



March 25, 2023

The Honorable Terry Canales
P.O. Box 2910
Capitol Station
Austin, TX 78768

Dear Chairman Canales,

Since 1932, the Texas Trucking Association (TXTA) has served as the unified voice for the trucking industry. TXTA can proudly say that throughout the years, we have worked alongside you, as Chairman of House Transportation, and the state's legislative leadership to shape solutions to our state's safety, energy, environmental, and infrastructure challenges. TXTA can confidently say that we have served as a resource for the legislature, always standing ready to assist, and that we have never hesitated to engage and do our part with issues affecting all Texans, especially where highway safety, and the economic environment for small businesses are a factor.

As such, I wanted to respectfully share a handful of continued concerns from TXTA's membership with truck-only vehicle miles traveled (VMT) tax proposals and the prospects raised in HB 3418 on the trucking industry in Texas today.

Equity and fairness for hardworking truckers help to keep the Texas economy strong. As you are aware, today the current motor fuels tax is withdrawn from fuel storage facilities, commonly called terminal racks. This is the typical first stop for refined fuel being trucked from the refineries in Texas, and it is traditionally taxed at this point. From there it heads on to the multitude of gas stations, convenience stores or even trucked to wholesale distributors.

Taxing at this point makes tax evasion next to impossible. The overhead for administering this tax is 1% or less. Some of the VMT pilot programs from other states report anywhere from 4% to 19% administrative cost, and this is with willing participants. Various states across the country have attempted or are currently participating in some form of VMT tax or study. Through evaluation of these studies and reports from their respective governing bodies, it is not unreasonable to assume that an alarming number of carriers and drivers will attempt to evade a VMT, pushing the administrative cost much higher. The result is to substantially increase the administrative overhead in order to audit thousands of motor carriers. That presents a tremendous challenge as today there are 161,340 trucking companies located in Texas alone and you must also factor in drivers from other states who travel through Texas. These companies are primarily small, locally owned companies, nine out of ten of which are six trucks or less in size that serve all businesses in any community.

TXTA continues to recognize the need to adequately fund our state's highways and has long supported raising the fuel tax for all. We would also note that the recent general ballot propositions proposed to dedicate funding to our state highways in Texas received a majority of votes in favor—superseding even the total votes received by our most popular statewide officials on the same ballot. We firmly believe and will continue to voice our support of efforts to increase the motor fuels tax. Texans who value their time and safety have already proven their willingness to invest in our highways.

HB 3418 states that drivers will have “on-board vehicle-mileage-counting equipment added to their vehicles.” Without further clarification on the equipment, one can assume that this will lead to proprietary information on fleet routes being exposed. Data is an incredibly valuable asset to the trucking industry and trucking has a long history of protecting data captured by the technologies it has deployed over the years. Breach of commercially collected data is problematic and raises serious privacy concerns. HB 3418 does reference that efforts will be made to ensure operators’ privacy. However, the industry is sensitive to adding more tracking devices. Not only because of privacy concerns, but because of the associated expense to add tracking devices to trucks. While efforts are underway to make these technologies more efficient by consolidation to minimize mandated expenses, any additional expense to the more than 1.4 million trucks operating daily on Texas highways significantly impacts trucking operations.

The commercial trucking industry is one of the essential movers of all freight in Texas. The need for commercial drivers and the shortages currently being experienced continues to grow. In Texas, 82.1% of communities depend exclusively on trucks for their needed products and 91.8% of all goods manufactured in Texas are transported by truck. Now is simply not the time to shift a fee burden on one industry over another, especially one that is already experiencing a shortage of labor and equipment. Trucking is vital to the daily life of all Texans and any new disruptions will have significant impacts on the supply chain.

