Before the
U.S. Senate Environment and Public Works Committee

Statement of _____
on behalf of the
American Trucking Associations, Inc. (ATA)

American Clean Energy and Security Act of 2009
_____, 2009

Mr. Chairman and Members of the Committee:

Thank you for the opportunity to present testimony on the *American Clean Energy and Security Act of 2009*. I am _____ and I serve as _____ based out of _____, a _____ carrier operating throughout _____. In addition, I also serve as _____. Today, I appear before you representing not just my company, but also the American Trucking Associations (ATA) headquartered in Arlington, Virginia.

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 U.S.

Overview of the Trucking Industry

With more than 600,000 interstate motor carriers in the U.S., 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 9 million people employed in the trucking industry move approximately 11 billion tons of freight annually across the nation. Trucking generates approximately $660 billion in revenue and represents roughly 5 percent of our nation's Gross Domestic Product. One out of every 13 people working in the private sector in the U.S. is employed in a trucking-related job 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 truck 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. Roughly 96 percent of motor carriers have 20 or fewer trucks and are considered small businesses.

Statement

ATA supports efforts to make this country more energy independent while at the same time reducing greenhouse gas (GHG) emissions. My testimony today is limited to a few specific provisions in the draft bill along with six key recommendations as to how the trucking industry can reduce its carbon footprint and achieve greater energy efficiencies:

A. Call for One National Low-Carbon Fuel Standard

Section 121 establishes a Low-Carbon Fuel Standard (LCFS) to cut the lifecycle emissions intensity of transportation fuels by at least 5 percent in 2023 and 10 percent in 2030 from a 2005 baseline consumption year. The draft bill requires the Administrator to promulgate regulations within 3 years to: (1) determine the lifecycle GHG emissions of all transportation fuels; (2) determine the fuel GHG baseline; and (3) ensure that transportation fuel providers reduce lifecycle GHG emissions per unit of energy for transportation fuels sold or introduced into commerce in any of the 50 States or the District of Columbia. While the LCFS places compliance obligations on upstream entities (*i.e.*, producers and importers of transportation fuels), the increased costs of the fuels required under the LCFS will be borne by those downstream such as fuel users and consumers. As the largest consumer of diesel fuel, the cost of complying with the LCFS is a significant concern to ATA members given the fact that the trucking industry is dominated by small businesses, many of whom are unable to pass on the full cost of fuel price increases. We also have concerns over the performance of certain alternative fuels and their potential impact upon vehicle warranties.

Several states are pursuing their own LCFS to achieve GHG reductions through less carbon-intensive fuels. On April 23, California adopted its own unique LCFS, and Oregon is aggressively pursuing a separate LCFS. In addition, 13 northeast states are working toward their own LCFS with a goal of having their governors sign a memorandum of understanding by the end of the year. The proliferation of individual state-based fuel standards undermine the efficiency of a national approach and create regulatory uncertainty for fuel providers and users alike. Paradoxically, state-based LCFS mandates have the potential to increase carbon emissions by forcing the transport of fuels from their point of production to areas where they are required to be used. Climate change is an issue that is best resolved through uniform national (and international) solutions. Congress should therefore preempt the implementation of state or regional LCFSs and allow the federal government to take the lead in this area.

B. Need for National Uniformity in Development of any GHG Standards for Heavy-Duty Vehicles and Engines

Section 221 requires EPA to promulgate GHG standards from new heavy-duty vehicles and engines by December 31, 2010. ATA questions how such standards would

align with the work currently underway by the National Highway Traffic Safety Administration (NHTSA) to develop fuel efficiency/economy standards for medium- and heavy-duty trucks as required by the Energy Information and Security Act of 2007. For diesel engines, carbon emissions are directly correlated with fuel consumption. Authorizing two federal agencies to regulate the same activity (*i.e.*, fuel consumption) is problematic.

