AQMD Business Case for Clean Air: Trucking Overview

October 31, 2014

California Trucking Association

We drive for a living. Safety is our priority.

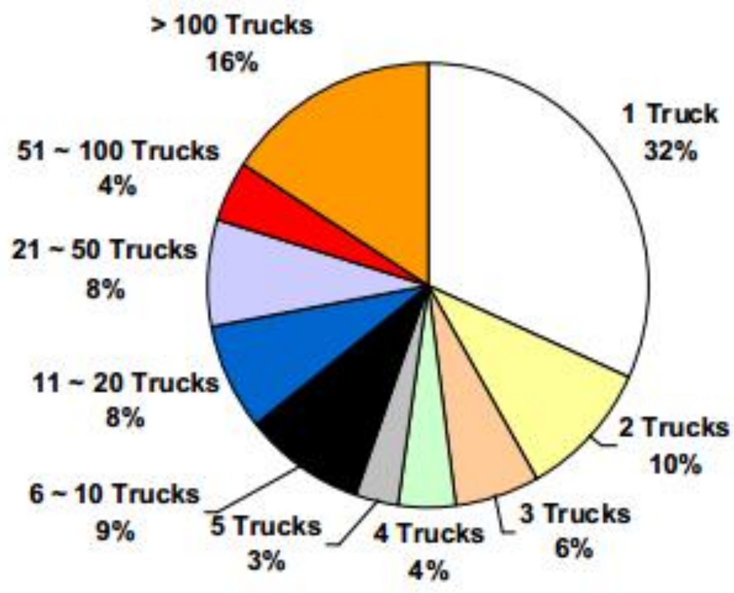
"The Trucking Industry"

- Sample of CTA Membership
  - Over the Road/Long Haul/Regional/11 Western/Local
  - For-Hire vs. Private
  - Great Diversity of Operations
    - Hay Haulers, Tomato Haulers, Food Banks, Poultry Haulers, Cattle Haulers, Log Haulers, Rail, Harbor, Bulk Commodities, Refrigerated, Construction Equipment Rental, Suppliers of Gaming Equipment, Intermodal Marketers, Beverage Manufacturers and Wholesalers

<u>Over 60,000 registered motor carriers in California alone.</u>

"The Trucking Industry"

Figure III-3: Number of Trucks by Fleet Size (California Department of Motor Vehicles, 2006)



“The Trucking Industry”

ZEV/NZEV and alt fuel policies, by necessity, must consider unique needs of small businesses

Table 2. Distribution of VMT among POLA/LB Drayage Trucks by Fleet Size (2008)

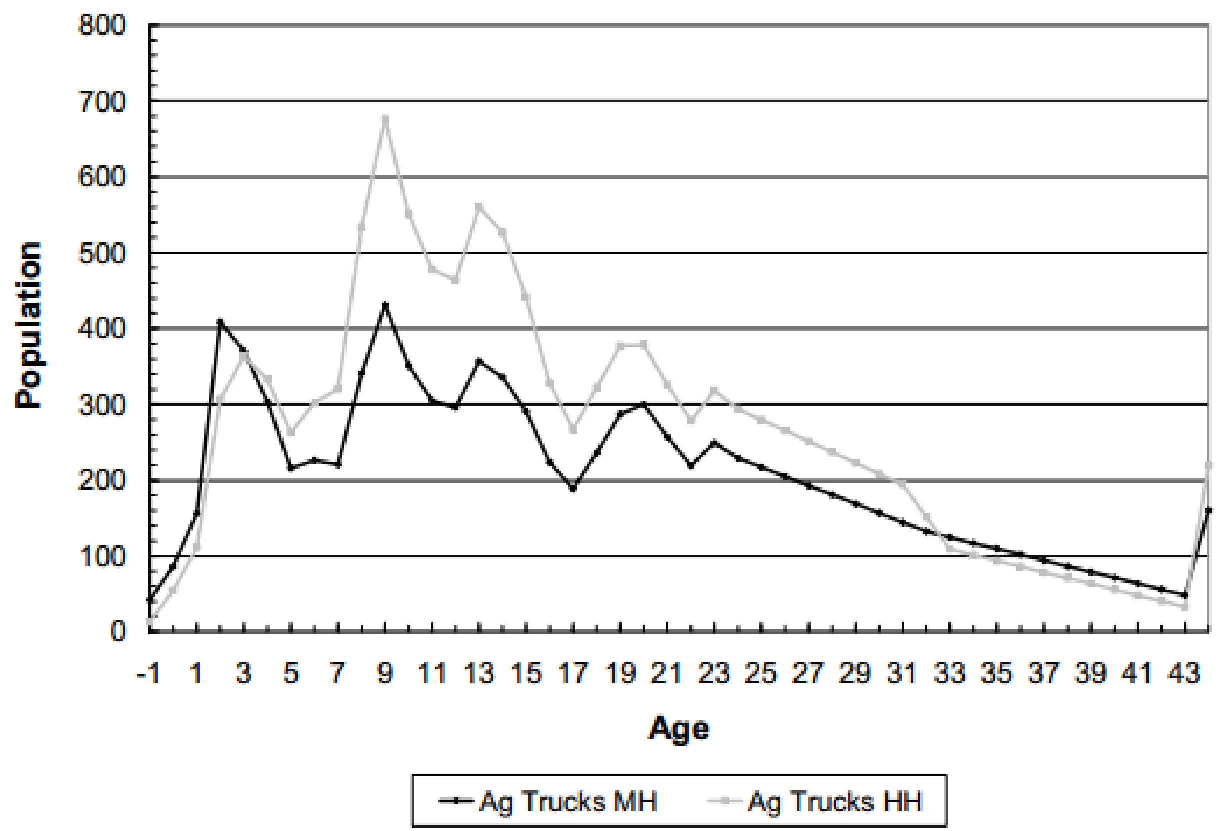
Fleet Size	Daily VMT	Share	VMT-weighted Average Age
1 truck	1,219,969	53.7%	12.4
2 trucks	135,552	6.0%	12.4
3 trucks	152,496	6.7%	12.4
> 3 trucks	762,481	33.6%	12.4
Total	2,270,498	100.0%	

