

STATEMENT OF FEDERAL HIGHWAY ADMINISTRATOR  
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BEFORE THE  
SUBCOMMITTEE ON TRANSPORTATION OF THE  
COMMITTEE ON ENVIRONMENT AND PUBLIC WORKS,  
UNITED STATES SENATE  
CONCERNING TRUCK ISSUES  
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Mr. Chairman, Members of the Committee, I am pleased to be here. First, I would like to discuss the progress of the Federal-aid highway program since the enactment of the Surface Transportation Assistance Act of 1982 (STAA), our expectations for 1984 and problems we have with the Interstate Cost Estimate (ICE), the Interstate Substitution Cost Estimate (ISCE), and the Highway Trust Fund (HTF).

Since the enactment of the STAA, we have made excellent progress in utilizing the increased level of Federal-Aid funding for needed highway improvements. All of the \$12.375 billion under the fiscal year (FY) 1983 ceiling was obligated. When nonceiling programs are added in, the total obligations for FY 1983 were \$12.8 billion compared to \$8.2 billion for FY 1982. Major programs have made substantial progress with the increases provided by the STAA, increases of 25% for obligations of regular Interstate funds, 100% for Interstate discretionary funds, 200% for Interstate 4R, 60% for primary, and 68% for the bridge replacement and rehabilitation program.

Based on the obligations for FY 1983, the States have demonstrated the ability to maintain the obligation rate necessary to meet the 1984 obligation ceiling of \$12.520 billion. In August 1983, 37 States indicated an ability to obligate \$1.4 billion in additional obligation authority. Total obligations are, however, down for the first quarter of FY 1984 when compared to the

obligation rate for the last three quarters of FY 1983. Obligations for the first four months of FY 1984 are only slightly higher than average obligations in the first four months of FY 1983, \$715 million per month versus \$680 million per month. Obligations for the first quarter of FY 1984 are significantly less than average obligations in the first quarters of the last five fiscal years, \$725 million per month versus \$745 million per month.

Interstate 4R, primary and bridge program obligations are up significantly compared to the same period in FY 1983, but Interstate construction obligations are way down, averaging \$35 million per month compared to an average of \$202 million per month for the first three months of FY 1983 and an average of \$360 million per month for all of FY 1983. The problem is directly related to our inability to make the Interstate Apportionments for FY 1984 because the ICE has not been approved. The States appear to have a good backlog of projects. Preliminary results of an American Association of State Highway and Transportation Officials survey made in December 1983 indicate that if the ICE and the ISCE are approved before March of 1984, the States could use all of their obligation authority.

We feel confident that the States will be able to continue to obligate available funds in FY 1984 as they did in FY 1983. Congressional approval of the ICE and the ISCE must, however, occur soon to make full use of Interstate, Interstate substitution and minimum allocation funds.

The HTF, while able to support existing programs, does not provide unlimited revenues. The enactment of additional special interest or demonstration program legislation would jeopardize the balance in the HTF

necessary to support the Federal-aid highway program. We ask your support, Mr. Chairman, and the support of the Committee in limiting this type of encroachment on the HTF.

I would now like to discuss truck issues and concerns that have been raised by the enactment and implementation of the Surface Transportation Assistance Act of 1982 (STAA). These issues include the heavy truck use tax and alternatives to it; a national designated network of Interstate and primary highways for larger commercial vehicles and reasonable access to that designated network; truck size and weight limits and the bridge gross weight formula; the report on a network for larger double and triple trailer truck operations; the uniformity of state motor carrier regulations; monitoring double-bottom truck operations; the Interstate 4R apportionment formula study; and a bill, S. 1231, which would exempt piggyback trailers and semitrailers from the 12 percent sales tax on motor vehicles. I will also discuss S. 1931, a bill to increase the exemption from the fuel tax for gasohol from 5 cents to 9 cents per gallon.

#### The Heavy Truck Use Tax and Alternatives

The heavy truck use tax was increased by the STAA, with the increases being phased in beginning July 1, 1984, resulting in a final maximum use tax of \$1,900 on trucks of 80,000 pounds or more after July 1, 1988. Section 513(g) of the STAA directed a study of alternatives to the heavy truck use tax and a report to be sent to the Congress no later than January 1, 1985. That report on the 513(g) study has been completed and was sent to the Congress on January 25, 1984.