While some may state that the charges of NHTSA and EPA are uniquely different, their mandates are intertwined in that their efforts will reduce fuel use and carbon output. To this end, both agencies need to coordinate their efforts in terms of timing, information sharing, and consistency in recommendations.

C. Requiring State Transportation GHG Reduction Plans Should be Reconsidered

Section 222 requires each state to submit to the Administrator its goals for transportation-related GHG emissions reductions and to develop a plan to achieve such goals (for each metropolitan planning organization in a state for areas exceeding 200,000 population) as part of their transportation improvement plans under title 23 or title 49 USC. A state "shall" consider in developing its plan numerous measures that would impact trucking operations including reducing vehicle idling; encouraging retrofit technologies and early replacement of vehicles; restricting the use of certain roads or lanes; establishing parking policies; and pursuing pricing measures such as congestion pricing among other things.

The plans are for 10- and 20-year periods and must be revised every 4 years. Targets shall be designed to ensure that GHG levels from mobile sources stabilize and decrease after a "designated" year. The draft bill proposes states shall consider designating 2010 as such "designated" year.

ATA finds the language under Section 222 extremely troublesome for two reasons: (1) EPA should not be in a position to develop national transportation policy; and (2) the requirement to stabilize and decrease GHG emissions from such a unique mobile source as trucking from a "designated" baseline year is impractical. Let me address these two concerns in turn.

1. Overlap Between GHG Reductions and Transportation Policy

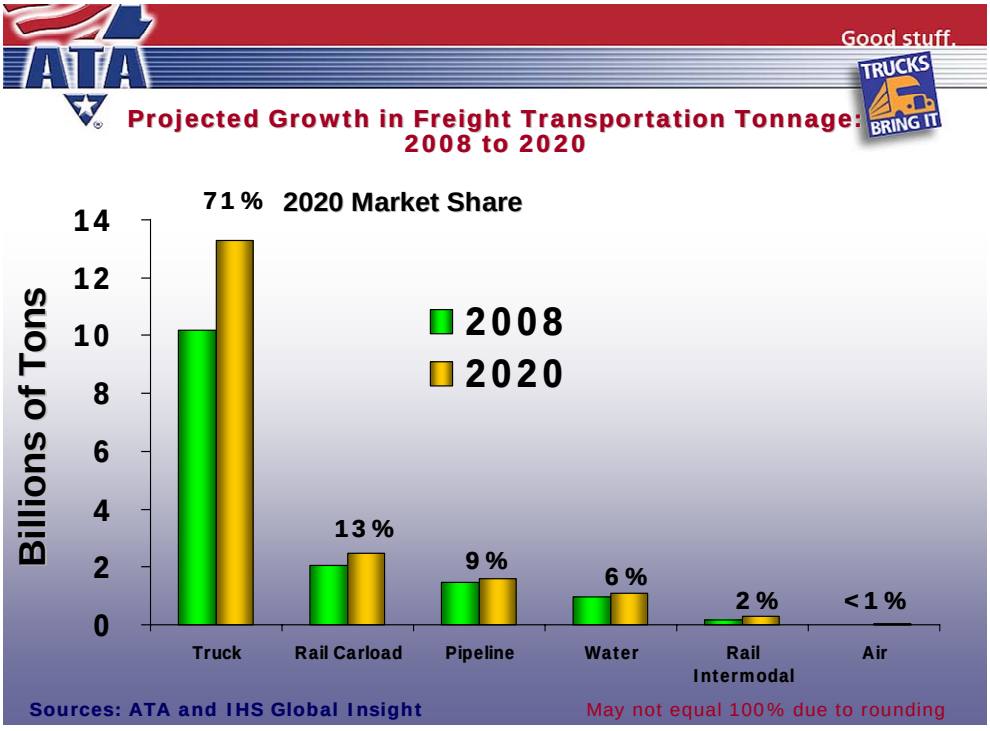
As you are aware, the Highway Reauthorization Bill is currently being debated in both the House and Senate. Many of the provisions states must consider in developing their transportation GHG plans will be debated during Highway Reauthorization (*i.e.*, road pricing mechanisms, lane use restrictions, parking restrictions, etc.). Other provisions states might consider when developing their plans will also likely be discussed during Highway Reauthorization, including highway capacity expansion and changes to federal truck size and weight limits. ATA agrees that there are overlaps between highway improvements, fuel savings, improved efficiencies, and GHG reductions; however, we are concerned that this climate change bill will usurp the efforts of the committees of jurisdiction to establish a federal surface transportation bill that balances

environmental goals with the need to improve highway conditions, promote motorist safety, and support job creation and economic growth.

