Statement of

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Before the

Subcommittee on Surface Transportation and Merchant Marine Infrastructure, Safety and Security

Committee on Commerce, Science and Transportation

United States Senate

Hearing on

Keeping Goods Moving: Continuing to Enhance Multimodal Freight Policy and Infrastructure

April 4, 2017

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INTRODUCTION

Chairman Fischer, Ranking Member Booker, and members of the Subcommittee, thank you for the opportunity to testify today about continuing to enhance multimodal freight policy and infrastructure. My name is Derek J. Leathers and I am the President and Chief Executive Officer of Werner Enterprises, headquartered in Omaha, Nebraska.

Since 1956, Werner has grown from a one-truck operation to be among the five largest truckload carriers in the United States with more than 7,200 trucks and 12,000 combined professional drivers and associates worldwide. Werner's transportation and logistics portfolio includes freight management, truck brokerage, freight forwarding, intermodal, and international services throughout the world.

I commend the Subcommittee for recognizing the importance freight plays in our nation's economy. A safe, efficient system of highways connecting America's cities, towns, and rural areas is essential to our country's economic well-being, national security, and overall quality of life. It is essential that the federal government craft policy that promotes the safe, clean and efficient movement of goods, and Werner stands ready to act as a resource to our congressional and agency partners on this front.

BACKGROUND

A safe, uncongested, and reliable highway system is the key to a fluid global supply chain, which is a fundamental element of our growing and prosperous economy. Each day thousands of trailers and containers, carrying everything from food, fuel, raw materials, and finished products flow through our ports, across our borders, and on our highways, railroads, air, and waterway networks. The highway system connects these modes to manufacturing centers, assembly plants, warehouses, retail outlets, and homes. Our nation's vast freight network is critical to this effort, especially roads. Trucks move $10.1 trillion worth of freight each year, which makes up more than 70% of U.S. freight tonnage. Combined, this freight represents 56% of the U.S. economy,[1] and 81% of domestic freight revenue.[2]

This dynamic system of a complex goods movement network is made possible by the work of millions of Americans, utilizing trucks, trains, ships, barges, planes, and logistics operations. In fact, we all owe a debt of gratitude to the men and women who are professional truck drivers, who do a fantastic job, who do that job conscientiously and safely, and who are all too often taken for granted. Simply put, the work of the trucking industry and other aspects of the freight industry, make our way of life possible by providing consumer choices for a broad array of products in stores and online. Trucking employs millions of Americans, plus creates new and expanding markets for U.S. businesses. In order to ensure we deliver on the demands of the American economy, we must ensure a fair and uniform application of interstate commerce rules. In recent years, we have seen an increase in patchwork regulations hampering our ability to efficiently and reliably move goods across our country. We encourage Congress to take steps to

[1] U.S. Census Bureau, *2012 Commodity Flow Survey*, Dec. 9, 2014
[2] Global Insight, *U.S. Freight Transportation Forecast to…2027*, 2016

eliminate this patchwork of regulations and preserve the efficient system on which the United States was built.

Congress plays an important role in protecting interstate commerce, and most recently, supported the industry by including critical reforms and safety provisions in the Fixing America's Surface Transportation (FAST) Act. Policymakers can continue to do this by supporting nationally uniform federal rules and regulations that promote the safe, efficient, and competitive movement of freight throughout the country rather than a state-by-state patchwork that undermines these goals. As Congress looks to new opportunities to support the trucking industry, I offer the following proposals for the Subcommittee's consideration:

1. Invest in our nation's highway infrastructure.
2. Develop the trucking workforce by addressing the driver shortage.
3. Support efforts to improve highway safety.
4. Support efforts to advance automated vehicle technologies.
5. Support tax reform.
6. Support the movement of multimodal freight.
7. Support trade.

