This figure does not include general maintenance costs, which certainly have significant safety impacts/benefits.) The four main areas of this investment include:

- On-board Safety Technology (e.g., Electronic logging devices; collision avoidance systems; stability control technologies; video event recorders)
- Driver Safety Training
- Safety Incentive pay (e.g., bonuses, awards, and recognition)
- Compliance with Safety Regulations (e.g., motor vehicle record checks; drug tests)

According to the Federal Motor Carrier Safety Administration (FMCSA), from 1980 through 2014, the number of large truck-involved fatal crashes in the US declined 32% while the large truck-involved fatal crash rate per 100 million miles dropped a remarkable 74%. **Large trucks have an overall crash rate 28% lower than that of other vehicles.**

The CDL Driver Shortage

The shortage of qualified workers with Commercial Drivers' Licenses (CDL) is rapidly reaching a crisis point. Only 0.5% of S.C. CDL holders are between 18-21 years old, yet, almost half of all SC CDL holders are over the age of 52.

It is estimated that the current driver shortage is 50,000 drivers nationally – and that number continues to grow. *(If the current trend holds, the shortage may balloon to almost 175,000 by 2024).* Development and deployment of driver-assistance/safety technology is rolling out gradually. And some functions will aid the driver, but total driver replacement is unlikely in the near-term. **So, truck driving is not an occupation that will be outsourced or replaced any time soon, making it a sure-fire investment in our workforce.**

Companies must hire “qualified” drivers, so stringent selectivity leads to many otherwise eligible candidates being “disqualified” for employment. Poor driving records or other related factors are the most common disqualifiers due to the insurance & potential legal ramifications should that driver be involved in an accident – at-fault or not.

Historically, insurance companies require drivers/employees to have 2-3 years' experience before they are willing to underwrite them, making *getting* experience a major challenge – even an impediment.

SCTA initiated a legislative Entry-Level CDL Driver Study Committee in 2016 which looked at ways state and local government fleets can partner with high schools, technical colleges, and the industry to develop a viable, dependable pool of qualified, immediately-hirable truck drivers.

The state could step-up its efforts to promote careers in skilled trades to students and displaced/under-employed adults. Workforce initiatives designed to attract individuals to technical colleges to pursue skilled trades is critical to the development of a qualified workforce in South Carolina. The state is dedicating resources to promote advanced manufacturing and STEM careers, but **it is under-serving a major segment of the population that could obtain the necessary credentials quickly and cost-effectively to find immediate work that would keep our economy moving forward.**

CMV Operations Face Disproportionate Exposure to Targeted, Excessive, and “Deep Pocket” Liability in South Carolina

The cumulative effects of adverse legislation, Supreme Court decisions, court administration, low minimum limits for private passenger automobile insurance, and aggressive personal injury/plaintiff attorneys has created a civil justice system full of legal traps for corporate and commercial vehicle operations in South Carolina. One only has to watch TV, look at billboards, or listen to the radio to witness the ubiquitous nature of personal injury lawyer advertising. “Truck wrecks” are a primary target.

Unless meaningful, systematic reforms are enacted, the system will continue to deteriorate, and along with it, the commercial auto insurance market, privately-held SC-based fleets, and the pool of qualified/interested truck drivers. Suggestions include:

- **Current statutes governing non-parties and the apportionment of fault are conflicting.** While SC applies comparative negligence, and allows for non-parties to be referenced when it comes to damages – the jury cannot apportion any fault to anyone other than the plaintiff and defendant.

- **Limiting negligence claims when vicarious liability exists.** Prohibit negligence claims against an employer where vicarious liability is admitted for the acts of an employee. However, the negligence claim should be allowed to proceed when the employer's liability is alleged to include gross negligence, which would support a claim of punitive damages.
- **Raise the bar on punitive damages.** Punitive damages may be awarded for "willful, wanton or reckless conduct." The current threshold for an award for punitive damages ("*willful, wanton, or reckless conduct*") are automatic triggers when it comes to motor carriers and the claims made against them in the event of an accident. In order for punitive damages to be awarded, "malicious" conduct on behalf of the defendant needs to exist. However, in the event of a motor vehicle accident, certain provisions need to be included for accidents involving drugs and alcohol.

The CMV Industry is Committed to Cleaner & Greener Fleets

- Diesel is the dominant, commercially-viable fuel for heavy-duty/over-the-road trucks currently. Natural gas, electricity and hydrogen hold potential. Diesel and Natural Gas are clean and efficient, and the only practical fuels for most of America's freight demands in the immediate future. But, who knows?
- Ultra-low sulfur diesel fuel (ULSD) is the exclusive on-road diesel fuel in the US and is refined to near-zero sulfur levels (15 parts/million).
- A new truck produces one-tenth the fine particulate emissions and smog forming NOx emissions as a similar truck manufactured just seven years ago.
- Greener technologies carry higher initial costs. Today's clean diesel trucks cost 30-40% more than their predecessors. NatGas CMVs are at a 30% premium above that, and widespread adoption may require tax incentives.
- Newer/greener equipment will push the price curve up, continuing the strain on smaller operations, leading to further attrition and consolidation of fleets.
- Electric-and-hydrogen-powered heavy-duty trucks are close to production, but their efficiency and true costs are yet to be determined. Either way, the nation's commercial fleet is getting greener rapidly.

