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Prepared Remarks for Bill Graves

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Thank you for inviting me to join you this afternoon. I'd especially like to recognize Vice-Minister Hora and Mr. Hanyu. This is an excellent forum to discuss such an important topic. As President and CEO of the American Trucking Associations, it's an honor to be with you to discuss some of the efforts the trucking industry has taken to better protect the environment while still achieving economic success and position ourselves for the future.

For many, there is a belief that business and the environment are mutually exclusive concerns. While this might have been the case in the past, I don't believe we can legitimately consider this to be the case today. No matter which camp you might fall into on the subject, you depend upon the other equally. Business must do its part to provide jobs and sustain our national and global economies. At the same time, we require a clean environment to provide the natural resources that we are dependent upon such as water and air.

From a business standpoint, this is an exciting time to be involved in the trucking industry. The economy is expanding and our member companies are experiencing a level of growth they haven't seen in many years. This is a welcome change from the economic difficulties we faced in 2002 and even into 2003. Freight volumes continue to rise and the industry is benefiting from an overall sense of economic well-being. Despite our current optimism regarding the economy, there remain areas of concern. Record high fuel costs and equipment price increases have played their part in dampening expectations going forward.

These last two points are important to keep in mind. As an industry, trucking operates on very thin margins – on average between two and four percent. Companies are always looking for ways to increase these margins and improve their level of profitability. For many years this has centered upon streamlining their operations and consolidation within the industry. Today, many of these same companies are looking at new practices that will reap benefits for their bottom-line. In many instances the changes that they're making are also providing tangible positive results for the environment as well.

This might sound strange coming from a trucking industry representative. We are highly visible – with over 524,000 companies operating within the United States operating millions of power units. When people think of trucks and the environment, the first thought for some is of the truck on the highway with black exhaust pouring out. This is an image that we're working hard to change because it no longer represents the reality of our industry – if it ever did.

The trucking industry is proud of the role we have played over the past two decades to dramatically improve the quality of our nation's air. The American Trucking Associations strongly supports the goals of providing a cleaner and healthier environment. One, it's simply the right thing to do, and two, we can make a difference in improving the environment.

Through our investment in cleaner-burning low-sulfur diesel fuel in 1993, our support for new engine exhaust standards and control measures throughout the 1980's and 90's, and our partnering with EPA in 2004 to unveil the SmartWay Transport Partnership program, the trucking industry's commitment to clean air is well-established. We've found that by combining our efforts and working more closely with EPA that we can help them meet their organizational goals while helping to improve our businesses.

For those of you unfamiliar with the SmartWay Transport Partnership, it's a program of the Environmental Protection Agency that was unveiled in February of this year by ATA and EPA. We've worked for over two years to develop this voluntary program that provides motor carriers with an opportunity to become more proactive in demonstrating our industry's role as environmental stewards. Not just an image campaign, SmartWay is helping to reduce greenhouse gases and other associated emissions. It is also resulting in substantial fuel savings.

ATA and EPA developed a software tool that helps partners in the program make better informed business decisions about which fuel saving and technology options best suit their operations, how to most effectively achieve their environmental goals, and ultimately, how to increase their financial bottom-lines. This fall diesel fuel prices reached record highs and we don't expect to see a great deal of relief going forward. Annually, our industry uses 33.9 billion gallons of diesel fuel and 15.1 billion gallons of gasoline. Year-to-date 2004 versus 2003, the average price of diesel increase per gallon is over 25 cents – an annualized additional cost to the industry of over \$9.0 billion. That cost increase represents only an average though. If you look at the price of diesel fuel on November 15, 2003 compared to the price on November 15, 2004, it increased by over 65 cents per gallon – an annualized additional cost to the industry of over \$22 billion.

One additional area of concern to motor carriers has been the upcoming introduction of EPA's Diesel Engine Emissions Rule. It is very clear to ATA and the motor carrier industry that this rule will result in significant positive impacts on the quality of our nation's air. In brief, this rule will be phased in over three different dates with three distinct requirements for each phase. In 2006, we will see the introduction of ultra-low sulfur diesel fuel across the nation. In 2007, new diesel engines will be introduced to the market that will produce much lower levels of diesel nitrogen oxide (NOx) and particulate matter (PM). There will be a further reduction in NOx emissions beginning in 2010 that will once again require the development, testing and manufacturing of vastly new diesel engine technologies. Ultimately, the standards for PM and NOx will be reduced by a magnitude of ten and 12 ½ times respectively over the standards currently in place, and, these reductions are occurring on top of other previously mandated restrictions.

Many environmental groups have been concerned that ATA will seek a delay in the implementation of the rule. I can tell you without reservation that ATA does not intend to challenge EPA's diesel engine emission standards set to take effect on January 1, 2007.

New engine standards were introduced in October 2002. These engines, in the eyes of motor carriers, had not been tested enough and had too many unknowns associated with them from loss of fuel economy to maintenance intervals and overall reliability. As a result, many companies refused to purchase these engines. Most made the decision to either purchase their equipment prior to the new engines hitting the market, buy "newer" used trucks, or extend the lives of their current equipment. Ultimately this caused a real disruption for both engine manufacturers who were forced into lay-offs and motor carriers. And, in the end, if the new technologies aren't being purchased we won't achieve the environmental goals sought by EPA.

2007 appears to be a different scenario completely. Engine manufacturers remain on schedule to have test engines in the hands of motor carriers well in advance of total implementation. We remain concerned about reliability of the engines and a potential loss of fuel economy, but these questions do not rise to the level of needing a delay in the Rule. One area that we are exploring is possible financial incentives to motor carriers to purchase these engines. The cost on the new engines will be exponentially higher than today's engines. We don't want to see a repeat of the disruptions we witnessed in 2002. In March 2004, the U.S. Government Accountability Office suggested that incentives to the industry were one possible avenue to achieve the environmental success sought by EPA.

Truckers aren't required to buy the new engines under the Rule. If nobody buys the engines and they aren't on the roads, what benefit is there for the environment? EPA has signaled their willingness to look at this as one possible option. We're thankful for this and look forward to working with them to see what we can do together to get these new engine technologies out on the road.

The benefits of the Rule far outweigh the potential problems for 2007. It has been suggested that the air that will come out of these engines will be cleaner than the air going into them. While this may be exaggerated slightly, it's not far off the mark. We are committed to doing our part to improve the quality of our nation's air. This is one significant way that we can do that. It's proof that government and industry can work together and meet their mutual objectives. Improving the environment doesn't have to come at the expense of business as we've discovered in the trucking industry. In fact, I believe that we're seeing the exact opposite.

Thank you very much for allowing me the opportunity to speak before you this morning. It was a pleasure to express ATA's views on such an important topic of discussion.