



**Before the
U.S. House of Representatives
Committee on Energy and Commerce
Subcommittee on Energy and Air Quality**

**Statement of Randal Mullett
on behalf of the
American Trucking Associations, Inc. (ATA)**

***Legislative Proposals to Reduce Greenhouse Gas Emissions: An Overview*
June 19, 2008**

Mr. Chairman and Members of the Subcommittee:

My name is Randal Mullett. I am the Vice President Government Relations and Public Affairs for Con-way, Inc. Con-way is a \$4.7 billion freight transportation and logistics services company headquartered in San Mateo, California. The headquarters of our largest subsidiary, Con-way Freight, is located in Ann Arbor, Michigan. Named FORTUNE magazine's *Most Admired Company* in transportation and logistics for 2007, Con-way delivers industry-leading services through its primary operating companies of Con-way Freight, CFI and Con-way Truckload, and Menlo Worldwide Logistics. These operating units provide high-performance, day-definite less-than-truckload (LTL), full truckload and intermodal freight transportation; logistics, warehousing and supply chain management services; and trailer manufacturing. All three of our major components are EPA SmartWaysm participants, the designation awarded by the agency for exceptional performance in greenhouse gas reduction and environmental stewardship efforts. Con-way employs nearly 30,000 people operating from more than 500 locations across North America and 150 more locations in 17 countries across five continents. Con-way operates 11,000 tractors and 40,000 trailers in its North American trucking operations, traveling close to one billion miles annually. Con-way consumes approximately 170 million gallons of diesel fuel annually.

Today, I appear before you representing not just my company, but also the American Trucking Associations (ATA) headquartered in Arlington, Virginia. I am proud to serve as the Vice Chair of ATA's Environmental & Energy Policy Committee, Vice Chair of the National Cooperative Freight Research Program Technical Oversight Committee, Vice Chair of the Transportation Research Board's Trucking Industry Committee, and as a member of ATA's Sustainability Task Force. ATA is the national trade association of the trucking industry. Through its affiliated state trucking associations, affiliated conferences and other organizations, ATA represents more than 37,000 trucking companies throughout the United States.

The trucking industry has been following the on-going climate change debate with special interest. While a cap-and-trade program continues to be the primary mechanism being discussed to promote carbon reductions, such an approach is more effectively applied to stationary sources and not extremely diversified mobile sources such as trucking. My testimony today will not focus on the specific details contained in any one legislative proposal, but rather on the unique nature of the trucking industry and concerns we have regarding cap-and-trade impacts on our ability to deliver the nation's freight.

Overview of the Trucking Industry

With more than 750,000 interstate motor carriers in the United States, the trucking industry is the driving force behind the nation's economy. Trucks haul nearly every consumer good at some point in the supply chain. Few Americans realize that trucks deliver nearly 70 percent of all freight tonnage or that 80 percent of the nation's communities receive their goods exclusively by truck. Even fewer are aware of the significant employment, personal income, and tax revenue generated by the motor carrier industry.

Nearly nine million people employed in the trucking industry move approximately 11 billion tons of freight annually across the nation. Trucking generates approximately \$646 billion in revenue and represents roughly five percent of our nation's Gross Domestic Product. One out of every 13 people working in the private sector in our country is employed in a trucking-related jobs ranging across the manufacturing, retail, public utility, construction, service, transportation, mining, and agricultural sectors. Of those employed in private-sector trucking-related jobs, 3.5 million are commercial drivers.

The trucking industry is composed of both large national enterprises as well as a host of small businesses, all of whom operate in extremely competitive business environments with narrow profit margins. According to the U.S. Department of Transportation, 96 percent of motor carriers have 20 or fewer trucks and are characterized as being small businesses.

