

TESTIMONY BY
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OF THE NATIONAL AUTOMOBILE DEALERS ASSOCIATION
BEFORE THE
NATIONAL HIGHWAY TRAFFIC SAFETY ADMINISTRATION
AND THE
U.S. ENVIRONMENTAL PROTECTION AGENCY
CHICAGO, ILLINOIS
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As chairman of the American Truck Dealers (ATD) Division of the National Automobile Dealers Association, I thank NHTSA and EPA for hosting today's hearing on the Administration's proposal to increase the fuel economy and greenhouse gas (GHG) standards for medium- and heavy-duty vehicles and engines and light-duty work trucks, and to establish new truck trailer mandates. ATD represents some 1,800 franchised commercial truck dealerships that sell new and used motor vehicles, and engage in service, repair and parts sales. Together, truck dealerships employ more than 100,000 people nationwide.

In addition to being ATD chairman, I am president of JX Enterprises, Inc, a multi-state medium- and heavy-duty truck dealership group headquartered in Hartland, Wisconsin. We currently sell Peterbilt, Volvo, and Hino trucks, Kalmar Ottawa tractors, and Paccar and Cummins engines. Like most truck dealerships, we do not sell new trailers. Before I get started, I'd like to thank EPA and NHTSA for taking the time last year to visit several truck dealerships, including my store in Grand Rapids.

During my short time with you today, I will focus on just a few key, high-level issues of particular importance to truck dealerships. ATD intends to provide more detailed comments and suggestions in our written submittal. Specifically, I will focus on why any Phase II truck and engine efficiency standards must be affordable and must not compromise performance, why such standards must be uniform nationwide, and why doing this rule right is more important than doing it quickly.

I. COMMERCIAL TRUCK FUEL ECONOMY/GHG STANDARDS MUST BE AFFORDABLE AND MUST NOT COMPROMISE PERFORMANCE

ATD is well aware of the mandate Congress set out in the Energy Independence and Security Act of 2007 (EISA). Moreover, in February of last year, I listened with keen interest as President Obama directed NHTSA and EPA to move forward with a second round of commercial truck GHG and fuel economy standards. In my opinion, EPA and NHTSA have a tough job to do. In short, your task is to ensure that the outcome of this rulemaking will foster continuous improvements in fuel economy and GHG emissions performance while preserving, if not enhancing, current rates of fleet turnover. It's that simple. Cleaner/greener new equipment will do nothing for the environment or for energy security until it is bought and placed into service, more often than not replacing older, less efficient equipment. Consequently, your goal should be to hit a regulatory sweet spot by setting performance standards that result in new products purchasers are willing and able to buy.

No variable cost is more critical to truck dealership customers than fuel. Consequently, the overwhelming majority of customers who order new vehicles from one of our stores put some focus on fuel economy performance. To be sure, their primary focus is on those vehicle and drivetrain features they believe are essential to meet their specific work and duty-cycle needs. Nonetheless, although fuel economy performance will never rank first on a customer's list of purchase decision criteria, it will always be near the top. In fact, given my customers' relatively strong demand for fuel economy, it's fair to ask what "market failure" is the Administration trying to "fix" with its Phase II proposal?

Cost will always be a concern. Sure, some of the nation's largest fleets and even some of my customers can afford to be "early adopters" and to experiment with new fuels and technologies, even if they cost significantly more. However, the vast majority of prospective new truck buyers are businessmen and women who rationally pencil out the up-front cost of vehicle features, especially during times when credit is relatively tight and/or freight rates and profit margins are relatively low. In order to work, the fuel economy/GHG mandates being considered for MYs 2018 and beyond must pass economic muster. Remember, my customers have options. Instead of choosing to buy new cleaner/greener equipment, they can instead pay my service and parts operations to help them keep their existing vehicles on the road, up to and including re-building engines or vehicles. Alternatively, they can buy used trucks or tractors that meet their needs, at lower cost than equipment covered by new mandates. Any new mandates must be affordable to succeed in the marketplace.