NEED FOR INCREASED INFRASTRUCTURE INVESTMENT

Our highways, bridges, and roads are the lifeblood of the trucking industry. Unfortunately, the current infrastructure system increasingly feels the strain of long-term underinvestment at all levels of government. Nearly one-third of major urban roadways are in substandard condition, and the average motorist in the United States is losing $523 annually -- $112 billion nationally -- in additional vehicle operating costs as a result of driving on roads that are in need of repair.[3]

As our highway system ages, many bridges, including those on the Interstate System, are beginning to deteriorate to the point where they need major repairs or replacement. For example, nearly 7,000 bridges in New Jersey – 35% of the total – are structurally deficient or functionally obsolete. Approximately 4,000 state and local bridges in Mississippi are in need of repair or replacement. Without a significant increase in federal funding, states will find it very difficult to undertake these projects. This is particularly concerning for the trucking industry. Sixty-seven thousand bridges are closed or posted.[4] Poor bridge conditions force trucks to seek alternative routes because they cannot cross a bridge on the most direct route. This increases the cost of freight transportation, which impacts businesses and consumers. Re-routing traffic creates additional safety concerns due to increased mileage and additional congestion as traffic is concentrated on fewer routes. Moreover, the additional mileage and congestion unnecessarily add frustration for our country's professional truck drivers, who already sacrifice so much to safely keep America moving.

Traffic congestion is further increased by underinvestment and creates additional costs to the country. Congestion on the Interstate System alone cost the trucking industry nearly $50 billion

[3] TRIP, *Bumpy Roads Ahead: America's Roughest Rides and Strategies to make our Roads Smoother*, Nov. 2016.
[4] FHWA National Bridge Inventory.

in 2014 and wasted more than 728 million hours.[5] This was equivalent to 265,000 drivers sitting idle for a full working year. It is important to note that 88% of National Highway System congestion occurred on only 18% of the network. Therefore, we should focus our attention on addressing the bottlenecks.

Unfortunately, very little is being done to address these problems. The latest report card from the American Society of Civil Engineers (ASCE) found that the United States is projected to spend $941 billion on surface transportation infrastructure over the next decade, which is less than half of what is needed to address maintenance and capacity investment requirements.[6] ASCE estimates by 2025 this funding gap will result in gross domestic product losses of nearly $1.2 trillion, more than a million lost jobs and $2.2 trillion in lost business sales. While funding must continue to come from federal, state and local governments, approximately half of the capital investment in the highway system is provided by the federal-aid highway program. Without a significant infusion of additional federal revenue, the safety and efficiency of our surface transportation system will continue to deteriorate.

The Administration's renewed focus on improving the nation's infrastructure systems presents an exciting opportunity to make an investment in our country's economic future, prevent thousands of needless accidents and injuries, and improve human health through a reduction in emissions. Congress should explore all viable options to significantly invest resources into our highway system. As the largest transport segment of the freight market, we believe surface transportation should receive a strong portion of this investment. Congress' first priority should be to ensure the solvency of the Highway Trust Fund (HTF), which is projected to have insufficient revenue to cover likely authorized spending levels beginning in fiscal year 2020.

Highway User Fees

Federal investment in the highway system is essential, and while state and local governments, as well as the private sector, must assume a degree of fiscal responsibility for its upkeep, the federal role is both indispensable and a responsibility that is delineated by the Constitution. We support federal investment in highways through, primarily, user fees on the beneficiaries of the system. The sources of revenue should:

- Be efficient and inexpensive to pay and collect;
- Have a low evasion rate;
- Be tied directly to highway use; and
- Avoid creating impediments to interstate commerce.

Werner believes fuel taxes meet all of these criteria and we support an increase in, and indexation of, the federal fuel tax. The fuel tax is the most efficient revenue source, and increasing it will produce no additional collection costs and minimal evasion. Indexing can limit the negative revenue impacts of inflation and improved vehicle fuel efficiency.

[5] ATRI. *Cost of Congestion to the Trucking Industry*, April 2016.
[6] American Society of Civil Engineers, *2013 Report Card for America's Infrastructure*, 2016.

The trucking industry will consider support for any funding proposals that are likely to induce investment in highway infrastructure, and we support a broad mix of revenue sources in order to avoid over-reliance on a single option.

