



Testimony of Rebecca K. Oyler
Pennsylvania Motor Truck Association
before the
House Transportation Committee
PennDOT's P3 Bridge Tolling Plan
September 30, 2021

Good morning, Chairmen Hennessey and Carroll and members of the committee. We appreciate the opportunity to testify today on the impact of bridge tolling on the trucking industry in Pennsylvania. I am Rebecca Oyler, President & CEO of the Pennsylvania Motor Truck Association (PMTA). With me today is PMTA's Chairman of the Board, Mark Giuffre, Vice President, State Government Affairs at UPS and Joe Butzer, PMTA's Interim President and longtime trucking industry leader.

We represent an industry comprised of 37,440 trucking companies in the commonwealth, the majority of which are small family businesses. The trucking industry employs more than 320,000 hardworking men and women in Pennsylvania.

One in every 16 workers in the commonwealth is employed directly in transportation, and countless other jobs are indirectly related. Our industry is the lifeblood of the economy and is essential to the transport of goods throughout supply chains in manufacturing, agriculture, warehousing, and distribution. Truckers are also responsible for getting essential products into the hands of consumers. In fact, 88% of Pennsylvania communities depend exclusively on trucks to move their goods.

The trucking industry is one of the most highly regulated in the country. It is also one of the most difficult to stay profitable in due to constantly increasing costs, with average profit margins for trucking companies between 1 and 3%. Of course, the pandemic hasn't helped. Our industry, like many others, is struggling now with supply chain issues. The worldwide semiconductor shortage has led truck manufacturers to shut down or slow production to a crawl, with the cost of those trucks that are available up substantially since last year.

At the same time, a critical driver shortage is affecting our industry's ability to meet consumer demand, especially when so much of our economy relies on just-in-time delivery. You may have noticed this in stores when you find some shelves empty, you wait months for an appliance to arrive, or when your Amazon package is delivered a few days later than you expected it.

We testified before this committee on bridge tolling in March and do not wish to be repetitive. (See https://www.legis.state.pa.us/WU01/LI/TR/Transcripts/2021_0064_0004_TSTMNY.pdf and https://www.legis.state.pa.us/WU01/LI/TR/Transcripts/2021_0064_0003_TSTMNY.pdf). We thought it may be useful to provide some more specific information about the trucking

industry and tolling in Pennsylvania to illustrate the impact the bridge tolling projects will have on it.

Cost of Tolling

So that we know the severe impact the proposed tolling of nine interstate bridges will have on the trucking industry, we would like to start with some cost estimates. Soon after the bridges were announced, there were some proposed tolls mentioned, including \$10 – 12 per truck. Because we do not know whether PennDOT will charge differently based on size, weight, or number of axles, we will simply assume \$12 per truck.

At this rate, the operating costs for one truck crossing a single bridge twice daily will add \$6,240 a year. For the average PMTA member with six trucks, it will add \$37,440 per year. Here are some examples of PMTA member companies that will have to absorb almost \$40,000 a year in extra costs if six of their trucks need to cross a tolled bridge twice a day:

- Dairy companies that deliver milk to schools
- Farmers that ship their products to distributors
- Grocery delivery trucks
- Quarry companies transporting stone
- Timber and forest product companies
- Home heating oil businesses
- Food banks
- Construction firms delivering materials and equipment
- Community/thrift organizations collecting from donation bins
- Lawn care companies
- Towing services
- Recycling firms

These companies will likely be unable to absorb those costs, so they will have three options: pass the costs on to customers/donors (which makes them uncompetitive with businesses that do not need to cross a bridge to do their jobs), move to a location where they do not need to cross a bridge, or go out of business.

To illustrate why it is unlikely businesses like these can pass on tolling costs, we would like to share some facts about the trucking industry in Pennsylvania that already stack the deck against our trucking companies. It is important to note that Pennsylvania's trucking companies compete with those in all other states for business. And there are additional costs that contribute to making our state's trucking companies uncompetitive with those elsewhere in the country.

Other Costs

First, taxes and fees on transportation make Pennsylvania the third most expensive state in the nation in which to operate a truck. With the second highest fuel tax, truckers in Pennsylvania are paying almost \$1 per gallon of diesel in state and federal fuel taxes. Registration fees in our state are higher than average – we rank 14th in the nation. Between fuel and registration costs, operating a single tractor trailer in Pennsylvania today is over \$7,400 more than it was less than a decade ago.

Today, a typical five-axle tractor-semitrailer combination pays \$14,219 in state highway user fees and taxes and \$8,906 in federal highway user fees and taxes. These costs are over and above the taxes and fees paid by other businesses in the state.

Truckers' contributions add up and are responsible for a large portion of Pennsylvania's Motor License Fund. Overall, the trucking industry pays almost 40% of transportation taxes in Pennsylvania, while operating only 9% of the vehicle miles.

