

Before the

**SENATE COMMITTEE ON SMALL BUSINESS AND
ENTREPRENEURSHIP**

Statement of

THE AMERICAN TRUCKING ASSOCIATIONS, INC.

On

**“THE IMPACT OF RISING GAS PRICES ON AMERICA’S
SMALL BUSINESSES”**

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Driving Trucking's Success

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Introduction

On behalf of the membership of the American Trucking Associations, I want to thank Chairman John Kerry and Ranking Member Olympia Snowe for giving us the opportunity to testify on the impact of high fuel prices on small trucking companies. The American Trucking Associations is the largest national trade association for the trucking industry. Through a federation of other trucking groups, the industry-related conferences and its 50 affiliated state trucking associations, ATA represents more than 37,000 members covering every type of motor carrier in the United States. The trucking industry is a vital component of our national economy. In 2005, trucks transported nearly eleven billion tons of freight domestically, representing 69.0% of all freight transportation tonnage. The trucking industry accounts for 84% of all freight revenues and exclusively serves the freight needs of over 80% of all communities in the United States.

While the industry is very large, it includes hundreds of thousands of small businesses. As of November 2006, there were over 700,000 interstate motor carriers in the U.S. classified as small businesses - 97% operating twenty or fewer trucks.

For most motor carriers, fuel is the second-largest operating expense after labor. Small carriers are particularly vulnerable to large and swift increases in fuel prices. Typically, the smaller the carrier, the larger percentage fuel represents of total operating expenses.

Over the past four years the price of diesel fuel has steadily increased. According to the Energy Information Administration (EIA), the national average price of diesel rose from \$1.81 per gallon in 2004 to \$2.41 in 2005 and then rose again to \$2.71 in 2006. Unfortunately, there doesn't seem to be any relief in sight. EIA analysts now estimate that diesel will average \$2.75 per gallon in 2007 and \$2.76 per gallon in 2008.

This year, in order to haul the nation's freight, the industry will consume 51 billion gallons of fuel, including more than 38 billion gallons of diesel fuel at a record cost of \$106 billion -- \$3 billion more than in 2006 and more than double the industry's fuel bill in 2003.

The sharp increase in the cost of diesel fuel is a hardship for small trucking companies but the full impact must be viewed in the context of what is occurring with fuel economy and environmental controls. This challenge is fully captured in the comments of the President of Pottle Transportation of Bangor, Maine. Barry Pottle who stated, "25 years ago, my trucks were a little over 4 miles to the gallon. In the mid-90s, my trucks were getting close to 7 miles to the gallon. With the new engines and new requirements for the use of ultra low-sulfur diesel, my trucks are now getting about 5 miles per gallon."

In order for one of Mr. Pottle's trucks to travel 125,000 miles annually – somewhat typical for his type of operation – he would consume fuel at the following rates:

4 mpg	31,250 gallons
5 mpg	25,000 gallons
7 mpg	17,857 gallons

If we apply today's rate of \$2.79 per gallon cost for diesel, Mr. Pottle's costs per truck are as follows:

4 mpg	\$87,188
5 mpg	\$69,750
7 mpg	\$49,821

The approximately \$20,000 differential between a 5 and 7 mpg fuel efficiency rate multiplied by the number of trucks operated by a small business can make the difference between business success and business failure.

The remainder of my testimony focuses upon several alternative programs that would help reduce the cost of diesel fuel.

Size and Weight

By increasing the amount of freight each truck can carry, our industry can deliver goods using less fuel. For example, trucks loaded to 97,000 pounds will use 15% less fuel to deliver the same amount of freight as trucks that are limited to 80,000 pounds. Federal law, however, prevents states from adopting common-sense changes. For example, trucks operating in the State of Maine enjoy significant fuel savings, among other benefits, because the state allows heavier trucks on its highways. Unfortunately, federal restrictions prevent Maine from fully utilizing this strategy. We urge Congress to give states greater authority to change size and weight regulations on highways under their jurisdiction.

APU Weight Exemption and Tax Credits

The Energy Policy Act of 2005 included a 400 pound weight exemption for alternative power units that allow truck drivers to run fuel efficient devices such as generators to operate heating and air conditioning units instead of using the main engine. The Federal Highway Administration has interpreted this language – incorrectly in our opinion - as giving states the option of allowing this exemption, rather than establishing a nationwide standard as Congress intended. We need language clarifying Congress' intent to ensure that small trucking businesses don't have to choose between advanced idle reduction strategies and lost productivity due to a weight penalty. Furthermore, we support S. 894 that would provide a tax incentive to help offset the costs of these devices, since many small businesses simply cannot afford to buy them.

Speed

Trucks burn less fuel when they drive at a slower rate of speed. ATA has submitted a petition to the USDOT asking the agency to mandate the use of speed limiters on newly manufactured trucks at a setting no higher than 68 mph. We urge the Congress to support this petition.

Environmental Regulations Impact Upon Fuel Economy

The trucking industry is proud of its environmental record. Today's trucks emit only a small fraction of the pollutants emitted by older trucks. In fact, it would take 60 diesel trucks produced today to equal the emissions of a single diesel truck produced in 1988. I have included a chart with my testimony showing the fuel economy trends as calculated by both the industry and government.

However, clean air is not without cost. These environmental benefits have produced dramatic increases in the cost of new trucks and the ultra low sulfur diesel needed to power them. These regulations also have had a negative impact upon fuel economy. In fact, today's trucks are no more fuel efficient than trucks produced two decades ago and the new fuel they require has less energy than the higher sulfur fuel it replaced.

It is important to recognize the historical tradeoff between reduced emissions and fuel economy. Congress should require EPA to properly consider this phenomenon as it evaluates heavy duty diesel engine emission standards.

Conclusion

The impact of high fuel costs upon small trucking companies is profound. In seeking to ameliorate this impact, we all must recognize that fuel has become a global commodity subject to the laws of supply and demand. Measures to increase the supply of fuel or reduce demand will lead to lower fuel prices.

On the supply side, Congress should consider the role of renewable and alternative fuels in increasing and diversifying fuel supplies. We also must explore new sources of petroleum, and ways to increase domestic refining capacity.

In examining ways to reduce the demand for fuel, Congress should consider allowing more productive trucks on the nation's roadways, supporting mandatory speed limiters in new trucks, and providing incentives for the use of auxiliary power units to reduce truck idling.

I want to thank the Committee for the opportunity to discuss the impact of high fuel prices upon small trucking companies and the opportunity to introduce strategies to help lower fuel costs.

FUEL ECONOMY TRENDS