Werner strongly opposes tolls on existing lanes of the Interstate System. Tolls cause diversion of traffic to alternative routes that were not built to handle the additional traffic, and this diversion poses a threat to safety. Compared with fuel taxes and other user fees in common use, a significant share of toll revenue is diverted from infrastructure investment and is wasted on administrative costs. While just one to two percent of fuel tax revenue goes toward collection costs, for example, even on toll roads using the most advanced systems, approximately 12% of revenue is spent on collection, enforcement and capital expenses. This is highly inefficient and a waste of taxpayer money. We urge Congress to oppose and eliminate provisions that provide tolling authority for existing Interstate Highways, including the existing pilot programs, and to refrain from authorizing additional tolling flexibility.

Finally, we have concerns about mileage-based user fees, which would be inefficient and difficult to administer. While we recognize that in the future a replacement for the fuel tax as the primary source of revenue for highway funding will be necessary due to changes in vehicle technology that future is likely at least two decades away. Currently available options for implementing vehicle miles traveled (VMT) fees are limited. These options have extremely high collection costs and could experience a very high level of evasion.

The fuel tax is collected from a few hundred fuel supplier taxpayers, while the VMT fee would have to be collected from tens of millions of individual taxpayers. In 2015, there were nearly 264 million registered vehicles in the United States. Therefore, a bureaucracy would have to be established to deal with the same number of individual accounts. Compare this with the Internal Revenue Service (IRS), which processes approximately 150 million individual income tax returns each year. The physical and bureaucratic infrastructure necessary to effectively collect a VMT fee would have to be massive and the unproductive collection and administrative cost to both government and taxpayer would be enormous. Furthermore, because a VMT fee would have to rely on technology for monitoring and collection, significant enforcement challenges resulting from system tampering and equipment malfunction should be expected.[7] The challenges facing fuel tax revenue over the next 20 years can be addressed by indexing the rate. Substituting an untested, highly inefficient revenue collection mechanism for an efficient revenue mechanism that is already in place would be illogical and irresponsible, and would receive significant resistance from the trucking industry and other highway users.

Strategic Highway Investment

Federal investment in infrastructure for the Interstate System, the larger National Highway System (NHS), and the National Highway Freight Network must be the top priorities. The NHS contains only 5% of the nation's total route mileage, but carries 55% of all vehicle miles traveled and 93% of truck VMT. Federal resources should be focused primarily on these systems. In addition, Congress should concentrate investment in major freight bottlenecks. Significant steps were taken in the FAST Act toward ensuring that federal-aid dollars are invested wisely through

[7] Texas Department of Transportation. *Vehicle Mileage Fee Primer*, p. 16. Dec. 2009.

the creation of the National Highway Freight Program and Nationally Significant Freight and Highway Projects program. In addition, Congress in recent years established requirements for national and state freight plans and performance measurement. These actions will significantly improve the ability of transportation agencies to better focus investment.

A future authorization bill, or infrastructure investment legislation such as the initiative supported by the Administration, should provide the sufficient, stable, long-term resources needed to fix the bottleneck projects that hamper the efficient movement of both freight and passenger travel. For example, the American Transportation Research Institute identified the top 100 freight bottlenecks in the country.[8] These bottlenecks, which are located in 28 states and the District of Columbia, are an outsized source of freight transportation inefficiencies and should be a federal priority. For example, the number one bottleneck is the I-85 at I-285 interchange in Atlanta. Fixing that bottleneck, and addressing other congestion problems on those two Interstates within the region could save nearly $42 million each year in congestion costs and prevent over 600,000 hours of delay annually. However, congestion is not limited to large metropolitan areas. Congestion is added expense even in a mostly rural state like my own state of Nebraska, where the trucking industry absorbed over $200 million in congestion costs in 2014. New Jersey has the second worst freight bottleneck in the country – I-95 at SR 4 in Fort Lee. Congestion in the Garden State cost the trucking industry nearly $3 billion in 2014. The bottom line is that the top 25 bottlenecks alone cause the trucking industry 5.6 million hours of delay annually at a cost of $382.5 million per year. Therefore, out of the $9.5 billion in annual congestion costs to the trucking industry, 25 projects out of the thousands that are funded each year nationwide could reduce highway freight congestion costs by four percent.

