

Alaska Trucking Association, Inc.

3443 Minnesota Drive · Anchorage, Alaska 99503 · Phone (907) 276-1149 · Fax (907) 274-1946

www.aktrucks.org

The authoritative voice of the trucking industry in Alaska

May 1, 2017

House Finance Committee
General Business Climate and Impacts
Joey Crum, President and CEO
Northern Industrial Training
President
Alaska Trucking Association

Good afternoon Co-Chairs Foster and Seaton and members of the Committee. I am Joey Crum, President and CEO of Northern Industrial Training and this year I am the President of the Alaska Trucking Association. Thank you for being invited to testify today.

Founded in 1958, The Alaska Trucking Association or ATA represents roughly 200 member companies spanning the entire state. Our members include not only trucking companies, but container shippers, the railroad, fuel barges and much more. From Ketchikan to Barrow if you got it, one of our member companies brought it.

In terms of employment, in 2015, the trucking industry in Alaska provided 13,700 jobs or 1 out of 19 in the state. Total trucking industry wages paid in Alaska in 2015 exceeded \$800 million, with an average annual trucking industry salary of \$56,283.

As far as a Small Business Emphasis, as of April 2015, there were 2,710 trucking companies located in Alaska, most of them small, locally owned businesses. These companies are served by a wide range of supporting businesses both large and small.

We transport essential products; trucks transported 60% of total manufactured tonnage in the state in 2012 or 17,647 tons per day. 94.3% of Alaska communities depend exclusively on trucks to move their goods.

As an Industry In 2014, the trucking industry in Alaska paid approximately \$69 million in federal and state roadway taxes. The industry paid 51% of all taxes owed by Alaska motorists, despite trucks representing only 11% of vehicle miles traveled in the state.

Individual Companies pay taxes, as of January 2016, a typical five-axle tractor-semitrailer combination paid \$1,783 in state highway user fees and taxes in addition to \$8,906 in federal user fees and taxes. These taxes were over and above the typical taxes paid by businesses in Alaska.

Source: American Transportation Research Institute (ATRI) Oct, 2016

Our member companies literally touch all of Alaska giving us a unique perspective and a firsthand account as to the effects of a down economy, which is very clearly what we are experiencing now.

Business in 2014 and part of 2015 was good, particularly on the North Slope. But then the slow down began and in 2016 ATA member companies were down nearly 40% over 2014.

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The following chart will demonstrate the numbers received from AK DOT Weigh in Motion device (Scales) in Fox just outside of Fairbanks. This data is for large Commercial Motor Vehicle ie. trucks not pick-ups or vans and reflects the number of loads headed north on the Dalton highway toward Prudhoe.

Fox Scale WIM data Northbound Truck traffic

Month	2015	2016	Difference	% Decrease
Jan	3,119	2,412	-707	-22.67%
Feb	2,860	2,429	-431	-15.07%
Mar	3,828	1,910	-1,918	-50.10%
Apr	2,889	1,824	-1,065	-36.86%
May	2,013	1,368	-645	-32.04%
Jun	2,737	1,308	-1,429	-52.21%
Jul	2,362	1,869	-493	-20.87%
Aug	2,482	2,101	-381	-15.35%
Sept	2,296	1,297	-999	-43.51%
Oct	2,473	1,960	-513	-20.74%
Nov	2,070	1,565	-505	-24.40%
Dec	2,475	1,576	-899	-36.32%
Totals	33,619	23,635	-9,984	-29.70%

In 2017 Data from the same scale in Fox indicates that the number of loads is down 19% from 2016.

The data clearly illustrates that we experienced a precipitous drop in the number of loads and therefore work occurring on the North Slope. A decline this dramatic is felt by all of our member companies across the entire state.

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The following survey of ten (10) Alaska Trucking Association (ATA) Motor Carriers begins to show you the depth and the impact of the downturn in Alaska's economy.

Alaska Trucking Association Motor Carrier Survey 2014-2016

<u>Company</u>	<u>Business off</u> <u>2014 v 2016</u>	<u># Jobs lost</u>	<u>Outlook</u>
1	-25-30%	25-30 (25%)	working toward operating lean as they expect the down turn to last 2-4 years.
2	-25%	113 (32%)	Hoping the downturn will slow but looks like more declines
3	-40%	110 (18%)	Hopefully flat or slight upturn in 2018 but more realistically further decline for 2-4 years
4	-15%	53 (22%)	Not good at all, hopefully flat 2018 but expect further decline
5	-25%	20 (17%)	Happy for flat 2018 but expect further decline for 2-4 years
6	-30%	110 (33%)	Hopefully flat for 2018 but need projects
7	-60%	45 (35%)	Hopefully flat, but need projects
8	-45%	800 (40%)	Hopefully flat but expecting further downturns
9	-20%	25 (15%)	Hopefully flat for 2018 but more likely continued decline for 2-4 years
10	-20%	16 (18%)	Hopefully flat for 2018 at best

April 28, 2017

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As you can see, our outlook is not good. I'd like to point out that too often when people hear of layoffs as a result of reduced oil activity they associate those layoffs with ConocoPhillips, BP or ExxonMobil and somehow dismiss them or think of them as a localized problem.

The fact is that our current situation affects many more than just Fortune 500 companies. Every one of us that get up in the morning with the desire to go to work are affected, and work is getting harder and harder to come by. The trucking industry directly employs or supports not only truck drivers, but pilot car drivers, engineers, welders, mechanics, fuel delivery services, aviation, marine, truck dealers, logistical support and the list goes on and on. Those are the people we have been forced to layoff.

The motor carriers don't see much happening soon. Our hope for the future relies on increased activity in the oil patch and an improved economy that will result from increased throughput and jobs. The oil patch is very important to our industry. It is critical that the budget issues be resolved without crushing our natural resource extraction industries or the people and companies that it employs.

The Senate Resources Committee made changes to HB 111, the oil tax bill. The version passed by the House significantly raised taxes on the industry when it is trying to prevent further layoffs and bring new oil reserves into production during a time of low oil prices. Our goal should be to put more oil in the pipeline, which the existing tax system does, because that means more revenues, jobs and economic opportunities for our state and its residents. The Senate version of HB 111 eliminates cash credits in a way that retains incentives for new production. It does not make many significant tax changes to the SB 21 basic tax structure as did both House versions.

The ATA supports the Senate version of HB111 dealing with oil taxes. We believe that it achieves the policy goal set by Governor Walker and his administration to eliminate refundable cash credits, without compromising Alaska's competitiveness to attract future investment. The Senate version of HB 111, through modifications of the oil tax credits program, significantly limits future financial exposure for the State of Alaska while retaining important elements of the current oil tax framework that enhanced Alaska's competitive position in attracting future investment to grow oil production, increase throughput in TAPS, and strengthen the economy. ATA strongly supports the Senate Version of HB111.

In closing, ATA like most Alaskans have felt the devastating effects of a decline in the oil industry. It has impacted every decision we make from the kind of coffee we use to the number and experience level of employs we hire. We believe that passing the Senate version of HB111, will significantly improve our economic outlook. As business managers and owners we know the importance of a sound and stable economic/fiscal policy. We operate our companies with long term visions and plan according to the policy that the legislature sets. Our hundreds of members and thousands of employees and their families want an opportunity to work, and to

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have a purpose. We urge you to give our companies the stability they need to function by passing the Senate version of HB111.

Thank you for your attention.