

Before the
U.S. House of Representatives
Committee on Agriculture

Oral Statement of
Tim Lynch on behalf of
American Trucking Associations, Inc. (ATA)

Hearing to Review Legislation Amending the Commodity Exchange Act

July 11, 2008

Mr. Chairman and Members of the Committee on Agriculture, I want to thank you for giving the American Trucking Associations the opportunity to present our views on the impact of escalating fuel prices on our industry and our comments on solutions, including those related to the Commodity Exchange Act. I would ask that my full written statement be included in the hearing record and I will summarize several key points.

The trucking industry is the backbone of this Nation's economy accounting for more than 80% of the Nation's freight bill. The U.S. trucking industry is comprised of over 211,600 for hire carriers and more than 277,000 private carriers and over 80 percent of all communities are served exclusively by our industry.

Diesel fuel is the lifeblood of the trucking industry. We will consume some 39 billion gallons of diesel fuel this year. The national average price of diesel is now over \$4.70 per gallon, which is nearly \$2 more than just one year ago. While most of us feel the pain of higher fuel prices when the pump hits \$60 or \$70, it costs a trucker approximately \$1,400 to fill up. And he or she gets to do that twice a week. Fuel has now surpassed labor as the single largest operating expense.

And these costs have had a dramatic impact. In the first quarter of 2008, 935 trucking companies with at least five trucks closed their doors. And it is very likely that an even greater number of single truck operators also have turned in their keys. This is the largest number of trucking closures since the third quarter of 2001.

Beyond the trucking industry, these costs will have ripple effect throughout the economy. Trucks transport virtually 100% of groceries, medicine, clothing, and even the fuel that's pumped at the local service station.

We believe that the dramatic run-up in petroleum product prices is the result of a confluence of factors, including increases in worldwide demand, failure to have supply keep pace with demand, the risks associated with geopolitical instability and certainly the dramatic decline in the value of the dollar.

But taking all those factors into account, we find ourselves still asking the question, why now? All of the items – with the possible exception of the dollar decline – have been in play for an extended period of time and certainly did not begin on January 1 of this year. Yet, on January 1 petroleum was selling for just under \$100 per barrel. Today, it is selling for over \$140 per barrel, or roughly a 40% increase in 6 months.

During the past five years the assets allocated to commodity index trading strategies have risen from \$13 billion to \$260 billion. We also have been told that this figure represents only a fraction of assets – primarily from pension funds but certainly other large, institutional investors – that could come into the commodities markets. Perhaps as much as \$1 trillion. So here is our concern: if \$260 billion can move the price of petroleum even by the lowest of estimates, then what will \$1 trillion and at what cost to the economy, to American businesses and certainly to thousands of truck companies – large and small – that simply cannot take that risk.

Mr. Chairman, we cannot quantify the extent to which speculation is responsible for the recent dramatic increase in the price of crude oil, but we do believe that excessive speculation is part of the problem. For this reason, we believe that Congress should take steps to increase the transparency of the petroleum exchanges and establish reasonable position limits to prevent excessive speculation. Balancing the need for an efficient petroleum market with the desire to limit petroleum speculation could help burst any speculative bubble that has formed in the petroleum markets.

Thank you for giving me this opportunity. We look forward to working with you and other members of the Agriculture Committee to address this crisis and would be happy to answer any questions you may have.