Truck Parking

Research and feedback from carriers and drivers suggests there is a significant shortage of available parking for truck drivers in certain parts of the country. Given the projected growth in demand for trucking services, this problem will likely worsen. Investing in truck parking results in significant safety benefits. Insufficient truck parking can add needless stress to the daily lives of our driver workforce, and can take away from their focus on safely and efficiently delivering our nation's goods. Funding for truck parking is available to states under the current federal-aid highway program, but truck parking has not been a priority given a shortage of funds for essential highway projects. Therefore, we support efforts to address the truck parking shortage, including the creation of a new discretionary grant program with dedicated funding from the federal-aid highway program for truck parking capital projects.

SUPPORT EFFORTS TO END THE DRIVER SHORTAGE

Werner and other motor carriers continue to struggle to find qualified, professional drivers. An ATA study found that 90% of for-hire truckload carriers reported difficulty in recruiting drivers capable of meeting Department of Transportation (DOT) driver qualification requirements. ATA estimates that in 2015 the industry experienced a shortage of 48,000 qualified drivers, and this figure could balloon to more than 175,000 by 2024.[9] Over the next 10 years Werner anticipates it

[8] ATRI. *The Nation's Top 100 Bottlenecks 2017*.
[9] American Trucking Associations, *Truck Driver Shortage Analysis 2015.*

will need to hire well over 100,000 professional drivers to meet demand and grow the company. Furthermore, the trucking industry will need to hire 890,000 new drivers over the next decade.

Two factors stand out as primary contributors to the shortage: driver demographics and the federal requirement that a Commercial Motor Vehicle (CMV) driver must be at least 21 years old to drive a truck across state lines. The median age of an over-the-road truck driver is 49 and at Werner, our driver median age is 42. Unfortunately, recruiting younger drivers is challenging. Often candidates have already settled on a career when they reach the minimum age to drive a truck across state lines. Without a steady pool of new drivers, motor carriers' growth will be restricted. The cost of employing a driver can increase as well, which impacts freight pricing.

To ensure a stable flow of highly trained, professional drivers in a time when the entire industry is facing a significant driver shortage, Werner acquired two truck driving training schools, the American Institute of Trucking in 2013 and Roadmaster Driver Schools in 2014. These investments help further Werner's long-standing commitment to securing the success and safety of the next generation of professional drivers. Werner and the schools have a vested interest in putting safe, professional drivers on the road. We believe incorporating the most modern strategies, techniques, and technologies through specialized training for commercial truck drivers is needed to improve overall safety on America's highways. It is equally important to have a legislative and regulatory environment that allows workforce development and job placement opportunities.

Werner has made additional efforts to invest and grow the workforce by partnering with the Department of Labor and the Department of Veterans Affairs in 2006 to start the industry's first Professional Truck Driver Apprenticeship program to further invest in the development and training of professional drivers. Civilian and veteran drivers under 24 months of experience can enroll into our program. Earlier this year, Werner was proud to hire its 25,000th military veteran driver. Our veteran hiring has increased significantly over the past few years, and veterans now comprise about 20% of Werner's driver workforce.

There are numerous ways to help alleviate the driver shortage, including: (1) decrease significant CDL skills testing delays and wait times; (2) provide additional federal funds for driver training programs and removing barriers to students seeking federal aid to attend truck driving schools; (3) direct the Department of Labor to establish truck driving as a national in-demand occupation, which would free up resources devoted to filling vacant truck driving jobs; (4) implement the Entry-Level Driver Training rule; and (5) require DOT to conduct a comprehensive study of efforts to streamline the licensing requirements between DOT and the Department of Defense.