In addition, ATA does not believe that significant reductions in GHG emissions from the trucking industry is possible without addressing barriers in federal law which prevent trucking companies from operating the most fuel-efficient vehicles. For example, based on a U.S. DOT analysis that explored the effects of expanded LCV use in western states where these vehicles currently operate, ATA estimates that, over a 10-year period, this policy would save 6.1 billion gallons of diesel or 67.4 million tons of CO_2. Based on a U.S. DOT analysis which explored the impacts of allowing nationwide operation of heavier trucks, ATA estimates that, over a 10-year period, this policy would save more than 20.5 billion gallons of diesel or 227.3 million tons of CO_2. We recommend that state adoption of such policies should be included in the bill's list of strategies for reducing mobile-source GHG emissions, and that the federal restrictions should be addressed during consideration of the Highway Reauthorization Bill.

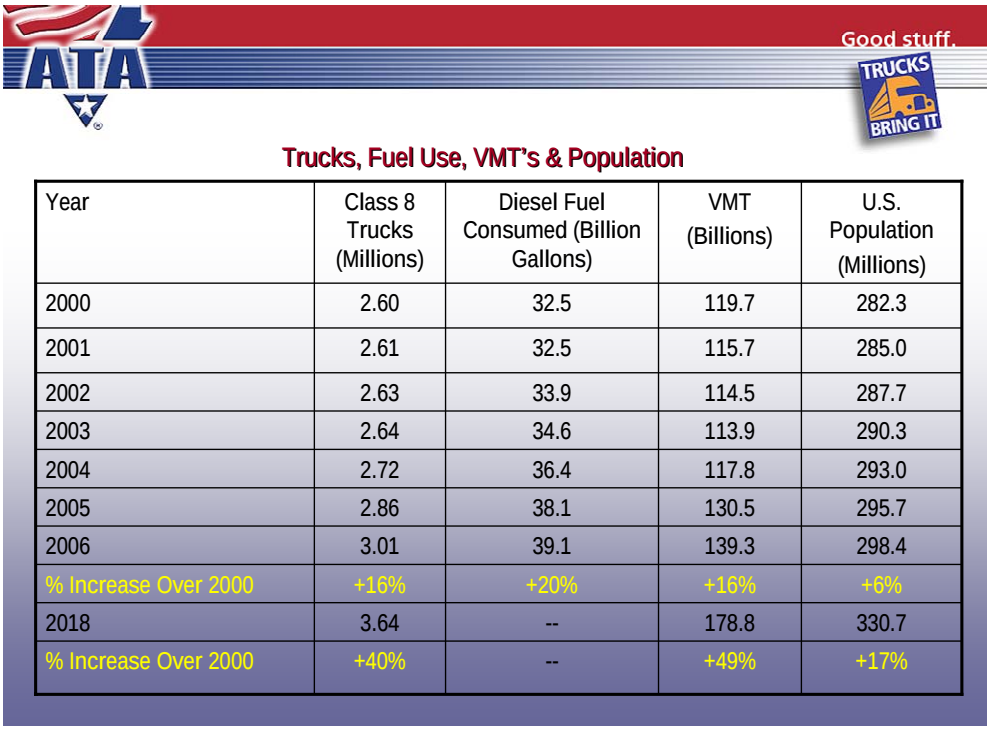
2. Establishing a GHG Baseline for Trucking is Impractical

We have a saying in our industry -- *Without Trucks America Stops*. Trucking is, and will remain, the predominant means of moving the nation's freight. In fact, by the year 2020, 71 percent of freight transportation tonnage will be moved by trucks.