Trucking Industry Concerns Over Cap-and-Trade Legislation

A. Increased Fuel Costs

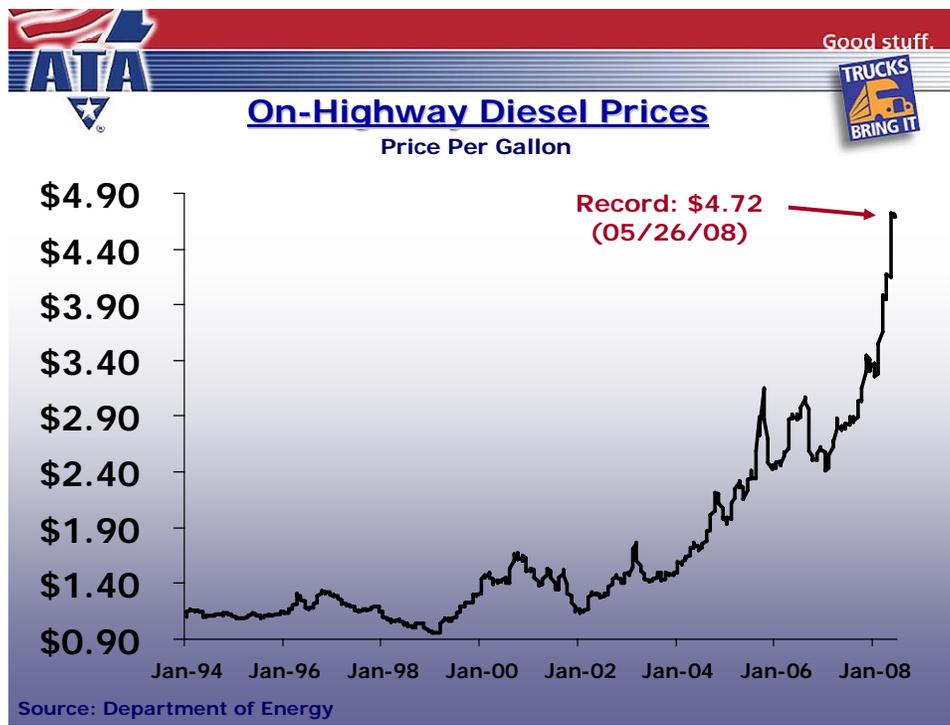
The trucking industry is concerned over what cap-and-trade legislation will do to the price of fuel we consume. We are extremely sensitive to rapidly shifting operating costs given our thin operating margins of between 2-4 percent. These margins continue to be chipped away given the numerous and unprecedented costs being imposed upon the industry. For instance, new diesel engine emission standards imposed by the U.S. Environmental Protection Agency (EPA) in 2002 drove up engine costs on average of between \$3,000 to \$5,000 while decreasing fuel economy between 6-8 percent. Additional EPA diesel engine emission standards in 2007 drove up the cost of engines between \$8,000 to \$10,000 and, by many accounts, decreased fuel economy between

2-4%. Diesel engine emission standards set to take effect in 2010 will substantially increase engine costs yet again while fuel economy impacts still remain unknown at this time.

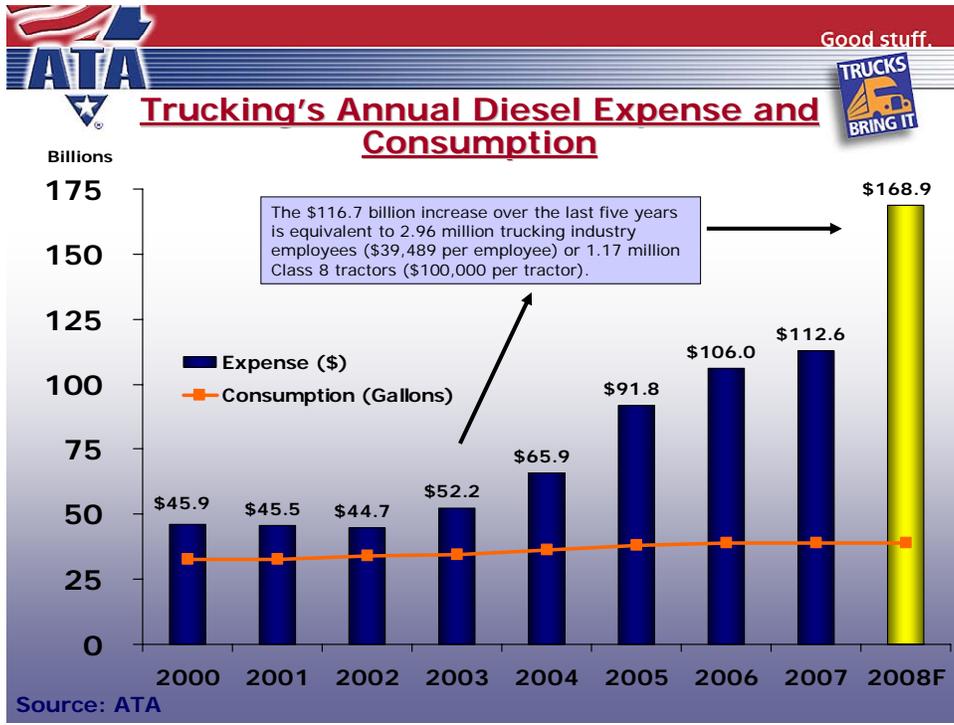
Not only have equipment costs increased due to federal requirements, but state regulatory mandates have substantially increased the financial burdens being placed upon our industry. Beyond equipment costs, we have experienced record increases in insurance premiums and, most critically, historical expenditures for fuel in the absence of any climate change legislation being passed. I wish to further expand upon the critical role diesel fuel plays in our industry.