The FAST Act took a step in the right direction by encouraging DOT to conduct a pilot program to study the safety of allowing younger drivers to operate in interstate commerce. However, this provision restricted participation in the pilot to military personnel under the age of 21 whose military occupation classification is driving a truck. This pilot should be expanded to allow civilian drivers under the age of 21 to participate, which will provide a significantly improved understanding of the benefits of allowing drivers between the ages of 18 to 21 to drive in interstate commerce. In addition, federal law should be changed to establish graduated

Commercial Driver's License standards to allow commercial motor vehicle drivers ages 18 to 20 to engage in both intrastate and interstate commerce in a safe, controlled manner.

SUPPORT EFFORTS TO IMPROVE HIGHWAY SAFETY

Safety is the trucking industry's top priority. Werner along with the approximately five hundred thousand carriers, vehicle manufacturers, and other suppliers who comprise the industry invest nearly $10 billion in safety initiatives annually. These investments in safety have yielded impressive dividends for the industry and our company. At Werner alone we spend approximately $53 million annually on safety, some of it to meet a myriad of regulatory requirements, but much of it on voluntary, progressive safety initiatives. This includes driver training, compliance initiatives (e.g. hair testing), and the adoption of emerging accident prevention technology such as forward collision warning and lane departure devices.

Over the past decade, the number of truck-related fatalities has decreased by 22% despite steady growth in the overall number of trucks and truck-miles traveled. Furthermore, we have improved the fatality- and injury crash-rates over this period. While the number of industry crashes and the crash rate increased in the most recent reporting period (2014-2015) it is too early to determine whether this indicates a trend.

Much of this improvement is due to progressive safety initiatives supported by Werner and our fellow industry members. It is the motor carrier's responsibility to put the professional driver in the best position to be as safe as possible. Technology, training, and placing safety as a company core value are vital to providing the driver with the tools and culture to drive safely.

We appreciate the Subcommittee's work in moving the truck safety agenda forward in provisions included in the FAST Act. Some of the critical improvements included:

- Addressing deficiencies with the Federal Motor Carrier Safety Administration's (FMCSA) Compliance, Safety, Accountability (CSA) Program.
- Reforming FMCSA's regulatory development process to ensure new regulations are based on sound science.
- Prioritizing the establishment of critical hair testing standards.
- A pilot program to test the safety of allowing military drivers between the ages of 18 and 21 to operate in interstate commerce.

Additionally, we are grateful that the FAST Act instructed FMCSA to expedite completion of several important rulemakings required under MAP-21, including:

- Creation of a national drug and alcohol clearinghouse.
- Mandatory adoption and use of electronic logging devices (ELDs).
- Establishing entry-level driver training requirements.

Furthermore, following passage of the FAST Act, Congress adopted a requirement that FMCSA demonstrate the effectiveness of the existing hours-of-service (HOS) restart rule or revert to the previous requirements. FMCSA recently found that it could not demonstrate the safety of the

restart provision and reinstated the previous restart rule, eliminating concerns about putting a significant number of trucks on the road during peak congestion periods.

Congress can build upon these successes by supporting implementation of the following:

Hair Testing
As mentioned above, Congress mandated that hair testing be developed as an alternative to urinalysis for federal drug testing requirements in the FAST Act. However, this mandate has not been completed. Federal law requires trucking companies to drug test new drivers and randomly test existing drivers using methods established by the Department of Health and Human Services' (HHS) Substance Abuse and Mental Health Services Administration (SAMHSA). Section 5402 of the FAST Act requires HHS "to issue scientific and technical guidelines for hair testing as a method of detecting the use of controlled substances for purpose of section 31306 of Title 49, United States Code" by December 4, 2016. Completion of this mandate will unlock tremendous safety benefits by providing employers a longer detection window, ease of collection, and make it more difficult for testers to adulterate than urinalysis.

SAMHSA has long expressed an interest in recognizing hair testing as a federally-accepted drug testing method, but the lack of action is having real impacts on the industry. Werner is using the urinalysis test to meet the federal requirements while also paying the additional cost to conduct hair testing. In 2016, hair testing identified 664 prospective Werner driver hires that tested positive for a controlled substance. Only 48 of those same prospective drivers also tested positive for controlled substances on their urine drug screen. While we were able to prevent 616 controlled substance users from driving our trucks, the inability to share the results with other carriers leads to an undesirable situation where those disqualified drivers might gain employment elsewhere, while circumventing the return to work process.