Traffic Congestion is a Drag on Commerce, Commuting, the Environment...Safety is Paramount

A multi-year effort by the state legislature culminated with passage of Act 40 which began ramping up revenues for SCDOT to use to repair and up-date the road system. This includes a DOT-initiative focused as the **Rural Roads Safety Program**. Despite this significant progress, economic/traffic growth is expected, and additional resources will have to be found in the future to add capacity.

- **International trade moving within and through SC is expected to grow at a faster pace than domestic trade over the next twenty years.** The road systems that serve our ports are critical arteries for that commerce just like ocean shipping channels are to ships. SC's quality of life can be significantly enhanced by increasing capacity.
- **The majority of freight transportation occurs on Statewide Significant Corridors** such as Interstates, Primary and other important roads in the system. These routes are top priorities of the SCDOT, with increased focus and funding relative to other systems in order to improve the safety and efficiency of traffic and freight movements.
- **State and federal highway funds should be focused on significant highway projects**, not on local-interest initiatives.

- Many local governments have assumed the responsibility for funding their priorities through road programs supported by local initiatives. These are good and necessary to compliment state funding, and may be the only way **local-interest projects** get funded in the near-term.
- We applaud the legislature and the SCDOT for an aggressive program to reduce load restricted/structurally deficient **bridges**.

Interstates are Main Arteries of Commerce & Should be a Top Priority

- **Interstates comprise 2% of the state’s roadways; however, they carry 29% of vehicular traffic**, and are critical to the regional economy.
- **Interstates are funded by “matches” from the federal government** generally on a 90/10 basis for construction, and for rehabilitations, maintenance, etc. at 80/20. Safety and “Freight-centric” can be 100%. (The SCDOT Commission uses 100% of their federal appropriation.)
- **Interstate projects can take up to seven-plus years from start to completion**, due to planning, design, engineering, public hearings and permitting, federal authorization, right-of-way acquisition, other processes, including the construction phases.
- **Improvements to (maintenance and expansion) our existing Interstate system should take priority over funding any new routes.**
 - **The I-26 Corridor from Charleston to Clinton is the state’s key commuter, travel, and commercial artery**, linking the major industrial and metropolitan areas – from the port to I-95, through the Midlands and up to the I-85 Corridor. Likewise, **I-85 and I-95 are just as critical to SC as they are to our sister states when it comes to providing for the free-flow of commerce** between major markets and our regional economies.

The Motor Fuel “Tax” Remains the Most Equitable & Efficient “Road-Use” Fee for Commercial Trucking

The motor fuel “tax” is not currently obsolete, and it is the fairest, most equitable, and least costly way to administer road-use fees – particularly with respect to commercial freight-hauling vehicles. The cost of collection is about 1% of proceeds and all other forms of taxation require much more costly collection bureaucracy.

Trucking operations are not discretionary users of fuel; they don’t “joyride,” and essentially have similar fuel efficiencies. Car choices and fuel efficiencies vary widely, but this is not the case with CMVs.

The fuel tax is fair because the more you drive – the more you pay. For CMVs, it is the easiest to pay and charge back to our customers, and for cash flow purposes, it is the least burdensome and most efficient way to be taxed.

South Carolina’s motor fuel user-fee was adjusted in 2017, but it is still well below the national average (31.58 cents per gallon) and our sister states:

- *Georgia’s state excise tax and local taxes on diesel fuel are 34.19 cents per gallon.*
- *North Carolina uses a wholesale-price index which equates to 34.55 cents per gallon on diesel fuel.*

Annual Indexation of the motor fuel user fee would provide consistently increased revenue to keep up with road-cost inflation. Freight interests would not view this adjustment as a “tax increase” or a “new tax” as long as the level remains competitive with our sister states.

As alternative fuels and engines are developed, a modified fuel tax along with new vehicle road-use taxes can be developed, particularly as they relate to automobile – non-commercial vehicles. Electric-powered engines pose the greatest and most immediate threat to the fairness and stability of the fuel tax. However, many analysts maintain they will make up a relatively small portion of the vehicle fleet for the near future. The legislature took this into consideration when they implemented a specific fee for these types of vehicles in Act 40 of 2017.

As the transportation system and vehicles continue to evolve, the legislature should continue to evaluate *efficient, practical* ways to fund highway improvements.

Commercial Trucking Does Not Consider Tolls or VMTs a Fiscally-Conservative Solution to Funding Roadways

Freight interests support increased investment in our road transportation system, but insist that any freight-related user-fee must be efficient to administer, and fair and equitable. That is why commercial trucking operations support the fuel tax as the primary mechanism for today’s CMVs.

Vehicle miles travelled (VMT) taxing schemes – as currently envisioned - may not prove to pass the criteria for a good tax: efficient, equitable, effective, enforceable, competitive, neutral, and non-intrusive. Studies are ongoing.

