



# John Hausladen, president, Minnesota Trucking Association

Civic Caucus, 8301 Creekside Circle #920, Bloomington, MN 55437

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**Present :** Verne Johnson (chair, phone), Dan Loritz (vice chair), David Broden, Janis Clay, Pat Davies, Paul Gilje, Jim Hetland, Sallie Kemper, Tim McDonald, Jim Olson, Wayne Popham

**Summary of discussion:** John Hausladen, President of the Minnesota Trucking Association, argues in favor of existing taxing mechanisms to support necessary road and bridge construction and maintenance. He raises his point amidst growing public concern that the current systems for funding roads and bridges are dated and insufficient to meet future needs in an age of improving gas mileage. Any taxing system to pay for roads and bridges needs to be as effective, efficient, and fair as possible, Hausladen argues, and says the current system succeeds on these counts better than any alternative proposed to date.

**A. Welcome and introductions** - John Hausladen is President and Chief Executive Officer of the Minnesota Trucking Association, a position he has held since 1996. In that capacity he is responsible for overall management of the organization's statewide advocacy, safety, and member service programs.

Hausladen has spent 29 years in association work, 26 of those in management capacities. He has had significant experience in membership development, marketing, strategic planning, communications, and policy development.

The Minnesota Trucking Association is a non-profit trade organization representing over 700 member trucking companies and allied firms from across the state. The membership reflects the diversity of the Minnesota trucking industry, including trucking operations categorized as less-than-truckload, truckload, bulk, agricultural, heavy specialized, and private.

Hausladen is a 1982 summa cum laude graduate of Bethel College, and has taken graduate coursework at Metropolitan State University.

**B. Discussion -**

The Minnesota Trucking Association (MTA) has been in existence since the 1930's, and has evolved over the years with the many changes in technology that have occurred since its beginning. In the early years the industry was largely a less-than-truckload, unionized system. Now MTA members primarily offer truckload, non-unionized, and on-demand shipping for customers.

"Rail may have some advantages with heavy loads over long distances, Hausladen said, "but it is generally up to trucks to deliver the first and last mile of nearly all freight." He stressed that the rails and trucking currently have greater partnerships than any time in history. Particularly in the age of Internet shopping all the small online purchases are being delivered to final destinations by trucks.

## **THE PROBLEM**

There is a perception, Hausladen said, that that the state transportation funding mechanisms in place today are inadequate to address potential revenue losses caused by increased fuel efficiency of vehicles and non-taxed vehicle power sources such as electricity. This perception has led some to contend that the whole funding system needs to be scrapped and refashioned.

Hausladen believes both of these presumptions are flawed, leading to unsound policy recommendations for alternative funding systems that are both less effective and less efficient than the present model.

## **THE GOAL**

The goal of policy Hausladen said should be to adjust and/or expand funding mechanisms to continue predictable and reliable transportation revenues.

## **THE STRATEGY**

To address this goal, there are two essential questions about transportation funding that drive the discussion, Hausladen said: How much do we need, both now and in future years, and how should we collect it?

If the present funding is not meeting the perceived need, Hausladen suggested, people are often too quick to propose throwing out the old funding mechanism. Doing so, he contends, is short sighted. He offered another approach to resolve the deficiency.

### **Six recommendations are outlined.**

Hausladen suggests six policy recommendations for the state:

- **Retain the fuel tax and other current highway system funding mechanisms** , improving them if necessary but not fundamentally changing them.
- **Subject vehicles powered by novel sources of energy to the fuel tax, to the extent those sources allow it, at rates that match those on traditional fuels.** There are some new sources that may be found. If so, treat them the same as gas.

- **Assess fees directly on alternative energy sources** via such available means as the metering of liquid propane and natural gas.

- **Assess additional registration fees on those alternatively fueled vehicles**, such as electric vehicles and hybrid vehicles, for which the fuel tax is an inadequate levy. Weight-based registration fees are presently assessed on trucks; the same policy concept could be applied to other types of vehicles.

- **Assess an additional motor vehicle sales tax** on alternatively fueled vehicles whose power source is unsuited to the fuel tax.

- **To the extent that these adjustments in the current highway funding structure yield more revenues, dedicate all the supplemental revenue to the highway trust fund for use exclusively on highways and bridges.** Truckers are concerned about the many opportunities for diversion, Hausladen said: transit, bike paths, beautification—anything that is not pavement and concrete for the use of the taxed vehicles should be funded separately.

#### **Existing funding mechanisms are sufficient.**

There is much concern that the state will not have enough money for infrastructure maintenance as fuel economy increases and alternative fuels such as electricity, which are not taxed for roads, become more common. But the truth is, Hausladen argues, if policy makers were to increase the existing gas tax, vehicle registration fees, and vehicle sales taxes the state could meet any determined needs effectively and efficiently.