We are concerned that HHS failed to meet the statutory deadline, and we encourage the Subcommittee to take appropriate steps to ensure that the agency meets its statutory obligations. Doing so will pave the way for trucking companies to more fully utilize this pro-safety testing method and identify a greater number of safety-sensitive employees who violate federal drug testing regulations.

Electronic Logging Devices (ELDs)
Werner is particularly thankful for the Subcommittee's efforts on ELDs to manage compliance for HOS and encourage oversight of its implementation. Werner is the recognized industry leader in ELD systems and was the first carrier to utilize electronic logs. In 1996 Werner proactively developed and implemented ELD software using GPS technology installed in our trucks. In 1998 we received approval from FMCSA to utilize this proprietary system to electronically manage and monitor our drivers' HOS, in accordance with federal regulations. ELD regulations are now going into effect for virtually all trucking companies in December of this year. Werner drivers have already driven over 17 billion miles in the last 20 years with our ELD technology to make our roads, highways, and interstates safer for the motoring public.

Safety Technologies

Another area where Congress can support highway safety is incentivizing new vehicle safety technologies. Connected and automated vehicle technologies have the potential to dramatically impact nearly all aspects of the trucking industry. The potential of automation benefits to the trucking industry is significant. Research into the safety impacts of automated or assisted braking and steering will likely show significant improvements in mitigating crashes and injuries. As vehicles are able to communicate with one another and the surrounding infrastructure, safety is also expected to improve exponentially. We would like to look for opportunities to advance safety technologies through tax incentives or utilizing FMCSA's pilot program authority to review the safety performance of new technologies.

SUPPORT EFFORTS TO ADVANCE AUTOMATED VEHICLE TECHNOLOGIES

Werner believes the trucking industry should have an active role in advancing market driven automated vehicle technologies that improve safety and reduce environmental impacts. These technologies can bring benefits in the areas of safety, the environment, productivity, efficiency, and enhance driver health and wellness. While the widespread adoption of highly automated trucks is years away, development of the policy and regulatory framework that will govern this technology is already underway.

A number of precursor systems like automatic emergency braking systems, automated manual transmissions, electronic stability control, lane departure warning and forward collision warning systems are working their way into the marketplace, both for commercial and passenger vehicles. Werner's new equipment in the fleet is Level 2 driving automation, which integrates systems on the truck, including safety technologies. These technologies will provide real-world proof that not only can more comprehensive automated vehicle packages work, but they provide a return on the investment carriers make in the form of improved safety and efficiency. Vehicle connectivity to other vehicles and to infrastructure will enhance the benefits of automation, supplementing vehicle sensors with additional information about road conditions ahead and other vehicles outside sensor range.

The DOT has taken the regulatory lead and issued the Federal Automated Vehicles Policy in September 2016. This Policy sets the framework for the safe and rapid deployment of automation technologies. However, the Policy was developed without the input of the trucking industry, including truck manufacturers. While DOT is expected to issue automated guidelines for trucks later this year, it is important for the trucking industry to continue to work with Congress and the appropriate regulatory agencies as policies are developed. One current issue at the forefront is preservation of spectrum for transportation. It is vitally important that the 5.9 GHz spectrum that has been reserved by the Federal Communications Commission exclusively for vehicle-to-vehicle and vehicle-to-infrastructure communications be preserved against encroachment from other uses such as Wi-Fi. If it is not, many of the important promises of automation will be lost.