Keep in mind that as our population continues to grow, so does the corresponding demand for more consumer goods. The demand for more products in turn requires more trucks which results in more vehicle miles traveled and diesel fuel consumed. The following table

shows the relationship between Class 8 trucks, diesel fuel demands, vehicle miles traveled, and the population projections for the U.S.



Trucks, Fuel Use, VMT's & Population

Year	Class 8 Trucks (Millions)	Diesel Fuel Consumed (Billion 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%

Establishing any baseline year to stabilize and decrease transportation-related GHG emissions (as noted in the draft bill) will inhibit the ability of the nation's trucking fleets to keep up with business and consumer demands for products, will impede the movement of freight, and will stifle the very core of the nation's economy.

D. Recognize and Increase Funding for EPA's SmartWay^{SM} Transport Partnership Program

Section 223 acknowledges the great success and potential of EPA's voluntary GHG reduction program for the freight sector known as the SmartWay^{SM} Transport Partnership (SmartWay^{SM}) program. SmartWay^{SM} is a collaborative, voluntary GHG reduction program designed to increase the energy efficiency and energy security of our country while significantly reducing GHG emissions. The program's basic 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. By 2012, the SmartWay^{SM} 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. SmartWay^{SM} is one voluntary greenhouse gas program that not only works, but exceeds expectations.

The trucking industry has fully embraced SmartWay[SM] and relies upon the innovativeness of this cutting edge program. Although the program is growing by leaps and bounds, funding levels of $2-3 million pall in comparison to the Energy Star program's annual operating budget of $50 million. Recent funding cuts to grants, contracting, marketing, technology development, and other program expenses have severely undermined the mission of the program to address GHG reductions from the freight sector. It is therefore our hope that the efforts of SmartWay[SM] continue to be recognized with a substantial increase in authorized funding.

E. Greenhouse Gas Reporting for Trucking is not Necessary

Under Section 311, registration of GHG's may apply to any vehicle fleet with emissions of more than 25,000 tons of CO_2 equivalent on an annual basis if the Administrator determines that the inclusion of such fleets will help achieve the purpose of the title. A 25,000 ton CO_2 equivalent for the trucking industry would roughly require that any fleet operating more than 100 trucks prepare and file annual reports from 2007-2010 and quarterly reports from 2011 forward. This would equate to roughly 2,300 fleets being required to report their GHG emissions.

Given the Administrator's discretion under the draft bill, he/she could impose onerous reporting requirements on fleets when three reporting mechanism already exist for trucking under EPA's SmartWay[SM] program, the EPA Climate Leaders program, and the Federal Highway Administration's (FHWA) annual statistics reporting requirements. The first two reporting mechanisms are also acknowledged by EPA under its Proposed *Mandatory Greenhouse Gas Reporting Rule* published in the *Federal Register* on April 10 and open to public comment through June 9.

ATA believes that the federal government already receives sufficient reporting information from the trucking industry and additional requirements under the draft bill are not necessary. For example, the EPA SmartWay[SM] program currently receives data from 1,086 truck carriers, 25 shipper-carriers, 15 non-asset based carriers, and 218 logistics companies. These companies operate 585,000 trucks and travel 51+ billion miles in the U.S. Put another way, these numbers represent nearly 25 percent of all trucks operating in the U.S. and 24 percent of the industry's vehicle miles traveled. In addition, EPA's Climate Leaders program also requires participating companies that operate mobile sources to report CO_2 equivalents as a part of their voluntary commitment to develop a comprehensive, corporate-wide GHG inventory.

Finally, the FHWA annually publishes its *Highway Statistics* which tallies U.S. on-highway diesel fuel use, truck vehicle miles traveled, and tractor and trailer registrations. ATA believes that this information, compounded with the SmartWay [SM] and Climate Leaders data, more than negate the need for any additional trucking-related reporting requirements contemplated under the draft bill.

