

California Trucking Perspective of Fuel, Retrofit and NAFTA

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California Trucking Association (CTA)

- Non-Profit Trade Organization representing 2,500 trucking companies and suppliers operating into and out of California
- CA represents 13% of US economy and is the 6th largest world economy
- January 1, 2002 trucks coming from Mexico (NAFTA) threaten our ability to compete
- National fuel standard applying to all who enter and operate in the USA provides a stable fuel supply and fair market place for the heavy duty transportation sector

West Coast Fuel Volatility

- California, California, California
 - Largest west coast refineries
 - Barely refine enough diesel for CA
 - Provide fuel to western states
 - Majority of Nevada
 - Minority of Arizona
 - Texas not big player in west coast supply
 - Transportation costs
 - CARB’s “alternative formulation requirements”
 - arbitrarily limit sale of diesel fuel in CA to those with a relationship with CARB who want to certify each unique formula in California
 - CARB diesel is **not** 10% aromatics

CTA supported and advocates to retain federal EPA fuel standards

- Metropolitan areas need 15 ppm sulfur fuel to meet federal ozone and pm standards
- Regional fuels threaten our economy and only benefit oil company oligopolies
 - Zone pricing
 - Limit number of suppliers
- National fuel policies
 - Provide increased competition
 - Open markets to more supply
 - Lower stable fuel prices
 - Improve fleet turnover rates
 - Reduce vehicle miles traveled

CTA supported and advocates to retain federal EPA fuel standards

- Major metropolitan areas must meet State Implementation Plans (SIPs)
- Boutique regional fuels take states or cities out of the national supply chain for diesel which limits supply and increase price
- Interstate trucks respond immediately to the market and change fueling patterns outside the costly region
- Trucks located inside the “expensive fuel” region purchase their fuel at a higher rate than their competitors across a state line

CTA Double-Crossed by CARB

- CARB asked CTA to help fight for national standard
 - Appeared before 108 member Board of Directors in 1999
 - Signed joint comments submitted to EPA asking for 30ppm diesel fuel national standard
- CARB returned in 2000 asking us to join them in advocating a 15ppm sulfur standard
 - CTA spent 18 months in DC advocating for June 2006 national fuel standard
 - CTA filed articles of conflict with our national affiliated trucking organization

CTA Double-Crossed by CARB

- **February 2001 rule signed into regulation**
 - **CARB announced 2 weeks later it would retain an aromatics standard of 10%**
 - **CARB claims it was advocating for national sulfur standard, not national aromatics standard**
 - **CTA Board of Directors did not hear this**
 - **seeking legal analysis**
- **CARB new strategy - Adoption of the World Charter Diesel Fuel Standard**
 - **Failed to comment to during EPA rulemaking**
 - **Unable to establish environmental merit**
 - **EPA diesel fuel database on diesel fuels finds**
 - **CARB “alternative formulation” increases NOx when Electronic Gas Recirculation**
 - **Current CARB diesel “alternative formulas” fail to reduce NOx in the 300 engine data base as reported in their SIP**

National Fuel Needed to Attain Ambient Air Quality Standards

- **Truckers need level playing field**
- **CARB has authority over trucks registered and based-plated (400,000 diesel over 8,500 lbs)**
- **IRP registered trucks coming into the state last year 1,057,250 operate but don't buy fuel here**
- **Boutique fuels create pollution**
 - **Need adequate supply of fuel as well as competition among suppliers to avoid oil companies gaming price**
- **Truckers respond to fuel prices immediately**
 - **Metropolitan areas are adversely impacted when trucks drive more miles to avoid high diesel prices**
 - **Trucking companies located in metropolitan areas must slow down fleet turn over in order to keep prices competitive for shippers**

California Truckers vs CARB

- National fuel standard will be a bloody fight
- In 1993, introduction of CARB diesel was a huge debacle which caused state to pay trucker back \$6 million in damages
- SIPs pushing CARB to have different fuel to get the “tons” of reduction
- Real world market behavior increases emissions for trucks by increasing VMT and slowing down freight turn over in polluted regions