SUPPORT TAX REFORM

The current tax structure inhibits many trucking companies from investing in their drivers, equipment, safety technologies, and improvements in productivity. Since the trucking industry is responsible for moving a considerable amount of domestic freight, those tax burdens are passed along to consumers nationwide. Any tax reform package should encourage trucking companies to invest in new, safer, environmentally friendly equipment, critical safety technologies, their drivers, and promotion of the safe and efficient movement of our nation's goods. Werner supports comprehensive tax reform and urges Congress to consider key tax provisions by simplifying the Tax Code, reducing corporate income tax, protecting interstate carriers from a patchwork of discriminatory state taxation, and retaining safe harbor for independent-contractor relationships in trucking. These goals can be achieved through several policies, including:

- *Lowering the Income Tax Rate on all Business Income:* Many small carriers are organized for tax purposes as pass-throughs (that is, businesses whose profits are taxed directly to their owners). Tax reform should not result in the income of such businesses being taxed at a higher rate than that of traditional corporations.

- *Simplifying the Tax Code:* The U.S. tax code is unacceptably lengthy and complex. Therefore, simplifying the tax code should be a key priority of any reform effort.

- *Retaining Section 1031 of the Internal Revenue Code or allowing immediate expensing of capital equipment (tractor and trailer) purchases:* Section 1031 allows businesses to replace capital goods employed for business or investment with like-kind property without recognizing capital gains. This arrangement is critical to the trucking industry because it allows carriers to purchase newer and safer equipment and invest in critical facility improvements. Any limitation or repeal of this section would lead to slowing in U.S. economic growth, a decline in job creation, and less competition in the marketplace unless immediate expensing of capital equipment purchases replaced Section 1031.

- *Eliminate/Replace the Federal Excise Tax (FET) to Encourage Investment in Safe and Clean Technologies:* Werner has made significant investments in new equipment (primarily trucks and trailers) of nearly $1 billion in the last 2 years. Werner prioritizes the deployment of cleaner and more fuel efficient trucks to be in compliance with the Environmental Protection Agency's Phase I and Phase II emissions standards. The tax code should encourage trucking companies to invest in the newest equipment with the most advanced safety technologies, best fuel efficiency, and most up-to-date emissions systems. Eliminating the FET and replacing it with a comparable increase in the diesel fuel tax would encourage new truck and trailer sales, while creating much-needed, well-paying jobs for truck manufacturers, dealers, and suppliers.

MULTIMODAL INTEGRATION

Werner encourages cooperation across transportation modes. Rail, ocean, air, and trucking industries serve different markets, and although at times we are competitors, we work together to ensure efficient delivery of goods. The industry continues to head towards logistics integration as

customers and consumers demand a more simplified, single-user experience. The industry is adapting by adjusting to a different supply chain mode and prioritizing efficiencies by pairing goods to the right mode.

All modes are likely to experience increases in demand. Truck tonnage is projected to increase 28% from 2015 to 2027. To meet freight capacity challenges, multimodal coordination, strategic investment in the highways that carry significant truck volumes, and a regulatory environment that allows for improved efficiencies must be a priority. Intermodal rail service volumes and truck traffic will continue to be virtually imperceptible. If rail volumes grow at twice the rate of projections over the next decade, the trucking industry's market share would dip by only 1%. While the vast majority of truck freight does not move as part of an intermodal delivery, intermodal freight is an important and growing part of the supply chain. It is also where significant bottlenecks occur.

Intermodal Connectors

The trucking industry encourages dedicated funding of last-mile intermodal connectors: those parts of the highway system that link ports, rail intermodal terminals, and airports with the National Highway System. Many of these links have been described as "orphan roads" because while they are critical segments of the freight transportation system, they are often overlooked by the state or local governments responsible for them because many of the benefits accrue far beyond their borders.

Intermodal Equipment Safety

A barrier to the efficient movement of intermodal freight has to do with the condition and safety of chassis. Legislation enacted by Congress in 2005 established a statutory framework requiring intermodal chassis providers to ensure that their equipment (which is integral to the movement of millions of international freight containers transported in the intermodal sector each year) is in a safe "roadable" condition before it is used for transport.