The fuel of choice for the nation's long-haul trucks is diesel fuel. Diesel fuel provides greater fuel economy and the higher energy content necessary to transport widely diversified loads under extreme operating conditions. Burning diesel fuel is the main source of carbon emissions from our industry equating to 22.2 pounds of CO₂ per gallon of fuel. We use a tremendous amount of diesel fuel every year to keep our economy moving and our industry is deeply concerned over what a cap-and-trade program may do to further exacerbate fuel costs and our current fuel emergency.

In 2006 alone trucking consumed over 39 billion gallons of diesel fuel. This means that a one-cent increase in the average price of diesel costs the trucking industry an additional \$391 million in fuel expenses. The average national price of diesel fuel this week is now over \$4.69 per gallon, which is \$1.89 more than just one year ago.



The trucking industry is on pace to spend an incredible \$168.9 billion on fuel this year. This is \$56 billion more than we spent in 2007, and more than double the amount we spent just four years ago.



Today it costs over \$1,400 to refuel a truck. As a result of this dramatic increase in the price of diesel, which has coincided with a downturn in the economy and a softening of the demand for freight transportation services, many trucking companies are struggling to survive. In the first quarter of 2008, 1000 trucking companies with at least five trucks failed and 10,400 independent operators, drivers and employees have lost their jobs. This was the largest number of trucking related failures since the third quarter of 2001. It is very likely that a large number of companies that operate fewer than 5 trucks also have turned in their keys during the first quarter of this year.



Good stuff.



Trucking Failures



This hardship surprises few in the industry. For most truckers, fuel has now surpassed labor as their largest operating expense. Over the past five years, total industry consumption of diesel fuel has gone up 15 percent, while the price of diesel has nearly tripled during the same time period.

Trucking is a highly competitive industry with very low profit margins. This explains why many trucking companies are reporting that higher fuel prices have greatly suppressed profits, if they are making a profit at all. Our industry can not absorb rapid increases in fuel costs. That is why the trucking industry is extremely sensitive to how climate change legislation may further escalate fuel prices. Provisions to release more allowances to help mitigate fuel price spikes will not provide timely relief to our industry. ATA urges Congress to carefully evaluate other approaches to evaluate and address fuel price impacts that result from climate change legislation.

B. Fuel Availability

The trucking industry supports measures to ensure carbon regulation does not adversely impact fuel supplies for the commercial transportation sector. Given that a 42-gallon barrel of crude oil produces 7.8 gallons of diesel and 2.7 gallons of other distillates (including home heating oil), our industry is concerned over possible diversions of on-road diesel fuel to home heating oil use due to demand or price differential considerations. Such a shift in fuel use would be devastating to an industry that is already beset with record high fuel costs in the absence of climate change legislation.

C. Need for Federal Preemption

The trucking industry supports federal preemption of local, state, and regional climate change laws to avert a widely-diverse regulatory patchwork which would impede the delivery of the nation's goods given the interstate nature of trucking. This patchwork will create widely varied economic and administrative regulations that will serve as barriers to an efficient transportation system. In the absence of federal climate change guidance, governmental entities are taking matters into their own hands either independently or in collaboration with other vested stakeholders.