F. Need for Strategic Reserve Allowances

Under Section 311, a Strategic Reserve of emissions allowances is established to address the potential for spikes in carbon prices. Allowances are to be auctioned from the strategic reserve if allowances prices reach double the value predicted by EPA in the early years, or double their historical price once the program has been in operation for three years. Establishing such a reserve is critical to help prevent price spikes attributed to carbon regulation.

The trucking industry is extremely concerned that increased energy costs under a cap-and-trade approach will significantly impair the ability of trucking companies to stay in business. The trucking industry depends upon an affordable supply of diesel fuel since it provides greater fuel economy and has higher energy content necessary to transport widely-diversified loads under extreme operating conditions. The trucking industry's primary GHG contribution, CO_2, comes from the use of diesel fuel. In 2008, trucks used over 39 billion gallons of diesel at a cost of $149 billion. Last year, diesel fuel exceeded the cost of labor as the highest operating expense for many trucking companies. While today's price for diesel fuel is a far cry from the nearly $5/gallon experienced in July 2008, these prices provide only temporary relief and once the economy rebounds, so will the escalation of diesel prices. Keep in mind that a one-penny increase in the price of diesel fuel annualized over an entire year costs the trucking industry an additional $391 million a year.

While it is pure speculation at this time as to how much fuel prices will increase under a cap-and-trade approach, let us just assume a fuel increase of $.10/gallon for diesel fuel. Such an increase would mean an additional cost burden of nearly $4 billion per year to trucking companies, a cost that will be difficult to absorb. In addition, carbon speculators and market manipulation may further increase fuel costs leading to uncertain and unstable energy market futures and throw best business planning out the window.

It is therefore critical to keep fuel prices in check to ensure the efficient movement of freight – the basic building block of this nation's economy. We are hopeful that establishing a strategic reserve of emission allowances will accomplish this objective not only for fuel prices, but also for any other energy-intensive products that may also be impacted.

G. Need to Address Highway Congestion to Reduce GHG Emissions and Save Fuel

Under Section 311, key details remain unanswered in the draft bill regarding the distribution of emission allowances. ATA strongly recommends that a portion of such revenues be allocated to fixing highway bottlenecks across the country to reduce GHG emissions and save fuel. An efficient highway system is the key to a fluid global supply chain, which in turn is a fundamental element of a growing and prosperous economy. Any revenues collected from highway users in the form of a carbon tax or from auction revenues collected from diesel producers should be dedicated to highway improvements that reduce congestion.

Our nation's highway infrastructure is aging and large sections will have to be repaired or replaced in the coming years at an enormous cost. More troubling is the seemingly endless congestion on highways in urban areas. According to the most recent congestion report from the Texas Transportation Institute, in 2005, drivers in metropolitan areas wasted 4.2 billion hours sitting in traffic, burning 2.9 billion gallons of fuel.[1] ATA estimates that if congestion in these areas ceased, 32.2 million tons of carbon would have been eliminated in 2005 and, over a 10-year period, nearly 32 billion gallons of fuel would be saved, reducing carbon emissions by 314 million tons.

A recent study prepared for the FHWA[2] identified the highway bottlenecks that cause the greatest amount of delay for trucks. The study estimated that the 326 identified bottlenecks cost the trucking industry 226 million hours of delay in 2006. Using newly available operational cost data,[3] it can be determined that the direct financial cost to the industry and its customers from these delays is approximately $19 billion per year. The study estimates that highway bottlenecks account for 40 percent of congestion, with the remainder caused by accidents, bad weather, construction, special events and poor signal timing.

Directing carbon auction revenues at congestion mitigation on our nation's highways is good for reducing GHG's, saving fuel, and creating much-needed jobs for our ailing economy.