Unfortunately, implementation of the law has been slow, and overall compliance with the program's key legal mandates has not yet reached a level where the chassis that are moving on the highway system can be considered to be systematically maintained and repaired, and are in a roadable condition, as the law requires. The lack of roadable equipment slows down the movement of intermodal freight when equipment is taken out of service or drivers are forced to find new roadable equipment when they fail a pre-trip inspection.

Moreover, intermodal drivers are still being charged during roadside inspections with equipment violations on the chassis that we believe should instead be assigned to the equipment provider, who under law is now supposed to be the responsible party. As a result of these regulatory enforcement practices, intermodal motor carrier/driver CSA scores are negatively and unfairly inflated by chassis deficiencies. With rising scores, we are seeing drivers leave the intermodal transport side of the business in order to avoid having their scores elevated by chassis deficiencies. This is exacerbating the intermodal driver shortage problem.

This failure to achieve the law's mandates is in large part due to FMCSA's decision to not require the driver's mandated pre-trip chassis inspection to be documented and thereafter to not

aggressively audit equipment provider operations, nor fine or shut down operators who do not have effective systematic maintenance and repair programs in place. The only way to generate data on whether an equipment providing facility has an effective systematic maintenance and repair system, as required by law, is to document the roadable condition of chassis prior to interchange with drivers. That is, does the provider have a "ready line" of chassis available at its facility that meet the law's safety requirements before the equipment is interchanged with the trucker? Since that "ready-roadable" status is not routinely being identified and required, we believe the agency does not have the requisite equipment provider system performance records needed to perform the required Roadability audits to actually measure and evaluate program performance. This lack of measurable progress has gone on for far too long. We urge the Subcommittee to review the chassis Roadability program, and work with FMCSA to ensure that the statutory changes Congress put in place in 2005 are being implemented effectively.

SUPPORT TRADE[10]

Werner supports free trade, including the North American Free Trade Agreement (NAFTA) and the DOT's cross-border trucking program. Trade and trucking are synonymous, and the increased movement of freight yields good paying jobs and growth in American companies. Since 1995, the United States has been in a trade bloc agreement with Mexico and Canada through NAFTA. Data shows that the U.S. trucking industry is a large beneficiary of NAFTA. Since 1995, the value of goods traveling via truck across both the northern and southern borders jumped 168% and totaled nearly $712 billion in 2015. This increase in trade has created or supported tens of thousands of jobs in the United States. Total trade via truck has increased by 80% since the enactment of NAFTA. In 2015, truck transported exports to Canada, as measured by the value of the goods, was 56% of total truck transported trade with the country. U.S. truck transported exports to Mexico, as measured by the value of the goods, was 43% of total truck transported trade across the southern border.

Furthermore, the value of goods traded with Canada transported by truck equaled $335 billion in 2015, 80% more than in 1995 when NAFTA was enacted. Today, trucks haul 70% of the value of goods moving across the Canadian border. Nearly 5.8 million truck trips were required to move these goods. In 2015, trucks moved $377 billion in merchandise across the Mexican border which equates to 337% more than in 1995. Today trucks haul 83% of the value of goods moving across the southern border. In 2015, it required 5.5 million truck movements across the U.S.-Mexican border to haul those goods. Any change in restricting trade between Mexico and Canada could be detrimental to the trucking industry. Furthermore, we will oppose any restrictions on the ability of Mexican carriers to cross the border and access U.S. highways, as agreed to by both parties under NAFTA, unless compelling and statistically significant evidence can be produced that demonstrates the current system presents a safety hazard to U.S. motorists.

CONCLUSION

Thank you for the opportunity to testify today. Werner and the trucking industry look forward to working with this Subcommittee to provide the necessary tools to modernize America's

[10] All data from Bureau of Transportation Statistics *North American Transborder Freight Data*

transportation network. Furthermore, we encourage the Subcommittee to invest in and promote a strong federal highway program, including the provision of significant additional resources to address the challenges of moving freight on a poorly maintained and unreliable highway system. We look forward to collaborating with you to find solutions to alleviate the driver shortage. Finally, we encourage Subcommittee members to work with Senate colleagues to promote tax and trade policies that support freight transportation efficiency and economic growth.