Tolls can play an important but limited role in the “new capacity” solution to our transportation needs, but tolling *existing* highway capacity is widely opposed, generally illegal, and creates double taxation for commercial users particularly considering IRP and IFTA taxation.

Freight transportation and distribution interests do not object to tolls if they are used to build a *new* facility that provides an alternate route to get from one point to another or to add *new* capacity, if use of the toll road (or lane) is voluntary. However, imposing tolls on an existing road, especially an Interstate highway that may be the only viable option for service in – or through - an area, is simply unfair and will have negative economic impacts on that area and region.

- **Tolls are inefficient and costly tax collection systems,** with 20-35% of revenues spent on overhead and capital expenses – plus another 10-15% in profit costs if privately operated. This is not a “fiscally conservative” solution, nor does SC have any corridors with the 24/7 congestion/traffic density necessary to cost-justify the high cost of capital and operations of toll facilities.
- **Tolls hurt the competitiveness of existing businesses** and the trucks that serve them, and **may discourage future economic development** and job creation. They can also impact the locations of distribution centers and logistics hubs and **may make international and domestic freight transfer facilities non-competitive.**
- **Tolls have also been proven to create unacceptable and unsafe traffic diversions.**

Privatization & Public-Private Partnerships (PPPs) Must be Strictly Scrutinized

America's road construction is already "privatized," as the private sector construction-related companies bid and compete for work. That's not necessarily the case across the world, and so we hear about "privatization" "trending."

The United States cannot maintain a national highway network if key segments are privately owned, resulting in "balkanization" of our national system, without publicly accountability for the social impacts of toll rates on low-income workers, or on the costs to businesses that depend on the highway for transporting employees, customers, goods, or services.

- **A private operator's sole concern is to maximize the toll road's profitability** rather than maintain a safe national highway network for the motoring public and for the efficient transport of goods.
- Privatization may exacerbate "**double taxation**" whereby motorists are charged expensive highway tolls and traditional taxes.
- The standard practice of including **non-compete clauses** in PPPs/lease agreements prohibits or severely restricts improvements to competing roads, and must be strictly scrutinized.
- Highway privatization is a **shortsighted solution** with unknown long-term implications.

The SC Legislature studied PPPs in 2008 and recognized their potential was very limited, and that any should incorporate fair and reasonable user and public protections.

Support an Efficient Intermodal Transportation System

Rail "intermodal" movements begin and end with a truck shipment. Commercial trucking operations are the railroad industry's largest customers and will, along with other freight shippers, utilize intermodal service where it is feasible, reliable, cost-effective, and efficient.

With limited exceptions for intermodal container operations, the general assumption that truck-freight will shift to rail in any substantial way – thereby reducing truck traffic - is unrealistic due to economic growth and demand in general.

South Carolina is a significant player in international trade, and as such, it must maintain adequate highway connections to state port and rail terminals, as well as other major traffic source points. These routes are critically important to facilitate the quickest and most efficient exchange of shipments, and to reduce congestion.

Ports in the Southeast continue to expand and competition is fierce. Long-term, efforts to **expand gate hours** at ports and intermodal facilities, and **remove inefficiencies** and delays in the supply chain can help alleviate traffic, improve productivity of drivers, and enable better utilization of existing highway infrastructure. This will require constant, coordinated efforts by all players in the supply chain.

If taxpayers support it, state and local general fund dollars, broad sales taxes, or other direct-user-fees may be used to acquire rail right-of-way for development in the future when mass ridership deems it a cost-effective alternative – and for future system operational expenses.

Public transit will not significantly reduce today's traffic, and bike and pedestrian paths, and transit systems are nice, but are truly of local concern, and as such, should be funded through locally-derived revenues and not through state or federal road-users' taxes and fees.

The Federal Government Must Address the Federal-Aid Highway System

The federal government created the Interstate Highway System as "freeways" to facilitate travel and commerce among the states and developed the Primary System to focus priority on these routes. This is one of the true **core functions of the federal government**.

South Carolina is fortunate to have a large network of interstate highways. **Within the next 20 years, a significant portion of the state's interstate highways will be crippled with gridlock** at various times and days of the week. **Some sections, at sometimes of the year/week, are at that point now.**

South Carolina, nor any other state, can, by itself, fund the many billions of dollars that are needed for the revitalization and rehabilitation of Interstate and primary highways within its borders. **The safety and efficiency of these routes is a national problem that requires a national solution.**

We urge the Governor and the General Assembly to work with South Carolina's Congressional Delegation to enact long-term solutions to revitalize and rehabilitate this core National Highway system, and ensure the state gets its share of the federal highway-use taxes paid.

We also urge the same leaders to keep wasteful earmarks out, and to eliminate diversions. Congress has substantially eroded the revenues available for maintenance and construction of our core federal system by creating non-related programs, many benefitting local interests, not federally-significant ones. Federally funded projects which do not meet national significance tests, and which are not directly related to the movement of goods, services and people by highway should not be funded from the Federal Highway "Trust" Fund.

