
Testimony of
JOE RAJKOVACZ
DIRECTOR OF REGULATORY AFFAIRS
OWNER-OPERATOR INDEPENDENT DRIVERS ASSOCIATION

Before the
UNITED STATES HOUSE OF REPRESENTATIVES
SUBCOMMITTEE ON REGULATORY AFFAIRS, STIMULUS
OVERSIGHT AND GOVERNMENT SPENDING

Regarding
REGULATORY IMPEDIMENTS TO JOB CREATION:
ASSESSING THE IMPACT OF GHG REGULATIONS
ON
SMALL BUSINESS

APRIL 6, 2011

Submitted by



Owner-Operator Independent Drivers Association
1 NW OOIDA Drive
Grain Valley, Missouri 64029
Phone: (816) 229-5791
Fax: (816) 427-4468

Good afternoon Chairman Jordan, Ranking Member Kucinich and distinguished members of the Subcommittee. Thank you for inviting me to testify this afternoon on the subject of Greenhouse Gas (GHG) regulation of the trucking industry. Currently proposed regulations will undoubtedly raise the cost for new heavy-duty trucks purchased by owner-operators and small-businesses – often for little or no environmental benefit. Much more concerning is the fact that less expensive and less intrusive alternatives to reduce GHG emissions of heavy-duty trucks exist, but they are being all but ignored.

My name is Joe Rajkovic. I have been involved in the trucking industry for over 30 years and currently serve as Director of Regulatory Affairs for the Owner-Operator Independent Drivers Association (OOIDA). Prior to joining the staff at OOIDA in 2006, I was both an employee driver and owner-operator for nearly three decades. For twenty of those years, I owned both my truck and trailer and leased them along with my driving services to a motor carrier. During my driving career, I purchased 4 new heavy-duty trucks, drove in excess of 3.8 million accident-free miles, and like most successful small-business truckers, operated my equipment as efficiently as possible by focusing on achieving the best fuel mileage possible – the key metric when discussing GHG emissions.

OOIDA is the international trade association representing the interests of small business trucking professionals and professional drivers on matters that affect their industry. The Association actively promotes the views of small-business truckers through its interaction with state, provincial and federal regulatory agencies, legislatures, the courts, other trade associations and private entities to advance an equitable business environment and safe working conditions for commercial drivers. OOIDA currently has more than 153,000 members who collectively own and operate approximately 200,000 individual heavy-duty trucks nationwide.

Small-business truckers dominate the trucking industry in the United States. One-truck motor carriers represent roughly half the total number of active motor carriers operating in our country while approximately 90 percent of U.S. motor carriers operate 6 or fewer trucks in their fleets. Considering that roughly 69 percent of freight tonnage in the United States is moved by truck, any regulation adopted affecting the trucking industry has a dramatic effect on the viability of small-business truckers.

Since the focus of this hearing is to examine the cumulative impact of GHG regulation on the small-business community and address the process EPA (along with NHTSA) is using to develop these regulations, I would first like to say that small-business truckers are not against improving our nation's air quality and reducing our dependence on foreign sources of energy by using those resources efficiently. The marketplace in which these small-business truckers operate in is brutally efficient in culling those who are not wise stewards of resources. The entire trucking industry has been paying the significant cost increases associated with EPA emissions regulations on 2007 and 2010 heavy-duty diesel engines. We have been paying the price at the pumps for the new ultra-low sulfur diesel (ULSD). Both of these EPA mandates have come at a high cost but have also dramatically cut diesel related emissions to a level unimaginable just a decade ago. In addition, many small-business truckers have embraced assorted anti-idle technology that can add as much as ten thousand dollars to the cost of a new (or in-use) heavy-duty vehicle. All of this has happened in the back-drop of the worst economy seen in most of

our lifetimes. All of these increased costs have not come with corresponding increases in rates paid to small-business truckers. In a marketplace where costs increase without any corresponding rate increases, the only way to survive is to become even more efficient in how one operates their truck. Many focus on improving their fuel economy.

The EPA's proposed regulation to establish fuel efficiency and GHG standards on new heavy-duty vehicles is flawed for many reasons, and unfortunately will likely not achieve the hoped for emissions results. This rulemaking will actually encourage many to rebuild and operate older equipment and result in reduced new heavy-duty vehicle sales to small-businesses and owner-operators because of unnecessary price increases associated with unappealing compliance options.

A. Current EPA rulemaking is flawed.

Last year, EPA and NHTSA proposed for the first time to establish GHG emissions and fuel efficiency standards for heavy-duty vehicles ("HD vehicles" or "trucks"). The rulemaking grew out of a request from President Obama to begin such a joint rulemaking contained in a May 21, 2010 White House communication titled "Presidential Memorandum Regarding Fuel Efficiency Standards." See <http://www.whitehouse.gov/the-press-office/presidential-memorandum-regarding-fuel-efficiency-standards>. The White House directive set forth numerous principles to guide those agencies in crafting the regulatory framework for developing such emissions and fuel efficiency standards for HD vehicles. One of those principles is to "Seek input from **all stakeholders**, while recognizing the continued leadership role of California and other States" (emphasis added).

OOIDA does not believe either agency respected the spirit of the Presidential directive concerning "input from all stakeholders" and, more importantly, that they complied with the various statutory requirements pertaining to adoption of administrative rules and regulations. See, e.g. Administrative Procedure Act ("APA"), 5 U.S.C. § 553; Regulatory Flexibility Act ("RFA"), 5 U.S.C. §§ 603-604. To the point, both agencies could and should have more actively sought input from and considered the impact on HD truck buyers, especially small-business truckers – common end users of vehicles impacted by these proposed regulations – a substantial industry group directly affected by this rulemaking. Instead, EPA and NHTSA focused primarily on truck, engine, and component manufacturers, overlooking the fact that small-business and other truckers make the decision on whether to purchase a particular truck and ultimately pay the associated costs. In our view, this omission deprived EPA and NHTSA of meaningful input, insights and concerns from those substantial groups.