Long-haul truck drivers will not be able to afford delivering goods across state lines unless Congress proceeds to preempt regional, state, and local climate change efforts already enacted. If 100 percent federal preemption is not secured by Congress, ATA in the alternative asks for a blanket exemption applicable to business activities involving the interstate transport of goods,

D. Cap-and-Trade is not Well-Suited to Mobile Source Applications

The trucking industry opposes carbon emission caps being placed on the trucking sector as unworkable and impracticable given the interstate and diverse nature of our business operations. There are more than 750,000 interstate motor carriers operating in the United States ranging from single truck operators to fleets with thousands of trucks.

Keep in mind that as the nation's population continues to grow, so does the corresponding demand for more consumer goods. The demand for more products will in turn require more trucks to deliver such goods which will result in more vehicle miles traveled and greater diesel fuel consumption. The table below clearly shows these relationships.

TRUCK POPULATION, FUEL USE, VMT & POPULATION

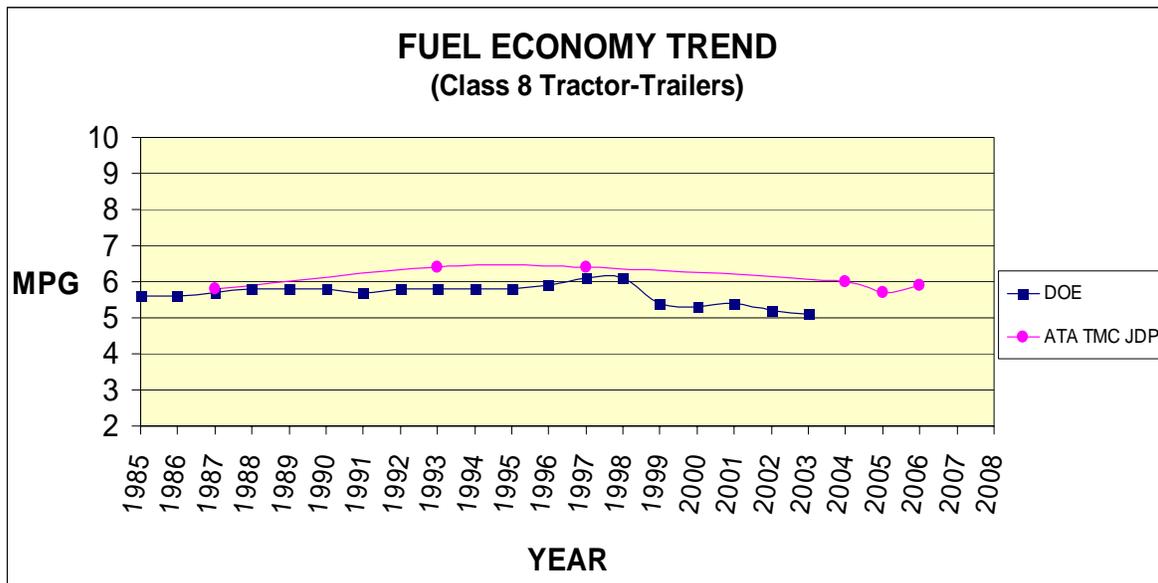
Year	Class 8 Trucks (Millions)	Diesel Fuel Consumed (Billions of Gallons)	VMT (Billions)	U.S. Population (Millions)
2000	2.60	32.5	119.7	282.3
2001	2.61	32.5	115.7	285.0
2002	2.63	33.9	114.5	287.7
2003	2.64	34.6	113.9	290.3
2004	2.72	36.4	117.8	293.0
2005	2.86	38.1	130.5	295.7
2006	3.01	39.1	139.3	298.4

% Increase Over 2000	+16%	+20%	+16%	+6%
2018	3.64	---	178.8	330.7
% Increase Over 2000	+40%	---	+49%	+17%

Source: American Trucking Associations

Approaches to dramatically reduce carbon emissions from line-haul trucks will curtail the delivery of vital consumer goods across the nation such as food, medicine, and clothing. Constraining the country’s freight delivery system will do nothing short of shutting down life as we know it.