Fleet Turnover: The "ecosystem" of truck ownership

- **<u>Generally speaking</u>**, higher mileage operations utilize newer equipment
  - 100k+ miles/year
  - Ready to trade in by 500,000 miles or equipment is shifted in local operations
- Local/Regional operations tend to use older equipment/hold on to new equipment longer
- Drayage, construction, logging, hay, season ag and other localized "niche" operators typically have used 2nd or 3rd life equipment 10-60k miles/year. Also provides additional peak capacity.

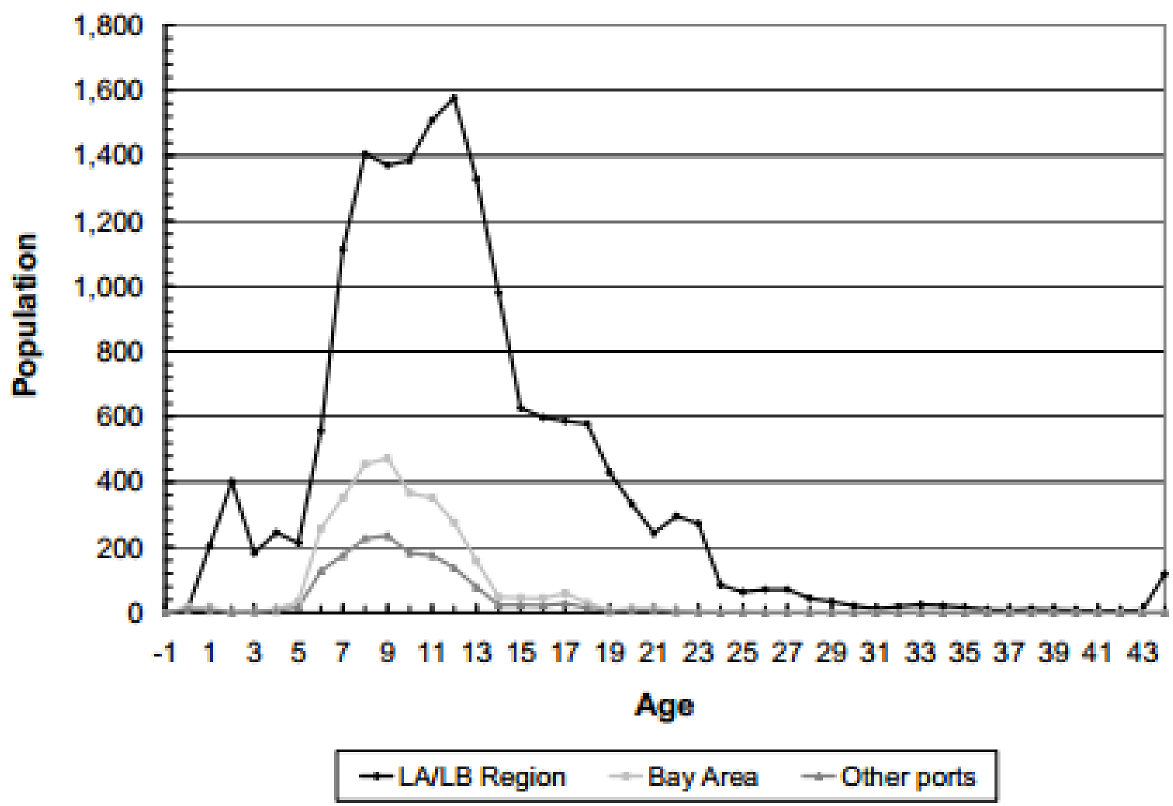
Fleet Turnover Rates

Figure 5. Agricultural Truck Population and Model Year Distribution (2008)



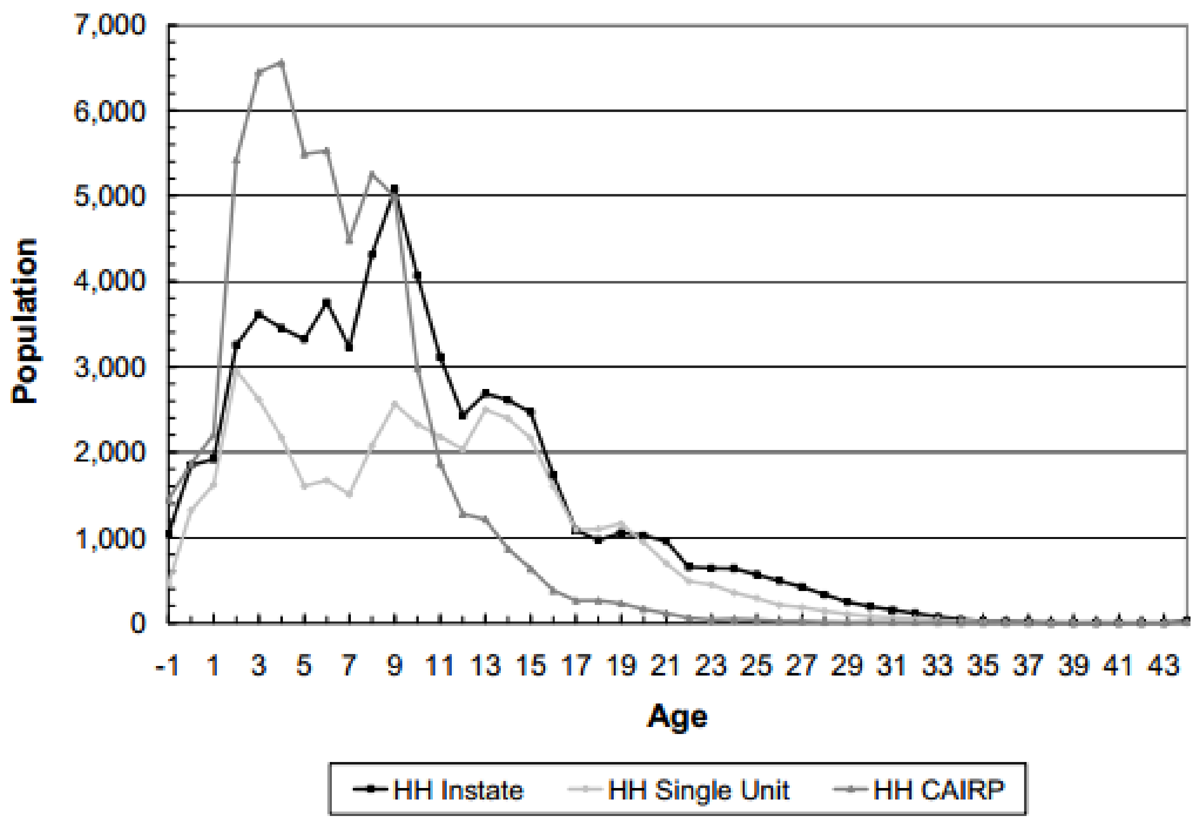
Fleet Turnover Rates

Figure 3. Drayage Truck Population and Model Year Distribution (2008)



Fleet Turnover Rates

Figure 10. California-Registered In-State HHDDT Population and Model Year Distribution (2008)



