South Carolina’s greatest economic asset is its transportation system – it is the backbone of the economy. Relieving highway congestion and improving its deficiencies will promote safer and more efficient commuting and commerce. 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 challenges. 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.

SOUTH CAROLINA’S ECONOMY DEPENDS ON MOVING FREIGHT BY TRUCK AND ALWAYS WILL

- The “trucking industry” is an eclectic mix of industries. The vast majority of medium and heavy-duty Commercial Motor Vehicles (CMVs) on our nation’s roadways are owned and operated by “Main Street-type” 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.
- Most shippers use CMVs because of flexibility, reliability, and the efficiency of door-to-door and just-in-time delivery.
- Highway freight accounts for 84% of the tonnage (and consequently the vast majority of the dollar-value) of all freight moved within the state.
- 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.
CMV INDUSTRY INVESTS AT LEAST $9.5 BILLION ANNUALLY IN SAFETY

- The American Trucking Associations recently determined the trucking industry invests at least $9.5 billion annually in safety.
- The four main areas 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)
- These figures do not include general maintenance costs, which certainly have significant safety impacts/benefits.
- According to the Federal Motor Carrier Safety Administration (FMCSA), from 1980 through 2014, the number of large truck-involved fatal crashes 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. It is estimated that the current driver shortage is 48,000 drivers nationally – and that number continues to grow. (If the current trend holds, the shortage may balloon to almost 175,000 by 2024).
- Only .5% of S.C. CDL holders are between 18-21 years old. Yet, 44% are over 52 years old.
- Truck driving is not an occupation that can be outsourced, so it’s 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.
  - Insurance companies require companies to hire drivers with at least 2-3 years’ experience before they are willing to underwrite them. But how do the gain that experience?!
- SCTA initiated a legislative proviso establishing an Entry-Level CDL Driver Study Committee in 2016. The study committee is to look at the shortage and point to ways state and local government fleets can partner with Technical and High Schools - and industry - to develop a viable, dependable pool of qualified, immediately-hirable truck drivers. Findings of the study committee will be completed by Fall of 2016.

CMVs ARE GREENING AND FLEETS ARE COMMITTED TO A CLEAN

- Diesel and Natural Gas are clean and efficient, and the only practical fuels for the vast majority of America’s freight demands in the near term.
- 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).
- On-road diesel CMVs account for less than 6% of the nation’s greenhouse gas (GHG) emissions. Nationally, on-road heavy-duty diesel trucks produce a third less fine particulate matter (PM-2.5) emissions as off-road sources, including construction and farm equipment, locomotives, and marine vessels.
- Trucking is the first mode to widely use advanced diesel engine emission control systems. It takes 60 of today’s trucks to produce the same amount of nitrogen oxide (NOx) and particulate matter emissions as a single truck did 25 years ago.
- The EPA just released Phase 2, with more mandated GHG reductions and fuel economy increases for heavy duty CMV engines.
• **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.

• **Diesel is the dominant, commercially-viable fuel for heavy-duty/over-the-road trucks,** but the use of natural gas in the form of LNG and CNG is perfect for some – mostly local - fleet operations, and is poised to become a viable, widespread alternative. Other alternatives such as Bio-Diesel haven’t proven generally viable due to volume/net-value/logistics constraints.

• Some reports indicate **Electric-powered heavy-duty trucks** are close to production, but it is too early to judge their capabilities or true costs. Either way, the nation’s commercial fleet is getting greener rapidly.

### TRAFFIC CONGESTION IS A DRAG ON COMMERCE, COMMUTING AND OUR ENVIRONMENT

• The **quality of our lives** can be significantly enhanced by *reducing the stress and “drag” of congestion* by improving flow and increasing highway capacity.

• Much of our road systems is in need of updating. If not substantially addressed, continued increases in traffic will **hinder economic growth** and our state’s **competitiveness,** while increasing the risk of **more deaths and injuries,** as **significant economic/traffic growth** is expected.

• **International trade** moving within and through SC is expected to grow at a faster pace than domestic trade over the next twenty years, and our **ports are critical economic assets.**

• Substandard conditions make the system less reliable, hurting our ability to meet citizen/consumer and shipping demands, which negatively impacts productivity, fuel consumption and emissions.