Keep in mind that fuel economy of line-haul trucks has not recognized any appreciable change over the last quarter century averaging between 6.0 and 6.5 miles per gallon. Heavy-duty trucks are far different from passenger cars. There are no hybrid line-haul trucks, truck fuel economy continues to remain stagnant, and truck movement is undertaken to conduct business operations – not pleasure. The table below depicts fuel economy trends in our industry.



Sources: American Trucking Associations (ATA)
ATA Technology & Maintenance Council (TMC)
JD Powers & Associates (JDP)
U.S. Department of Energy (DOE)

In short, trucking is unlike any other industry, mobile source or otherwise. As such, a one-size-fits-all climate change approach does not dovetail nicely with our business practices.

E. Trucking Should be Excluded from any Registry Program

Due to the unique nature of the trucking industry, a sectoral climate change approach would be more applicable to trucking operations and carbon reduction. Given current reporting burdens already placed on our industry, and given ample trucking information data already available from existing reporting and recordkeeping requirements, ATA sees no need to include the trucking sector in any climate change registry program. Imposing such additional reporting burdens on an industry that is 96 percent small business is both unnecessary and impractical.

Recommendations to Reduce Greenhouse Gases from Trucking

Trucking is not an industry that chooses to remain on the sideline awaiting new mandates. This is especially true with climate change legislation. That is why ATA undertook a full analysis of our industry and its operations and began its efforts to develop its greenhouse gas reduction plan beginning in 2006 before serious climate debates in Congress even began. The ATA effort took into account the unique nature of the trucking industry and identifies opportunities to reduce its carbon footprint without restricting the delivery of the nation's goods.

The fruits of our industry's efforts culminated in May of this year when ATA formally unveiled its sustainability plan entitled *Strategies for Reducing the Trucking Industry's Carbon Footprint* at a press event held here in Washington, DC. At that event, we committed to a bold sustainability program that will have an immediate impact on the environment, reducing fuel consumption by 86 billion gallons and thus reducing the carbon footprint of all vehicles by nearly a billion tons over the next ten years. Our new plan can achieve real results with far less cost and disruption to our industry sector than under a cap-and-trade scenario. In addition, our plan will extend the significant progress industry has already made over the past 24 years in reducing its carbon footprint and overall impact on the environment. To view ATA's plan, go to http://www.trucksdeliver.org/pdfs/Campaign_Executive_Summary.pdf.

The recommendations set out real solutions for our industry that are achievable today to reduce greenhouse gases. The six key recommendations set out in the report are as follows:

A. Enact a National 65 mph Speed Limit and Govern New Truck Speeds to 68 mph

The typical heavy-duty diesel truck travels between 5 and 7 miles on a gallon of diesel, depending upon load, route, equipment and drivers' skill. Speed has a direct correlation to fuel consumption. In fact, for each mile per hour that a truck travels in excess of 65 mph, its fuel economy decreases by 1/10 of a mile per gallon. Thus, a truck traveling at 65 mph that is capable of achieving 6 miles per gallon, will achieve only 5 miles per gallon when traveling at 75 mph. For this reason, ATA recommends that Congress establish a national speed limit of 65 mph for all vehicles. Of course, to achieve the maximum benefit of this policy, the federal government will need to partner with states to ensure strict enforcement of the 65 mph speed limit.

ATA also has petitioned the Administration to require that all new trucks be equipped with factory-installed devices that electronically limit the truck's maximum speed to 68 mph. In addition to the fuel conservation benefit from ensuring that trucks do not exceed this speed, we are confident that this measure will further reduce the number of truck-related fatalities that occur on our nation's roadways.

B. Decrease Idling

Truck drivers idle their trucks out of necessity. The Department of Transportation's Federal Motor Carrier Safety Administration *Hours-of-Service* regulations require mandatory rest periods. As the driver rests in the truck's sleeper compartment, he/she will often need to cool or heat the cab to rest comfortably. In extremely cold weather, truck drivers also will idle their engines to prevent the engine block from freezing. Argonne National Laboratory estimates that the average long-haul truck idles for 1,830 hours per year. With hundreds of thousands of these trucks on the road, idling has a significant impact on fuel consumption and the environment. The U.S. Environmental Protection Agency (EPA) estimates that idling trucks consume approximately 1.1 billion gallons of diesel fuel annually.