Here, it is important to dispel a common misconception about out-of-state trucks making use of Pennsylvania roads without paying. Trucks that run in multiple states and weigh more than 26,000 lbs pay Pennsylvania taxes and registration fees for the miles they drive on the commonwealth roads. Through the International Registration Plan (IRP), all drivers of apportioned vehicles in Pennsylvania pay registration fees based on a calculation of the total distance traveled in the state (and all states in which they travel). In addition, the International Fuel Tax Agreement (IFTA) allows Pennsylvania to collect fuel taxes for all apportioned trucks through a similar calculation. These agreements ensure that interstate truckers pay for all the roads they travel, including those in Pennsylvania.

Next, I would like to discuss the California Air Resources Board (CARB) for few minutes. By way of background, Pennsylvania incorporated CARB's emissions and inspections requirements for heavy-duty trucks by reference via regulation back in 2003. Since that time, heavy duty trucks purchased or registered in Pennsylvania have had to have CARB certification stickers on them.

The industry is proud of the incredible progress that has been made and continues to make trucks cleaner and reduce emissions.¹ The substantial costs of these improvements have been absorbed by the industry over time. Newer, more advanced, trucks cost more, of course, but that's not the whole story. As a result of higher costs to diagnose and repair the sophisticated emissions components, vehicle maintenance costs have increased 24% since 2012 and 66% since 2008, an ongoing expense that often underestimated.

¹ As a result, EPA's criteria pollutants in the transportation sector has decreased substantially over the past 20 years. Sulfur dioxide by 97%, carbon monoxide and volatile organic compounds by 88%, nitrogen oxides by 80%, and fine particulate matter by 77%.

(https://view.officeapps.live.com/op/view.aspx?src=https%3A%2F%2Fwww.epa.gov%2Fsites%2Fdefault%2Ffiles%2F2021-03%2Fstate_tier1_caps.xlsx&wdOrigin=BROWSELINK)

These increases have become part of cost of doing business for trucking companies across the industry. However, mandating increased costs that affect Pennsylvania companies almost exclusively with no real environmental benefit only sets our industry back. New CARB warranty requirements taking effect in Pennsylvania next year have increased the purchase price of a 2022 truck even higher than market prices, up to \$5500 more.

Though many states require CARB stickers on trucks, only two states (outside California) have adopted the warranty requirements – New Jersey and, as we understand it, Pennsylvania. Because the trucks themselves are exactly the same – the only difference is the mandatory warranty – this is yet another cost differential that makes it hard for Pennsylvania companies to compete with those in other states. Truck dealers in Pennsylvania have a difficult time competing when a customer driving across state lines can pay several thousand dollars less for the same vehicle in a neighboring state. (Incidentally, Pennsylvania loses out on about \$8,000 to \$10,000 in sales tax revenue per truck when this happens.)

Further CARB emissions requirements are coming to Pennsylvania within the next two years, and Governor Wolf's plan to mandate the use of zero-emissions vehicles in all sectors of the trucking industry (including medium- and light-duty trucks) will increase costs across the board for purchase, maintenance, and electric infrastructure buildout. These are substantial cost increases the industry will be forced to absorb during the same timeframe they will be paying tolls on the nine bridges.

Tolling

Existing toll costs, including those of the Pennsylvania Turnpike, make the northeast region of the U.S. by far the most expensive area to drive a truck already, almost three times more expensive per mile than the western states for tolls.²

The PA Turnpike itself is responsible for Pennsylvania's high tolling costs compared to other states, as tolling rates have risen substantially every year and are projected to continue to rise over time as a result of debt obligations and required payments to PennDOT.³ One recent study called the PA Turnpike the most expensive toll road in the world.⁴ Because toll charges on the Turnpike are based on gross vehicle weight and distance traveled, commercial vehicles pay much more than cars.

Just last week, the Senate Transportation Committee held a hearing with the PA Turnpike Commission, which illuminated some of the problems with tolling as a means of collecting funding for transportation infrastructure. Though the Turnpike made the case that a collection

² <https://truckingresearch.org/wp-content/uploads/2020/11/ATRI-Operational-Costs-of-Trucking-2020.pdf>

³ For details on PA Turnpike tolls and challenges, see <https://www.paauditor.gov/Media/Default/Reports/Pennsylvania%20Turnpike%20Commission%20Audit%20Report%2003-21-19.pdf>.

⁴ <https://www.thedrive.com/news/39672/the-pennsylvania-turnpike-is-the-worlds-most-expensive-toll-road-study>

rate of 93% is a “success,” \$104 million leakage is not insignificant, as many committee members pointed out.