Bills have been introduced in the Congress which would repeal the heavy truck use tax and increase the tax on diesel fuel. Now that the study is complete, it reveals that these bills would impair the equity of the highway tax structure by sharply reducing the relative burden borne by the heaviest trucks which still underpay their share of highway wear and tear and would reduce total revenues flowing into the Highway Trust Fund. The 513(g) study and report focus on maintaining or improving the fairness of the highway tax structure while remaining "revenue neutral," that is retaining revenue levels equal to those already enacted.

Options examined in the 513(g) report that are nearly equivalent to existing levels of revenue for a 5-year period include:

DOT 1, a 9-cent diesel differential with elimination of the use tax;

DOT 4, a 6-cent diesel differential with reduction in the use tax to a maximum of \$650 and modification to the weight threshold to 55,000 pounds;

DOT 5, a 5-cent diesel differential with reduction in the use tax to a maximum of \$950 and modification to the weight threshold to 55,000 pounds

DOT 6, a 4 1/2-cent diesel differential with reduction of the use tax (graduated rate over time to a ceiling in 1987 of \$1,200) and modification to the weight threshold (55,000 pounds);

DOT 7, a 5 1/2-cent diesel differential with reduction of the use tax (graduated rate over time to a ceiling in 1987 of \$900) and modification to the weight threshold (55,000 pounds); and

DOT 10, a registered gross weight distance tax with the elimination of the use, retail excise and tire taxes.

Our assessment of the options in the report is based on maintaining revenues, in total and by vehicle class; maintaining equity within user classes; and simplifying administrative and enforcement requirements. Of the options that are revenue neutral, some do not maintain the equity among and within user classes as well as others and some are inferior with regard to administrative and compliance aspects. We believe that, in the event Congress determines to reconsider modifications to the highway use taxes enacted in the STAA, the revenue, equity and compliance implications of any alternative tax should be examined closely.

#### The Designated Truck Network and Reasonable Access

The STAA provided for a national network of Interstate and primary highways for larger commercial vehicles (doubles and longer trailers) with a provision of reasonable access to the network. Agreements have been reached with 43 States, Puerto Rico, and the District of Columbia on a proposed final network. In 2 States, New York and New Jersey, unresolved issues on the network remain on less than 150 miles of primary routes. Discussions with the five States that have litigated questions concerning the networks in Alabama, Florida, Georgia, Pennsylvania and Vermont should shortly lead to the designation of an interim network in those States.

Progress is being made with regard to reasonable access. Twenty-six States already have enacted some form of reasonable access provisions either through legislation or regulations and 24 States are considering reasonable access provisions. We propose to allow the States to determine reasonable access through regulation and practice. We will closely monitor these determinations to determine if further actions are necessary.

### Truck Size and Weight and The Bridge Formula

Strict application of the bridge formula by States, particularly since passage of the STAA, has in some instances resulted in a significant reduction in legally allowable payload from that which was allowed before those States enforced the internal axle and wheelbase constraints of the bridge formula. The bridge formula was originally devised to protect bridges from any severe overstresses. Recent analysis has shown that the existing formula excludes some vehicles of particular axle configurations even though those vehicles do not severely overstress bridges. We believe that some refinement of the formula may be possible which would correct the problem while still preventing bridge overstress.

The FHWA has requested contract proposals to evaluate the adequacy of the present bridge weight formula, and to help determine if a revised bridge formula would be more appropriate and what its impact would be on pavements and bridges.

### Report Regarding Longer Combination

#### Commercial Motor Vehicles

Sections 138 and 415 of the STAA require a report on the benefits and costs of establishing a nationwide highway network for longer and heavier combination commercial vehicles (turnpike doubles and triples).

The report is to identify costs and benefits of a network for longer double-and-triple-trailer truck operations. The network is to be composed of

interconnected segments of the Interstate System and highways of comparable design and capacity. Vehicles are to be subject to the "Bridge Formula" and to the maximum single and tandem axle weight limits of section 127 of title 23, United States Code. To assist in making the required report to the Congress, specific portions of FHWA's large truck safety research project are being focused on the safety and handling characteristics of these larger vehicles. Although no recommendations have yet been developed, modifications to weight limits allowed by application of the bridge formula may be necessary to protect certain bridges. The study report will have to be submitted several months late (sometime this autumn) if analysis of the effects on railroads is to be completed. We think this analysis is important enough to warrant the delay.