Many options are currently available to reduce engine idling. Auxiliary power units (APUs) are among the most popular choices in anti-idling equipment providing climate control (heating and cooling), engine preheating, battery charging, and power for household accessories without use of the truck's main engine. APUs have been proven by the Federal Highway Administration to save up to one gallon of fuel per hour of idling and to substantially reduce emissions and greenhouse gases.

More than 30 states, counties, or cities have adopted regulations limiting the amount of time a commercial vehicle can idle. While reducing main engine idling is a laudable goal, three major barriers stand in the way of trucking companies purchasing such equipment for their daily use: (1) the failure to grant exceptions for the additional weight associated with anti-idling equipment; (2) the imposition of a federal excise tax on the purchase of such devices; and (3) the actual cost of the devices themselves.

Since idling reduction equipment can add weight to a truck, many fleets do not want to reduce their cargo capacity to compensate for the installation of idle reduction equipment on a truck. To address this concern, Congress authorized a 400-pound weight exemption for trucks equipped with idle reduction equipment under Section 756 of the *Energy Policy Act of 2005*. While Congress' intent was to mandate this exemption, the Federal Highway Administration (FHWA) has determined that states "may" adopt the exemption on a voluntary basis. FHWA's interpretation of the weight exemption gives states the option of whether to allow the exemption or not. To date, seven states have passed legislation recognizing the 400-pound weight tolerance and a handful of states are exercising enforcement discretion. ATA asks Congress to clarify the 400-pound weight exemption as being applicable to idling reduction equipment nationwide.

A recent IRS interpretation applies the Federal Excise Tax (FET) to the purchase of idle reduction equipment, which has increased the cost of this equipment and consequently reduced consumer demand for these proven anti-idling solutions. The 12 percent tax acts as a disincentive to truckers looking to reduce main engine idling. FET makes the acquisition of idle reduction equipment such as APUs financially less attractive and beyond the reach of potential buyers. The tax alone for a large fleet looking to buy 1,000 APUs at a typical retail price of \$9,000 is over \$1 million. Taxing devices that offer truckers a solution to reduce fuel consumption and diesel emissions clearly sends the wrong message to the nation. By taxing APUs, we are doing a great disservice to both our economy and the environment. To address these disincentives, ATA asks congress to amend Section 4051 of Internal Revenue Code to make idling reduction equipment purchases exempt from FET. This action will increase demand for the introduction of idling reduction equipment, thereby ensuring greater anti-idling compliance, higher fuel savings, and a cleaner environment.

While a variety of proven technologies exist to reduce main engine idling, most trucking companies just cannot afford purchasing devices that can cost up to \$10,000 per unit. ATA is therefore seeking financial incentives from Congress in the way of tax credits or grants to expedite the introduction of idling reduction equipment across the nation.

C. Reduce Highway Congestion through Highway Infrastructure Improvements

Americans waste a tremendous amount of fuel sitting in traffic. According to the most recent report on congestion from the Texas Transportation Institute, in 2005, drivers in metropolitan areas wasted 4.2 billion hours sitting in traffic. These congestion delays consumed 2.9 billion gallons of fuel. ATA estimates that if congestion in these areas was ended, 32.2 million tons of carbon would be eliminated and, over a 10-year period, nearly 32 billion gallons of fuel would be saved, reducing carbon emissions by 314 million tons.

ATA recommends that Congress invest in a new congestion reduction program to eliminate major traffic bottlenecks identified in all 437 urban areas across the country, with a specific focus on those that have the greatest impact on truck traffic. Congestion relief offers one of the most viable strategies for reducing carbon emissions. ATA recommends a 20-year plan for addressing congestion. During the first five years, the focus would be on fixing critical highway bottlenecks. During the next five to 15 years, traffic flow in critical freight corridors would be improved through highway capacity expansion. Beyond that, the focus would be on creating truck-only corridors which would enable carriers to run more productive vehicles. These improvements are possible only with dedicated revenue generated by an increased federal fuel tax.