Other Factors

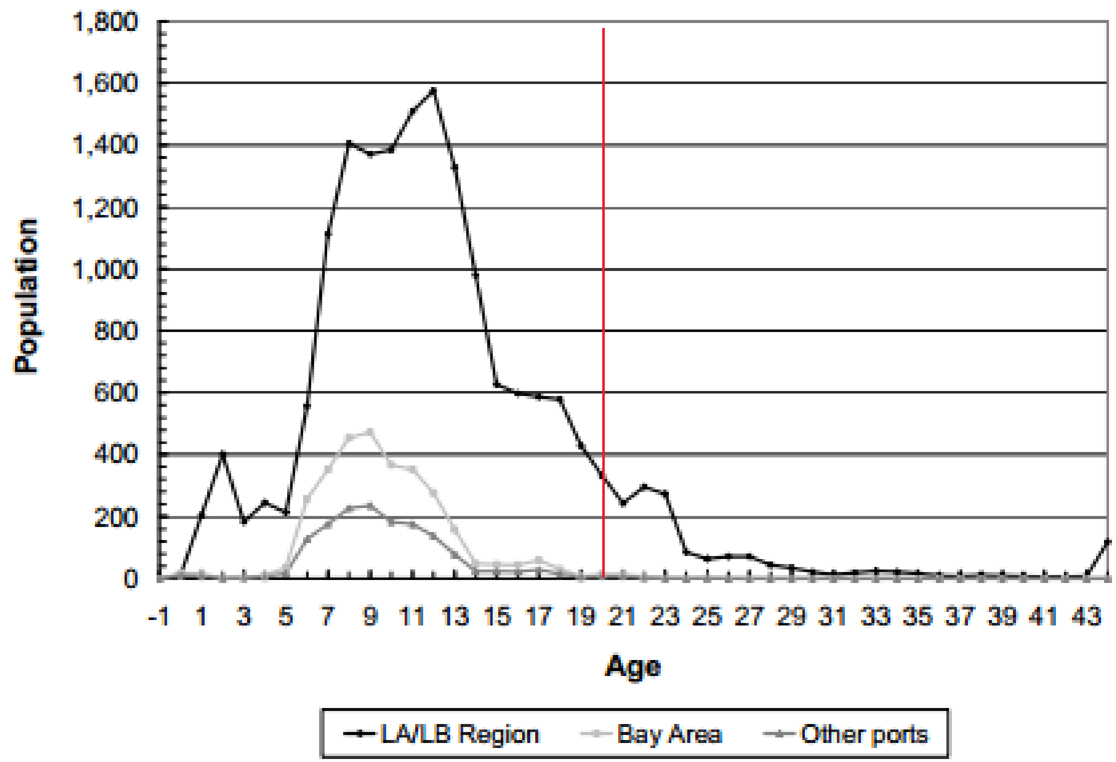
- **Inadequate Enforcement**
  - Creates unfair competition, market dysfunction
  - Can be avoided through program design
- **State’s credibility irreparably damaged by Truck and Bus Rule**
  - Rules first enacted in 2008, effective in 2012, then changed in 2014
  - Tens of thousands of business plans harmed by late rule changes and ongoing lack of enforcement

Other Factors

- **<u>Freight Capacity Already Strained in 2014</u>**
  - Chassis shortages, driver shortages, lack of supply
  - Anything which takes away from productivity will create huge ripple effect

Smart Design for a Business Case

Figure 3. Drayage Truck Population and Model Year Distribution (2008)



Smart Design for a Business Case

- **Cap Fleet Age/Mileage and Preserve Fleet Turnover Model**
  - Guarantees legacy fleet turnover rate as new technologies are commercialized and new standards adopted
  - Enforce through vehicle registration
  - Provides businesses certainty on equipment life, minimizes stranded assets.
  - Decreases strain on limited enforcement resources
  - Decreases strain on limited public incentive programs

Smart Design for a Business Case

- **Incentivize Near-Zero and Zero Emission Technologies**
  - Funding freed to incentivize technologies not otherwise achieved through normal fleet turnover
  - Will allow alt fuels/ZEVs to find markets and get closer to full commercialization

In Summary

- **Simply put, a business case must allow an early adopter or "compliant" fleet owner to compete with or beat their laggard or "non-compliant" competitors**
  - Fleets must make turn profit and stay in business
  - Truck/engine producers must turn profit
  - Financing entities must turn profit
  - Fuel providers must turn profit

- **Differs greatly from non-commercial end users (**car owners like you and me*)**
  - Vehicles are not "luxuries". They are the themselves the means of production and revenue generation!

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Questions?