As I hope we all learned with the roll-out of the tailpipe standards for 2002, 2007, and 2010, any new fuel economy/GHG mandates must avoid compromising (or even appearing to compromise) the performance of new vehicles. Prospective customers will avoid like the plague vehicles they know or perceive will be less reliable or that will require more intense service, maintenance, and/or repair. Simply put, my customers will not invest in higher downtime rates. In addition to higher operating costs, tractors and trucks that don't move, don't make money.

II. NEW PHASE II STANDARDS MUST BE UNIFORM NATIONWIDE

Even in years, like this year, when the economy is doing well, freight demand is high, and truckers and businesses are flush with cash, only a few hundred thousand potentially-regulated tractors, trucks, engines, and trailers are sold nationwide. This number pales in comparison to the 17+ million light-duty vehicles that likely will be sold nationwide this year. Given this relatively small total volume of vehicles, any new Phase II mandates must truly be designed to apply nationwide. In other

words, ATD believes strongly that allowing for multiple sets of non-identical mandates would impose an untenable burden on the R&D resources, the manufacturing processes, and the marketing and distribution systems of tractor, truck, engine, and trailer manufacturers. Moreover, our customers operating in so-called California states should not have to worry about potential ordering complexities involving special vehicle configurations. The fact that the state of California presently requires some of my customers who run trucks into California to buy new trucks that comply with emissions standards different than those mandated by EPA has meant some must forego providing freight service inside California's borders or engage in unnecessarily expensive strategies to satisfy their California customers. When ATD hears rumblings that California has signaled that it might go its own way on new NOx standards, might push for greater stringencies or tighter timeframes than what EPA is proposing for GHG emissions, or might propose tighter APU or minimum engine controls, it makes us very nervous. Bottom line: there must only be one uniform national set of economically practical and technologically feasible fuel economy/GHG standards.

III. SECTION 102 OF THE ENERGY INDEPENDENCE AND SECURITY ACT OF 2007

ATD supported the enactment in 2007 of Section 102 of EISA which authorized NHTSA to consider fuel economy standards in light of the National Academy of Sciences (NAS) study issued in March of 2010. Importantly, Congress recognized that new fuel economy standards for commercial vehicles need to reflect the careful consideration of a long list of issues; NHTSA, with more than 30 years of expertise regulating the fuel economy of light-duty vehicles, would for the first time examine the fuel efficiency potential of medium- and heavy-duty trucks. Thus, Congress specifically required NHTSA to consider carefully a long list of detailed issues involving measuring performance, the unique factors that contribute to vehicle energy consumption and operating costs, etc. NHTSA and EPA did a reasonably good job of taking those statutory factors into account when developing the

Phase I standards, and it is even more important that the Phase II rulemaking do at least as good a job given that it will be, at least to some degree, technology forcing.

There are no statutory deadlines for Phase II rules. Therefore, EPA and NHTSA should take all the time necessary to develop mandates that are “appropriate, cost-effective, and technologically feasible.” Section 102 of EISA only requires that any new fuel economy/GHG mandates provide the industry with at least four full model years of lead time and three full model years of regulatory stability. Consequently, for example, in light of the voluminous docket associated with this proposal, EPA and NHTSA should be prepared to provide additional time for interested parties to submit comments beyond the current September 17, 2015, deadline.

I raise the statutory language set out in Section 102 of EISA because it is important to truck dealerships. The Phase II rules must be “appropriate, cost-effective and technologically feasible” because Congress recognized that fuel economy/GHG mandates apply to how equipment is manufactured, not to whether it is purchased. In other words, since such mandates effectively attempt to *push* more efficient designs and technologies into the marketplace, if they fail the “appropriate, cost-effective and technologically feasible” tests, customers will limit their purchases of such equipment, threatening the very viability of truck dealerships and the livelihood of their employees.

Again, ATD intends to file extensive comments addressing a variety of issues involved with the proposal beyond those few overarching points I’ve raised today. I thank you for your time and attention, and I welcome any questions you may have.