H. Preempt State or Regional Mobile Source GHG Regulations

Under Section 335, no state or political subdivision shall implement or enforce a cap that covers any capped emissions during the years 2012 through 2017. States, on the other hand, are requesting this Committee to retain authority to adopt more stringent GHG measures. Such regulatory discretion would raise havoc on interstate mobile sources such as trucking and impede the delivery of products and consumer goods nationwide.

Individual states have already begun to adopt regulations addressing GHG emissions from trucks. For instance, the California Air Resources Board (CARB), under California Assembly Bill 32, adopted a GHG regulation for heavy-duty vehicles in December 2008. This regulation mandates that 53-feet or longer dry-van and refrigerated trailers, as well as the tractors pulling these trailers, be equipped with specific EPA SmartWay^{SM} approved technologies such as fuel efficient tires and aerodynamic packages. Tractor and trailers traveling in the state of California, regardless of where they are domiciled, will be subject to the requirements which will become effective beginning in 2010. While limited exemptions are built into the rule, California has in effect created a *de facto* national GHG standard for trucks and trailers that will or may

[1] Texas Transportation Institute, *2007 Urban Mobility Report*.
[2] Cambridge Systematics for the Federal Highway Administration, *Estimated Cost of Freight Involved in Freight Bottlenecks*, Nov. 2008.
[3] American Transportation Research Institute, *An Analysis of the Operational Costs of Trucking*, Dec. 2008.

operate in the state during any time during their useful life. You can see the potential chaos that would ensue if every state adopts different GHG requirements for tractors and trailers across the country. Therefore, given the essentiality of trucking to the nation's economy, ATA seeks national uniformity in any proposed GHG solutions.

The current language under the bill holds state GHG plans in abeyance until 2018. The logical question to ask is will states have the authority beginning in 2018 to adopt and implement carbon reduction measures beyond any federal requirements? ATA therefore seeks GHG federal preemption under the bill or in the alternative, a blanket exemption applicable to business activities involving the interstate transportation of goods.

There are Reasonable Measures to Further Reduce Carbon Emissions from Trucks

From our reading of the draft bill, transportation is a "capped sector" but not a "covered entity" required to hold allowances. ATA seeks affirmation from this Committee that the intent of the bill is not to place specific carbon emission caps on individual trucking companies. Trucking operations should not be included as "covered entities" under this or any other cap-and-trade proposals given the interstate and diverse nature of freight transportation.

Any suggestion to "cap" 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 improved appreciably over the last quarter century and average between 6.0 and 6.5 miles per gallon. Heavy-duty trucks are far different from passenger cars. There are currently no mass-produced hybrid line-haul trucks, truck fuel economy continues to remain stagnant, and truck movement is undertaken to conduct business operations – not pleasure.

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 with trucking's business practices.

The trucking industry believes that mobile sources, such as trucks, should be addressed differently than traditional stationary sources under any proposed cap-and-trade regulatory program. Since there are better, cost-effective measures to use to reduce carbon emissions from the trucking industry, ATA developed its *Strategies for Reducing the Trucking Industry's Carbon Footprint*. (To view ATA's plan, go to: http://www.trucksdeliver.org/pdfs/Campaign_Executive_Summary.pdf).

ATA's recommendations include: (1) enacting a national 65 mph speed limit and governing truck speeds at 65 mph for trucks manufactured after 1992; (2) increasing fuel efficiency through EPA's SmartWay^{SM} Program; (3) supporting national fuel economy standards for medium- and heavy-duty trucks; (4) decreasing idling; (5) reducing

highway congestion through highway infrastructure improvements; and (6) promoting the use of more productive truck combinations.

ATA's sustainability plan could reduce trucking's annual carbon emissions by more than 20 percent. These reasonable measures will bring real results for reducing trucking's carbon footprint while at the same time reducing emissions, enhancing safety, achieving energy independence, and keeping the nations economic engine churning.

ATA and _____ appreciate the opportunity to offer the trucking industry's testimony before this Committee and I look forward to answering any of your questions. Thank you.