NAFTA and California CTA joins in with the Teamsters

- Wages for So Cal Haul
 - CA pays driver \$100-140 per day + 35% payroll tax match + benefits
 - Mexico pays \$60, no matching taxes or benefits
- Hours of Service
 - CA on-duty for 15 hours, drive for 12
 - Mexico once they cross border, limited to 15hrs
- Pollution of Trucks
 - CA trucks average 1995 or 4.0 gr/bhrp NO_x
 - Mexican trucks average 1978, unregulated

NAFTA and California

CTA joins in with the Teamsters

- Diesel Fuel
 - CA fuel highly refined and expensive
 - Mexico fuel PEMEX high sulfur and cheap
- Drugs
 - CA requires random drug testing for drivers
 - Mexico no drug testing
- License qualifications
 - In depth training and testing before qualified to drive
 - Taxi Driver can purchase a B-Nacional for \$100 no testing

NAFTA and California

CTA joins in with the Teamsters

- **Liability Insurance**
 - CA pays \$6,000 per truck per year
 - Mexico pays \$1,400 per year per year for the same territory coverage
- **Mechanics**
 - CA required by law to maintain vehicle every 90 days or less using \$40-70 p/hr mechanic
 - Mexico can hire street sweeper for \$10 per day and incur no liability
- **Bottom line...\$\$\$**
 - CA trucker pays \$275 to run a load to LA
 - Mexico can do it for \$150

International Retrofit Advisory Committee

- Reduce diesel particulate emissions
 - Existing sources by 85%
 - Early introduction of .01 g/bhp-hr standards
- Protect the health of California residents
- Protect the California trucker and farmer
 - Interstate highways dominated by out-of-state trucks using dirtier, cheaper fuel
 - California truckers can't pass on incremental costs of retrofit, increased fuel costs or fuel economy losses

Command and Control

“Fuel Delivery Tanker Trucks”

- **5000 fuel delivery trucks operated by jobbers statewide**
 - operating on 1-2% profit margin
 - \$1,500-2,000 per truck per year
- **Proprietary fleets (oil companies) overwhelming minority of tank trucks**
 - less than 100 proprietary trucks per oil company
 - exclusively hauling 15ppm sulfur fuel to date
- **More than half of the fleet registered to operate out-of-state**
 - serve bordering western states with varieties of fuel
- **Currently registered intra-state trucks owned by micro-fleets and minority owned businesses**
- **One trip out-of-state per year eliminates CARB authority with respect to interstate commerce**

Command and Control

For-hire “Jobbers”

- **Same fleets that have been lobbying to eliminate CARB diesel in our state due to competitive disadvantage created by single state rules and supply kick off retrofit**
- **Political mistake to start with a competitive market that has relationship with California’s diesel users**
 - **trucking and ag will get retrofit details and costs from the perspective of the jobbers**
 - **Create grass roots constituency of competitive users against CARB efforts to retrofit in local units**
 - **California Farm Bureau Federation**
 - **California Trucking Association**
- **Start with controversy could damage retrofit market acceptance nationwide**
- **Efforts to curb retrofit rather than create incentives**

Waste Hauler Rule

- Use a speculative fuel supply in 2003 provided by two oil companies.
- Boutique fuel that is not required for sale in California.
- Retrofit requirements nullify warranties on heavy-duty diesel engines.
- Reporting unreasonable, unnecessary for truckers.
- Emission standards are unproven and technologically infeasible.
- The compliance provision is overreaching and arbitrary
- The exemption provisions for technical infeasibility demonstrate the program doesn't work.
- CA biggest threat slow down and discourage new engine purchases, impacting the state's ability to comply with the Ozone SIP.

Identify Real Incremental Costs (Lifecycle)

- Fuel differential
- Fuel economy penalty (BTU)
- After-market equipment
- Maintenance
- Range penalty
- Hazardous waste and removal
- Registration fees (property value)
 - Insurance
- Infrastructure

Conclusion

- What is the World Charter Fuel Standard?
- Why didn't CARB ask EPA to adopt it?
- Do you want trucks from any country operating on the highway unregulated and literally exempt from safety and pollution standards?
- Should money be put into retrofit which would slow down truck purchases?
- Why give away freight to companies outside of CA who don't have to comply with safety and environmental rules?