The fuel tax is highly efficient, Hausladen said, because the cost to administer it is very low. He argued that it far exceeds any other mechanism for its ease and effectiveness to implement. Any alternative transportation tax would need to be as efficient. The present tax costs only 2-3 percent to administer mainly because the wholesaler pays it in advance. While the consumer sees the tax amount at the gas pump, in fact that tax has already been remitted to the state by the gas wholesaler. Since the tax is collected up front there is limited opportunity for evasion.

#### **Fuel consumption will not decrease in foreseeable future.**

The prospect of electric cars becoming a major factor is vastly overstated, Hausladen said. Industry analysts predict that there will only be 7,500 electric cars in the state in 2015 out of approximately 4,800,000 cars on the road in 2009.

He's also skeptical that fuel efficiency will appreciably drive down revenue from the gas tax. Fuel efficiency has been increasing since the 70's and 80's and into the 90's, Hausladen said, and it's only recently that there have not been any major improvements. There could be a significant improvement for cars but it won't happen for trucks soon, he suggested.

#### **Heavy trucks pay their fair share for road maintenance.**

To a question regarding the obligation of truckers to contribute more to the maintenance of roads, since the state must build roads and bridges that are capable of carrying heavy vehicles, Hausladen said they presently pay a fair share.

When all the taxes are taken in total-state fuel tax, registration fee (adjusted higher for weight), sales tax, federal heavy vehicle use tax, and excise tax on truck tires-they add up to over \$16,000 per vehicle.

**Annual State Highway-User Taxes on a Typical 5-axle Tractor-Semitrailer Combination weighing 80,000 pounds**

State Registration Fee <sup>1</sup>	\$1,760
State Diesel Taxes <sup>2</sup>	\$5,655
<b>Total</b>	<b>\$7,415</b>

1 MN DPS (<https://dps.mn.gov/divisions/dvs/forms-documents/Documents/TaxManual.pdf>)

2 Diesel taxes based on state average diesel tax of \$0.271 and 20,870 gallons of diesel

\*\*\*Does not include operating authority fees, or property, sales and excise taxes.

**Annual Federal Highway-User Taxes on a Typical 5-axle Tractor-Semitrailer Combination weighing 80,000 pounds**

Federal Diesel Taxes <sup>3</sup>	\$5,092
Federal Heavy Vehicle Use Taxes	\$550
Federal Excise Taxes <sup>4</sup>	\$3,000
Federal tire tax <sup>5</sup>	\$317

**Total**

**\$8,959**

3 Federal diesel tax of \$0.244 on 20,870 gallons of diesel

4 Federal 12% excise tax on \$100,000 purchase price, amortized over 4 years

5 Federal tire tax on 12 tires (assuming the other 6 are untaxed retreads)

Roads are built for use, Hausladen said. They have a construction standard that is meant to be appropriate for cars and trucks. Bridges are a bit different because they do have a break point and must be engineered for the maximum intended load.

**Increase tax rates if it is clear the system needs more.**

The last time there was a proposal at the legislature for a fuel tax increase the association supported it, Hausladen said, but with clear parameters: First it must be clear that the transportation system needs more money, and then any additional tax revenue must go to the building and maintenance of roads. The MTA contends that a fuel tax increase should not be used for rail, bike paths, or beautification, but rather for roads and bridges.

**The lines are blurring between private and public post.**

Hausladen added that the industry of trucking and shipping continues to change as once public or quasi-publics service looks for improved economics. Packages that used to be delivered only through Fed Ex or the United States Postal Service are often now carried by both during transit. We may soon see the day when private truckers are fully active in all public delivery.

**Mileage-based user fees do not stack up well**

To bring the discussion back to the relative merits of taxing methods, Mr. Hausladen compared the proposed mileage-based user fee or MBUF with the current funding mechanisms. His organization believes the MBUF does not stack up well, contending an MBUF is:

- More complicated for users and system providers
- More costly to administer
- Excludes meaningful public input regarding fee setting
- Lends itself to potential diversion to non-highway uses
- Increases the likelihood of evasion
- Offers no absolute guarantee of data privacy
- Engages in unnecessary social engineering to modify behavior

**C. Conclusion -**

**The most important element is predictability.**

Truckers are the masters of "workaround", Hausladen said, and they are adaptable whenever logistical roadblocks occur. But the one thing the trucking companies want more than anything is predictability-because whatever the situation, if conditions are predictable they can build that into both their pricing and the expectations of customers. A fuel tax, he contends, is far more predictable than a tax based on mileage.

The true test of any taxing system to pay for roads and bridges is its effectiveness, efficiency and fairness, he reiterated. To his mind the current system clearly succeeds better than any alternative on these counts.

**Thank you Mr. Hausladen for the discussion.**