#### Uniformity of State Motor Carrier Regulations

The Motor Carrier Act of 1980 declared that State regulations and requirements imposed upon interstate motor carriers regarding licensing, registration, and filings are confusing, lacking in uniformity, unnecessarily duplicative, and burdensome. The Act directed DOT and ICC to develop legislation or recommendations to provide for a more efficient and equitable system of State regulation for interstate motor carriers. In response, the Department and ICC delivered a report to Congress in December 1982 documenting the cost and inefficiency of the diverse State procedures.

The Department submitted a legislative proposal in November 1983 that was introduced in the House as H.R. 4518. The legislation provides for establishing a working group of State officials to recommend a set of uniform standards for vehicle registrations, fuel tax, and third structure tax

procedures. We hope that the bill will be introduced in the Senate in the near future.

The working group would address standard procedures and forms; a base State certification; a single State unit for filings, applications, and permits; payments through the base State of fees and taxes due other States; and equitable distribution of revenues among States and would complete the task in 1 year. The working group would not be authorized to study tax levels. The Secretary of Transportation would be given authority to enter into rulemaking. The Attorney General could seek injunctions to enforce the resultant regulations.

We believe that the enactment of this legislative proposal would result in increased efficiencies for the affected parties: the interstate motor carriers, the States, and consumers. We ask your help Mr. Chairman, and the help of Committee members in enacting our legislative proposal.

#### Monitoring Double-Bottom Truck Operations

Section 144 of the STAA of 1982 directed the Secretary of Transportation to enter into arrangements with the National Academy of Sciences (NAS) for monitoring the highway and highway safety effects of double-bottom operations on the Interstate Highway System. A report is to be submitted to the Congress on the monitoring study no later than 2 years after arrangements are made.

A contract has been awarded to the Transportation Research Board (TRB) of the NAS to develop a work plan for the monitoring effort and we have earmarked \$450,000 for use in the eventual monitoring effort. We expect to make

arrangements with TRB to begin the monitoring program during the latter part of the 1984 fiscal year. The TRB has already convened a committee representing necessary disciplines to assist in designing, carrying out and evaluating the monitoring program. A report on the findings of the doubles monitoring study will be submitted to the Congress no later than 2 years after arrangements are made to begin the monitoring program.

#### Interstate 4R Apportionment Formula Study

The STAA directed DOT to study alternative apportionment factors for the Interstate 4R Program that might provide a more equitable and efficient distribution of 4R funds. This report was sent to Congress on December 20, 1983. Seventeen factors have been evaluated based on comments from the States. Among these are truck travel, including heavy truck travel. Analysis of alternative factors and formulas showed that the current formula correlates strongly with the three criteria selected for the study: need, benefit, and national defense. However, because the issues addressed are important and complex and because better data, particularly with respect to truck traffic, may yield different findings, we will continue to examine the issue and others. The study concluded that no compelling case can be made for changing the I-4R apportionment formula at this time. In short, the current factors and formula, as developed by the political process, perform rather well, whether evaluated qualitatively or quantitatively.

#### S. 1231, Piggyback Trailers

S. 1231 is a bill which would amend the Internal Revenue Code of 1954 to exempt piggyback trailers and semitrailers from the 12 percent sales tax on motor vehicles.

Over 150,000 piggyback trailers are used by railroads for piggyback service. These trailers also operate extensively on highways. The number of miles operated on highways is not monitored by a public authority or other source which can be validated; however, recent trends suggest that the mileage is increasing dramatically. While these types of trucks spend part of their useful lives off the highways on railcars, when they do travel the highways, they are causing substantial wear and tear on the highway system. Thus, it would not be equitable to exempt replacements to the existing fleet of trailers from the sales tax.

Moreover, this change would invite abuse because purchasers might buy piggyback trailers to avoid the sales tax, even if they did not plan to use the trailers on flatcars. The Association of American Railroads has established specifications for this equipment. These specifications include reinforced sides and dollies which add approximately 1,000 pounds to the weight and less than \$1,000 to the cost of a standard 40-foot trailer. The extra weight and cost are insufficient penalties to prevent the purchase of the trailers for road use in order to avoid the excise tax. Since the trailers are estimated to account for approximately 7 percent of all current trailer sales, the proposed exemption would represent a Trust Fund revenue loss of at least \$15 million per year just for replacement trailers. If all trailers were built so as to qualify for the exemption, the revenue loss would amount to approximately \$212 million annually.