### STATE ROAD FUNDS SHOULD BE ALLOCATED FOR STATEWIDE/REGIONALLY-SIGNIFICANT CORRIDORS & BRIDGES

• The majority of freight transportation occurs on Statewide Significant Corridors such as Interstates, Primary and other important roads in the system. These routes should be top priorities of the state DOT, 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 used exclusively 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 their citizens. These local initiatives should not deter the state legislature from funding high-priority projects of statewide significance in areas of the state that do not have the population base to be able to self-finance their programs. Nor should they deter the legislature from providing more funding for improving state-wide-significant corridors that also serve urban areas.

• We applaud the legislature and the DOT for an aggressive program to reduce load restricted/structurally deficient bridges.

### INTERSTATES ARE MAIN ARTERIES OF COMMERCE, COMMUTE, AND A TOP PRIORITY

• While Interstates comprise 2% of the state’s roadways, 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 DOT 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. **Fix 26!**

• 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.

**SOUTH CAROLINA’S HIGHWAY NETWORK SERVES EVERYONE AND ALL MUST SHARE IN PROVIDING THE FUNDING NEEDED FOR IMPROVEMENTS**

• Freight movement is fundamental to the economy, and the **cost to move it in South Carolina must be competitive** with our sister states.

• Freight interests already 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 registrations in SC
  - 10% of total vehicle mileage
  - Pay approximately 36% of all highway user taxes and fees collected for the state (nearly 40% of federal).

• Practically all interstate freight hauling vehicles that pass through South Carolina pay registration fees (through the International Registration Plan - IRP) and **fuel use taxes** (through the International Fuel Tax Agreement - IFTA) to the state. *(Conversely, private passenger vehicles enjoy free tax [fuel/tag] reciprocity throughout North America.)*

• Many interstate motor carriers also pay **apportioned property taxes to the state**, however these funds are dispersed to the counties for use at their discretion.

**STATE & FEDERAL TRUCK TAXES FUND FEDERAL MATCH, SIB AND SC 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.)*

• CMV property tax revenue, which goes to the counties, is not required to be spent on roads, but consideration should be given that it should.

• 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.

• IFTA and IRP ensure that interstate trucks pay fuel and operating taxes to South Carolina, based on mileage operated here.

**IF TRANSPORTATION IS A STATE PRIORITY, MORE LONG-TERM, RECURRING STATEWIDE FUNDING SHOULD BE PROVIDED**

• Freight interests have strongly supported the legislature’s moves to re-direct and dedicate existing State General Fund highway and transportation related-revenue streams for highway improvement purposes. Appropriations, as well as one-time infusions - from existing state revenues and surpluses – have been a budgeting and policy priority of the General Assembly since 2013, and we applaud this budget prioritization.
  - In 2016, the General Assembly established that all of the sales tax revenues (net EIA) from vehicle sales are to be transferred to the DOT and bonded through the SIB for interstate and bridge improvements.
  - In 2016, the General Assembly also redirected over $84 million in vehicle related fees (from SCDMV) to the SCDOT/SIB to be bonded for use on road and bridge improvements.
FOR THE IMMEDIATE FUTURE, THE MOTOR FUEL “TAX” IS THE MOST EQUITABLE AND EFFICIENT ROAD-USE FEE FOR COMMERCIAL TRUCKING, AND SHOULD BE ADJUSTED BECAUSE IT HAS LOST ITS BUYING POWER