D. Increase Fuel Efficiency through EPA's SmartWaysm Program

In February 2004, the freight industry and EPA jointly unveiled the SmartWaysm Transport Partnership, a collaborative voluntary greenhouse gas reduction program designed to increase the energy efficiency and energy security of our country while significantly reducing air pollution in the process. The program's mantra is "fuel not burned equates to emissions not had." The program, patterned after the highly-successful

Energy Star program developed by EPA and DOE, creates strong market-based incentives that challenge companies shipping products and freight operations to improve their environmental performance and improve their fuel efficiencies. To become a partner a fleet must commit to reduce fuel consumption through the use of EPA-verified equipment, additives, or programs. By 2012, the SmartWaysm program aims to save between 3.3 and 6.6 billion gallons of diesel fuel per year and reduce trucking's annual carbon emissions by 48 million tons. SmartWaysm is one voluntary greenhouse gas program that not only works, but exceeds expectations.

The trucking industry has fully embraced SmartWaysm and relies upon the innovativeness of this cutting edge program. However, while the program is growing by leaps and bounds, future funding remains uncertain. While ATA and other freight and shipping sectors continue to work towards ensuring a separate line item in future EPA appropriations for SmartWaysm, we are troubled with the FY08 funding cuts to the program. More specifically, total monies allocated to the program this year dropped from roughly \$3 million in FY07 to \$2 million in FY08. Funding cuts to grants, contracting, marketing, technology development, and other program expenses have severely undermined the mission of the program. It is our hope that EPA will redirect an additional \$1 million from the Climate Protection Program under the FY08 budget to ensure the continued growth and success of this remarkable program. Given that the Energy Star program's annual operating budget is \$50 million, we also ask that Congress provide a line item appropriation to ensure that SmartWaysm is adequately funded in the future.

E. Promote the Use of More Productive Truck Combinations

By reducing the number of trucks needed to move the nation's freight, the trucking industry can lower our fuel consumption which would produce significant environmental benefits. More productive equipment - where it is consistent with highway and bridge design and maintenance of safety standards - is an additional tool that should be available to states. ATA estimates that allowing nationwide operation of higher productivity vehicles by increasing single tractor trailer maximum gross vehicle weights to 97,000 pounds and use of heavier double 33-foot trailers would save more than 20.5 billion gallons of diesel fuel and reduce carbon emissions by over 227 million tons over a 10-year period.

A recent study by the American Transportation Research Institute found that use of these vehicles could reduce fuel usage by up to 39%, with similar reductions in criteria and greenhouse gas emissions. The reduction in truck vehicle miles traveled on highways such as the New York Thruway, Massachusetts Turnpike, Florida Turnpike, and on roads throughout the Western United States, has lowered the amount of fuel burned in these states. These examples of responsible governance could be replicated by other states if given the necessary flexibility under federal law.

F. Support National Fuel Economy Standards for Medium- and Heavy-Duty Trucks

ATA supports increasing fuel economy standards for commercial medium- and heavy-duty trucks that are technologically and economically feasible, do not compromise truck performance, and provide manufacturers sufficient stability and lead time for production. Given that fuel economy in the industry has remained flat over the last quarter century and fuel now is the largest operating expense for many fleets, it is more critical than ever to ensure small and large fleets alike are able to continue to deliver the nation's goods. ATA will be working closely with the U.S. Department of Transportation and the National Academy of Sciences as they work to evaluate fuel economy, fuel efficiency, and the establish associated standards for medium- and heavy-duty trucks as directed under the Energy Information and Security Act of 2007.

Beyond the six aforementioned recommendations and in closing, ATA requests Congress to consider funding research and development in the areas of new engine technologies, aerodynamics, low-carbon fuels, fuel additives, lubricity, tires, batteries, hybrids, anti-idling equipment, insulation, and rolling resistance specific to operations of line-haul trucks. Technology advancements have been stalled for many years and an infusion of funding and will is critical to realize the next generation of more efficient and lower carbon-emitting trucks.

ATA and Con-way appreciate this opportunity to offer our insight into measures to control greenhouse gas emissions in this country.