OOIDA would also like to point out that we filed comments last summer to the initial rulemaking initiated by EPA and NHTSA. We cautioned both agencies about numerous initiatives cloaked as environmentally friendly that could have adverse impacts on driver health and public safety. We also noted that a less costly and more productive means for achieving the stated goals existed. Unfortunately, both agencies ignored legitimate small-business concerns when they published their Proposed Rule on November 30, 2010. Additionally, while public hearings were held on the Proposed Rule, these were conducted in advance of its publication in the Federal Register, depriving both agencies of meaningful small-business input.

It is also important to note that this rulemaking cannot be viewed in isolation from other rulemakings and substantive regulatory changes. Small-business trucking has been inundated with no less than a dozen proposed rules (not including new final rules) in the past five months. Responding to all rulemakings effectively has been a challenge and required establishing priorities. When EPA published its proposed rule governing GHG emissions on new heavy-duty vehicles, it was evident that small-business concerns were not considered, a fact made clear when the associated Regulatory Impact Analysis statement claimed that there were no small-businesses affected. As such, our Association efforts were more productively used on other rulemakings where small business concerns were clearly being considered.

B. Proposed rule mandates technological solutions when other- less expensive options exist.

The current proposed rule will effectively be a mandate that truck buyers make choices in their purchasing decisions. Each option comes with a direct cost associated with the selected technology but also the added burden of the mandatory 12% federal excise tax that must be paid on each new heavy-duty vehicle purchased. The existing rulemaking made new vehicle acquisition costs estimates that may be appropriate for large motor carriers, but were not representative for owner-operators and small-business motor carriers. The following are examples of some of the selected options that must be included when purchasing a new heavy-duty vehicle:

- Speed-limiters
- Aerodynamic add-ons
- Wide-based/super single tires
- Automatic engine shutdown
- Anti-idle technology

While each technology separately or in combination can improve heavy-duty efficiency, final results depend upon how the vehicle is utilized by the end user. There are many examples where virtually none of the technologies are useful in achieving estimated goals. Most importantly, the reliance on technological solutions completely ignores the single most effective means of reducing GHG by improving fuel mileage – driver education and training.

The National Academy of Sciences study titled “*Technologies and Approaches to Reducing the Fuel Consumption of Medium-and-Heavy-Duty Vehicles*” postulates that driver training offers potential savings for the trucking industry rivaling the savings available from technology. The opportunities for fuel savings are significant and indicators are that this could be one of the most cost-effective and best ways to reduce fuel consumption.

It is widely known that driving behavior is one of the single most significant contributors to fuel efficiency. In fact a study done by *Dierlein* (2002) stated, “[the] most important fuel economy variable was the driver, who controls the idle time, vehicle speed, brake use, etc. The difference between a ‘good’ and a ‘bad’ driver can be up to 35% in fuel efficiency.” Ignoring this most significant factor and instead relying on manufactured “add-ons” for heavy-duty vehicles to increase fuel efficiency can substantially increase vehicle acquisition costs for little or no

appreciable benefit – either from a fuel efficiency (or environmental) standpoint or a cost benefit standpoint. These additional costs, combined with unproven results, will lead to owner-operators and small-business truckers keeping their owner equipment in service for longer periods of time.

C. Conclusion.

Owner-operators and small-businesses truckers operate widely diverse trucking operations. Categorizing all trucking into a “one-size-fits-all” regulatory regiment, one which is more suitable to large motor carriers, will likely lead to those same entities keeping their older equipment for a longer period of time, reduce new truck sales, and fail to fully realize the stated goals of regulating GHG. Owner-operators and small-business truckers should not have rules crafted that needlessly drive up their operational costs simply because their business model has been ignored by regulatory agencies when promulgating rules.

Thank you again for this opportunity, and I look forward to answering any questions that you may have.

Joe Rajkovacz

Joe Rajkovacz has been involved in the trucking industry for over 30 years and currently serves as Director of Regulatory Affairs for the Owner-Operator Independent Drivers Association (OOIDA). Prior to joining the staff at OOIDA in 2006, he was both an employee driver and owner-operator for nearly three decades.

Committee on Oversight and Government Reform
Witness Disclosure Requirement - "Truth in Testimony"
Required by House Rule XI, Clause 2(g)(5)

Name:

JOE RAJKOVACZ

1. Please list any federal grants or contracts (including subgrants or subcontracts) you have received since October 1, 2008. Include the source and amount of each grant or contract.

NONE.

2. Please list any entity you are testifying on behalf of and briefly describe your relationship with these entities.

OWNER-OPERATOR INDEPENDENT DRIVER ASSOCIATION
P.O. BOX 1000
GRAIN VALLEY, MO. 64029

I am: a member of the association, on its Board of Directors, and
work full-time for the Association as its Director of Regulatory Affairs.

3. Please list any federal grants or contracts (including subgrants or subcontracts) received since October 1, 2008, by the entity(ies) you listed above. Include the source and amount of each grant or contract.

TRANSPORTATION SECURITY ADMINISTRATION - TRUCKING SECURITY
PROGRAM - GRANT ADMINISTERED BY FEMA.

GRANTEE: HMS COMPANY - ALEXANDRIA, VA.

OODA IS A SUB-CONTRACTOR TO HMS IN THE
AMOUNT OF 1.5 MILLION DOLLARS OVER 3 YEARS.

I certify that the above information is true and correct.

Signature:

Joseph Rajkovicz

Date:

4-4-2011