There was also some discussion about contracted vendors the Turnpike uses to collect tolls and monitor traffic. By my count, there seems to be at least four to five different contracts for electronic tolling services, hardware installation and maintenance, and E-ZPass collection, totaling at least \$640 million. This is in addition to the cost for the Turnpike Commission’s employees to manually review plates, manage outreach to other state DMVs for billing, and pursue unpaid fees through legal challenges.

The experience of the PA Turnpike provides an illustration of the inefficiencies of tolling. Though we don’t know the total administrative costs of collecting the Turnpike’s tolls, estimates from elsewhere put collection costs of similar toll systems at 12 to 20%.⁵ Put another way, for every \$1 collected by toll, up to 20 cents was spent to collect it, instead of on maintaining the road the driver used. This administrative overhead must be added to the costs of the 7% leakage rate that the Turnpike officials testified to last week. It should come as no surprise that the Turnpike will increase toll-by-plate rates by 45% in January to mitigate these costs.

Given the proven inefficiencies of tolling, it is concerning to PMTA that PennDOT is proposing to sign a Memorandum of Understanding with the PA Turnpike Commission to collect the tolls associated with the nine bridges as part of the P3 Bridge Tolling plan.

Though we don’t yet know the exact amount of the tolls, we know that they must be sufficiently high to pay for the replacement and maintenance of each bridge and the guaranteed profit margins for private partners that are necessary for P3 projects. But they also must cover the substantial collection costs associated with hardware and other vendor contracts to maintain the systems, internal processes that add cost and overhead, and presumably a fee for the Turnpike’s collection services. And in the end, these collection systems may still result in hundreds of millions of dollars in leakage. It is likely that these inefficiencies will result in the necessity for higher and higher tolls over the course of the contract.

Tolls for Bridges = cost for replacement of bridges + maintenance of bridges + profit for private partners + collection costs + fee for Turnpike’s services + leakage loss

⁵ For example, see [https://www.cga.ct.gov/tra/related/20200131_Truck%20Only%20Toll%20Hearing%202020/ATRI%20Financial%20Analysis%20of%20Toll%20System%20Revenue%2001%202020%20\(1\).pdf](https://www.cga.ct.gov/tra/related/20200131_Truck%20Only%20Toll%20Hearing%202020/ATRI%20Financial%20Analysis%20of%20Toll%20System%20Revenue%2001%202020%20(1).pdf) and <https://www.rollcall.com/2016/05/29/the-truth-about-tolls/>. For comparison purposes, it should be noted that the administrative costs of collecting the fuel tax are about 1%.

For comparison purposes, just the \$104 million in leakage the Turnpike experienced last year from uncollected tolls is approximately the same as the cost of the project to replace the I-79 bridge and interchange just south of Pittsburgh, one of the nine bridges proposed to be tolled.⁶

Example

We have examined the disproportionately high costs for Pennsylvania trucking companies and our concerns about the inefficiencies of tolling. Let us look at a specific example of how bridge tolling will put a Pennsylvania trucking company at irreparable disadvantage, using the two western bridges proposed to be tolled on I-80 as an example.

Imagine an ice cream manufacturer off I-80 in Grove City shipping its product to a grocery distributor in Erie. A Clarion-based trucking company wants the contract, but it is competing against an Ohio trucking company on I-80 for the same load. The Ohio trucking company has a price advantage because its trucks have no tolled bridges to cross to pick up and deliver the shipment, whereas the Pennsylvania trucker would have to pay a toll two times in both directions, putting each truck at a \$48 disadvantage per trip and likely losing the company the contract.

When the Pennsylvania-based trucking company loses the contract, the jobs as well as the wages and taxes paid by the business and its employees move out of state with it. And the local businesses that depend on the company, like the Grove City ice-cream maker and the Erie distributor, must find trucking services elsewhere. Multiply this scenario across nine bridges and thousands of companies, and the impact on the economic competitiveness of Pennsylvania's businesses is clear.

For these reasons, we believe that PennDOT's P3 Bridge Tolling strategy is the wrong approach to funding highways and keeping Pennsylvania's infrastructure sound. We believe that, like all taxes, the bridge tolling proposal should be considered by the state legislature before PennDOT can proceed. For this reason, we urge the committee to consider SB 382, which would provide increased transparency for P3 projects and appropriate legislative oversight for proposals that have user fees.

Trucking delivers America. The industry has gone above and beyond in one of the most trying years in our nation's history. As we continue to deal with the economic challenges that affect our industry and Pennsylvania's prosperity, we look forward to participating in the conversation about more fair and equitable solutions.

Thank you for your time. We will be happy to answer any questions.

⁶ <https://www.penndot.gov/RegionalOffices/district-11/ConstructionsProjectsAndRoadwork/AlleghenyCountyConstruction/Pages/I-79-Widening-Bridgeville-Interchange.aspx>