The fact that the Internal Revenue Code includes an exemption to the 12 percent sales tax for rail vans that are designed to be used both as railroad cars and highway vehicles does not mean that a similar exemption should be

granted to piggyback trailers. The exemption for rail vans was based on the assumption that a rail van would be used for only limited highway travel. This is logical to assume because a rail van would be very expensive and uneconomical to use as an over-the-road trailer. As explained above, piggyback trailers would not be expensive and uneconomical as they cost less than \$1,000 over trailers designed for highway travel.

To summarize, the proposed exemption is not in the public interest. When used on the highway, piggyback trailers cause damage to the Nation's highways and operators of these trailers should bear their fair share of highway maintenance and improvement costs. Further, under the proposed exemption, there would be a strong incentive to build all trailers as piggyback trailers, independent of their intended use. This would result in a major loss of revenue for the HTF. As a class, heavy trucks currently underpay their share of highway costs and this exemption would make the situation worse. For all of the reasons described above, we would oppose enactment of S. 1231.

#### S. 1931, Gasohol Exemption

S. 1931 would increase the exemption from the gasoline excise tax for gasohol from 5 cents to 9 cents per gallon. The bill provides that revenue lost to the Highway Trust Fund (HTF) as a result of S. 1931 would be replaced by transfer to the HTF from the Windfall Profit Tax Account in the general fund of the Treasury.

The basic funding principle of the Federal-aid highway program is that highway users should pay their proportionate share of the cost created by their use of the highway system. Increasing the existing tax exemption for gasohol

would be in direct conflict with this accepted principle. Gasohol-fueled vehicles cause wear and tear to the highway system but, under S. 1931, they would not be charged for any of the costs they create. This would be a serious encroachment on the user fee principle.

Moreover, this proposal would result in an increased Federal deficit. The existing 5 cent per gallon gasohol exemption results in losses to the HTF that are expected to be \$196 million in fiscal year (FY) 1984 and increase to \$247 million per year by FY 1988. These foregone revenues to the HTF are not compensated for by a transfer of funds from the general fund of the Treasury. S. 1931 provides that additional revenue losses to the HTF resulting from the additional 4 cent per gallon gasohol exemption would be compensated for by a transfer from the general fund of the Treasury. Although the revenue loss to the HTF would not increase, the increased gasohol exemption results in an increase in the Federal deficit amounting to \$467 million in FY 1988. This deficit computation was prepared by the Department of the Treasury and takes into account the loss of fuel tax receipts as well as partially offsetting increases in other Treasury receipts.

All of the revenue estimates are based on current projections of oil and corn prices which affect the comparative prices of gasoline and gasohol. Higher than projected oil prices and lower than projected corn prices, coupled with a continuation of expansion of State excise tax exemptions for gasohol, would result in greater substitution of gasohol for gasoline and in greater Federal deficit projections.

A shift by consumers from gasoline to gasohol would further reduce the HTF's gasoline excise tax receipts. This decrease in user fees, coupled with the substitution of Windfall Profit Tax receipts for user fees, could have a serious negative impact on the structure of the highway program. If highway user taxes were to account for less than 90 percent of HTF receipts, under the provisions of section 401 of the Congressional Budget Act of 1974, the Federal-aid highway program could no longer be funded using contract authority. The loss of contract authority would subject highway funding to the annual appropriations process and would reduce the certainty and predictability of Federal highway funding. This would reduce the ability of the States to plan for future highway construction.

For the reasons described above, we oppose the provisions of S. 1931. For similar reasons, we would also oppose an increase in the exemption from 5 cents to 6 cents. While the revenue loss and program impact would not be as severe as S. 1931, it would still increase the Federal deficit by \$130 to \$150 million in the short-term and encroach on the equity principle embodied in the user fee.

The Highway Trust Fund is adequate to fund authorizations through FY 1986. Additional demands on the HTF, through special purpose authorizations or through exemptions, should be avoided. We ask your help, Mr. Chairman, to avoid these special purpose exemptions. We thank you, Mr. Chairman, for the support you have always given to maintaining the adequacy of the HTF.

That concludes my statement. I would be happy to respond to your questions.