When the operational costs of trucking fluctuate, the impacts are felt up and down the supply chain—from manufacturers and farmers to retailers and restaurants, and on down to the end consumer. Attempts to bankroll our state’s infrastructure by singling out the trucking industry will have a wide and negative impact. While trucks represent 4% of all vehicles in Texas and 12% of all vehicle miles traveled in our state, we pay 43% of all taxes owed by Texas motorists. A typical 5-axle truck pays \$4,265 in highway user fees and taxes and an additional \$10,556 in federal diesel taxes. These taxes were over and above the typical taxes paid by businesses in Texas. By comparison, a car pays \$93 in annual federal gas taxes on average and approximately the same in state taxes. In other words, trucks already pay 75 times more in federal highway user fees than do cars—on top of the other roadway taxes, business taxes, and income taxes that motor carriers pay.

We respectfully ask you to consider all users of Texas highways when seeking new taxation mechanisms. While passenger cars have gotten more fuel-efficient, commercial trucks have not. We have made tremendous strides in the environmental friendliness of diesel engines over the last several decades, however diesel fuel efficiencies have been the consequence of those strides and have remained relatively unchanged over the same time.

We agree that the scope of vehicles that are using alternative fuels is growing. We also understand the need to plan. Projections by manufacturers to produce diesel engines across the country remain strong into the foreseeable future. The challenges of moving commercial freight on anything but diesel are daunting, but the need for sufficient infrastructure to support alternative fuels or solving the problem posed by much heavier fuel tanks is still unresolved. The significant weight of the batteries required for electric trucks that do not provide the range to compare to diesel engines only eliminates the amount of weight trucks powered by alternative fuels can transfer. This increases the amount of truck trips required to move the same amount of freight, further exacerbating highway bottlenecks, in which Texas already leads the nation.

The inefficiencies added due to greater vehicle weight make diesel engines the preferred choice into the foreseeable future. Technology is providing greater efficiency by the structural designs of our equipment—ultralight metals and high-tech designs allow for the maximization of cargo loads today. Investment in this equipment is substantial and the return on these investments are strategic business

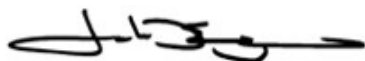
decisions, particularly in the specialized trailers designed today. They often require measuring that financial return in decades, not years. Therefore, studying a VMT based on today's growing trend of users in the passenger vehicle realm, that many studies including recent studies commissioned by the Texas legislature suggest, offer a more plausible approach. We are witnessing growth of the use of alternative fuels in the passenger car sector much greater than anything we are seeing in over the road trucking applications.

These are a few of the concerns from our membership and as their voice in Austin, we have the responsibility to share those concerns with the legislature. Our opposition to truck-only funding schemes that singles out truckers for the purposes of filling the state's infrastructure needs has been a concern for some time, given other states attempts to do so and so many of the motor carriers in Texas who travel in those states. Thus, Texas truckers speak from a place of experience. It places a disproportionate burden on the backs of truckers who have grave concerns that it is inequitable, discriminatory against the industry, and deeply concerning to the hundreds of thousands of essential workers in trucking who have worked to keep the state fed, clothed, and with access to medicine throughout times of emergency or just the demands of the seasons. We are long-time proponents of user-funded infrastructure investments and trucking is always supportive of paying our fair share, as demonstrated by the fact that trucks are already the leading payer into the state highway infrastructure fund and the only mode of freight transportation with that responsibility.

The inclusion of all motor vehicles in the study does not address all our concerns related specifically to a VMT tax and the impacts on the trucking industry, but it does demonstrate any future solution that considers all users. By doing so, the legislature can gather reliable data on whether or not a VMT tax is a viable solution for funding infrastructure. It also allows the legislature to study and explore the concerns we raise above because those concerns are not specific to trucking—they will be raised by the millions of people that travel Texas roadways daily. To be clear, we do not support a VMT tax on the trucking industry, but if the legislature is to move forward with this pilot program, it should include all road users and not be a discriminatory tax on trucks.

As always, the trucking industry and TXTA stand ready to help move our economy forward. However, in order to succeed, truckers need partners in Austin—not a taxable target on their backs. We respectfully urge you to consider the impact that a truck-only VMT pilot program would have on the members of our industry, our supply chain, and the Texas consumer.

Respectfully,



John D. Esparza
President & CEO

CC: House Transportation Committee, Speaker Dade Phelan