- The motor fuel “tax” is not currently obsolete, and it is the fairest, most equitable, and least costly way to administer road-use fees.
  - The cost of collection is about 1% of proceeds. All other forms of taxation require much more costly collection bureaucracy.
- Increasing fuel economy of cars may cause this revenue source to slowly decline over time, which justifies indexing or adjusting from time to time.
- From trucking’s perspective, the motor fuel user fee (on all engine fuels) serves as the best long-term road-use tax solution.
- 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 is 16.75 cents, and hasn’t been raised since 1987. It generates about $456 million per year for the state’s road system, and is distributed to various road-related programs.
- The average net state tax is about 30 cents per gallon (including sales taxes, environmental fees, local levies, etc.).
  - Georgia’s gasoline and diesel fuel pump-price incorporates per-gallon, state and local sales taxes. The state excise tax and local taxes on diesel fuel are 34.66 cents per gallon.
  - North Carolina also uses a per-gallon rate with a wholesale-price index which equates to 35.25 cents per gallon on diesel fuel at the pump.
- An adjustment to the motor fuel user fee would provide much-needed revenue, take some of the burden off of the state’s General Fund, and ensure that out-of-state motorists (approximately 30% of the total traffic/taxpayer base) pay their way – as they do in other states with much higher fuel levies. (Freight interests would not view this adjustment as a “tax increase” or a “new tax” – as long as it is competitive with our sister states - but rather consider it as an inflation adjustment/restoration of buying power.)
- As alternative fuels and engines are developed, a modified fuel tax along with new vehicle road-use taxes can be developed. Other states are experimenting...let them do it.
- Electric-powered engines pose the greatest and most immediate threat to the fairness and stability of the fuel tax. For these vehicles, new user-fees will need to be enacted. However, due to costs, replacement cycles and impracticality, most suggest think they will make up a relatively small portion of the vehicle fleet.

DEVELOP EFFICIENT, PRACTICAL WAYS TO FUND NEEDED HIGHWAY IMPROVEMENTS, BUT TOLLS (OR VMT) ARE NOT THE PREDOMINANT ANSWERS, NOR THE FISCALLY-CONSERVATIVE SOLUTION – CERTAINLY NOT FOR CMVS

- All SC citizens derive benefits from our public road infrastructure, and should be encouraged to feel responsible for it, and take ownership. Roads are not “someone else’s problem,” nor should this state try to export the burden to others. Our sister states take care of their systems, so should we.
- Freight interests support increased investment in our road transportation system, but insist that any 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.
- Increased automobile fuel efficiency, and the specter of alternatively-fueled vehicles has some policymakers considering imposing alternative (new) taxes such as some form of Vehicle-Miles Traveled Tax as a substitute/replacement for the gas tax. (These new VMT-schemes may not prove to pass the criteria for a good tax: efficient, equitable, effective, enforceable, competitive, neutral, and non-intrusive. Time will tell. With so many states “piloting” programs, why not let them spend the money on “experts,” consultants - and take the political toll - then SC can judge their viability.)
• Tolls can play an important but limited role in the “new capacity” solution to our transportation needs, but tolling existing highways is widely opposed, generally illegal – and creates double taxation for commercial users particularly in light of IRP and IFTA taxation.
  o Imposing tolls on an existing road, especially an Interstate highway that may be the only viable option for service in an area, is simply unfair and will have negative economic impacts on that area and region.
  o Our roads lack the 24/7 congestion/traffic density necessary to cost-justify the high cost of capital and operations of toll facilities.
  o Tolls hurt the competitiveness of existing business and the trucks that serve them, and may discourage future economic development and job creation.
  o Tolling routes discourages location of distribution centers and logistics hubs and may make port facilities non-competitive.
• 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.
• 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, as long as use of the toll road (or lane) is voluntary.
• Tolls create unacceptable and unsafe traffic diversion as shown by a number of recent studies conducted across the country and real world experience in other states.
• Erecting tollbooths at state borders discriminates against interstate commerce and therefore may be in violation of the US Constitution’s Commerce Clause. They also encourage “border toll wars,” increase business costs, and are generally against federal law. No state has ever succeeded in tolling existing lanes of an interstate.

PRIVATIZATION & PPPs MUST BE STRICTLY SCRUTINIZED, SO AS NOT TO RESULT IN BAD LONG-TERM PUBLIC POLICY
• SC’s (America’s) road construction is already “privatized” – 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 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 spread 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 road-users’ taxes and fees.

THE FEDERAL GOVERNMENT MUST TAKE ACTION TO ADDRESS THE CONDITION OF THE FEDERAL-AID HIGHWAY SYSTEM IN SOUTH CAROLINA AND ACROSS THE NATION

• 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.
• South Carolina is fortunate to have a large network of Interstate Highways. Within 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 some times 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 improve our share of the federal highway-use taxes we pay.
• 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.