

Testimony of
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before the

Subcommittee on Oversight and Investigations
Committee on Energy and Commerce
United States House of Representatives
Washington, DC

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Mr. Chairman and Members of the sub-committee:

My name is Steve Williams and I am the Chairman and CEO of Maverick USA in Little Rock Arkansas.

I have also served as a three time chairman of the Arkansas Trucking Association and am a former chairman of the American Trucking Associations. I am on the Executive Committees of the American Transportation Research Institute and the Transportation Research Board of the National Academies of Science.

My company, Maverick USA, operates the second largest company-owned flatbed fleet in the United States. We employ nearly 2,000 people and operate more than 1,500 tractors. My company serves the steel, building material and the flat glass industries.

In 2007, despite revenues of \$300 million we lost money for the first time in our 27 year history. Our fuel bill increased by \$12,000,000 between 2006 and 2007, and we were not able to recover this increase due to a weak economy.

The national average price of diesel fuel on June 16, 2008, was \$4.62 per gallon. If this price remains constant for the rest of this year, our company's fuel bill will increase from \$66,923,000 last year to \$114,954,000 this year, a 72% increase in one year.

The fuel crisis is having a dramatic effect on the trucking community. Tom Albrecht, an industry analyst with Stephens, Inc., wrote on June 10, 2008, that these fuel prices could force 14 percent to 16 percent of the trucking industry to cease operations.

Not only will this further reduce capacity from the market, it will make the used truck market even worse. There are few domestic buyers for used equipment and over the last year we have been forced to wholesale our tractors to Russia and Vietnam.

But the implications to the US economy are of even greater concern. Energy experts can lend more to the debate than I on the impact that speculation is having on the energy markets.

For example, Michael Greenberger, of the University of Maryland, testified on June 3, 2008, before the U.S. Senate Commerce Committee that, "By any objective assessment, the crude oil market is now overwhelmingly dominated by speculation, most of which is not subject to the age old controls imposed on speculators in these markets. One can easily see then how Goldman Sachs, a huge trader in these markets itself, could confidently predict that oil will soon reach \$200 per barrel."

Additionally, oil prices simply do not reflect the fundamentals of supply and demand. Tim Evans, an energy futures analyst at Citigroup, wrote on June 5, 2008, that "if demand growth is faltering and supply is rising, just as economics would predict should occur in the face of rising prices, just why are prices remaining so persistently strong?" Mr. Evans has raised a question that I hope this subcommittee will try and answer.

I would like to thank this subcommittee's interest in examining ways to regulate this activity. To whatever degree commodity prices are affected by speculation in the market, we must eliminate this unnecessary burden on our economy and we must do so quickly.

I believe that our efforts to deal with the current cost of fuel must be part of a comprehensive strategy. This strategy must first focus on what factors are driving the cost of diesel. Second, the strategy must include regulatory policies that will allow our industry to be better stewards of our resources, a strategy that can reduce our dependence on foreign oil and improve the quality of our environment.

We need an overall strategy that can improve fuel efficiency and safety while serving a US economy that will be twice its current size within the next 20 years. Trucks will continue to deliver most of our nation's goods. However, to meet the demands of our society, 87 percent more trucks will be required than are currently on our highways. This will further increase highway congestion, air pollution and will burn even more fuel.

In order to meet this challenge, we must consider policies to limit vehicle speeds; create incentives for adopting environmental and safety technologies; invest in highway system capacity, reduce highway congestion and safely improve vehicle productivity.

We must encourage the use of renewable fuels but as a part of a sensible National Fuel Standard. We must assess the true value proposition of renewable fuels such as corn-ethanol and bio-diesel. We must understand the implications of their production and the conditions of their use.

Increased domestic exploration and increased refining capacity must be encouraged when they can be expanded in an environmentally responsible fashion.

I have voluntarily invested tens of millions of dollars in virtually all of the fuel saving, safety improving technologies available on the market today. It is going to take more than that. It requires globally competitive regulatory changes to enable the continued evolution of the trucking industry to safely meet our nation's needs.

I have authored and offer a comprehensive strategy to meet the challenges we face. This document details specific action items and is titled U.S. Freight and Transportation Sustainability Initiative.

I appreciate this opportunity to offer my insight into measures that this nation should take to help address the high cost of petroleum.

Thank you.

**“U.S. FREIGHT AND TRANSPORTATION
SUSTAINABILITY INITIATIVE”**

Steve Williams
Chairman and CEO
Maverick USA, Inc.

January 2008

U.S. FREIGHT AND TRANSPORTATION SUSTAINABILITY INITIATIVE

THE CURRENT SITUATION

The United States economy depends on a multi-modal transportation freight network, a system that delivers more than 19 billion tons of freight each year at a value exceeding \$13 trillion. This means that on a typical day in the United States, more than 53 million tons of freight valued at \$36 billion moves on the nation's freight network.

Of all transportation modes, the trucking industry is the most popular for shipping freight, handling more than \$8.8 trillion each year, delivering 87 percent of all manufactured goods, and employing more people than the other modes combined.

“Whether measured by value, weight, or ton-miles of the composite estimates, trucking as a single mode (including for hire and private use) was the most frequently used mode, hauling an estimated 70 percent of the total value, 60 percent of the weight, and 34 percent of the overall ton-miles.”

“The Bottom Line”

*U.S. Department of Transportation Bureau of Transportation Statistics
(2002)*

Transportation modes are going to be challenged to meet the needs of the U.S. economy. The U.S. Department of Transportation projects that freight tonnage will more than double by 2035. Again, trucks and the people who drive them will continue to deliver most of this freight.

CURRENT AND PROJECTED SHIPMENTS BY MILLIONS OF TONS

Mode	2002	2035
Truck	11,539	22,814
Rail	1,879	3,525
Water	701	1,041
Air & Air/Truck	10	27
Intermodal (Includes water/truck; rail/truck; postal, courier)	1,292	2,598
Pipeline	3,905	7,172
Total	19,326	37,178

Source: U.S. Department of Transportation, Federal Highway Administration, Office of Freight Management Operations, Freight Analysis Framework, 2006

CURRENT AND PROJECTED SHIPMENTS BY BILLIONS OF DOLLARS

Mode	2002	2035
Truck	8,856	23,767
Rail	382	702
Water	103	151
Air & Air/Truck	663	2,455
Intermodal (Includes water/truck; rail/truck; postal; courier)	1,967	8,966
Pipeline	1,149	2,357
Total	13,120	38,399

Source: U.S. Department of Transportation, Federal Highway Administration, Office of Freight Management and Operations, Freight Analysis Framework, 2006

Unfortunately, the nation's infrastructure, particularly its bridges and highways, cannot accommodate current, much less projected, economic growth. For example, while the economy has doubled in size over the last 20 years, the total number of Interstate lane miles increased only 18 percent between 1980 and 2005.

More relevant is the pace of highway construction, which slowed over the same period. In fact, between 1991 and 2005, states added only 1,594 miles or 4 percent to our highway system. This lack of investment in system capacity has increased congestion and pollution while simultaneously reducing US productivity.

THE CHALLENGE

Fundamentally, the growth of the US economy necessitates that the trucking industry deliver more freight over an increasingly congested infrastructure while simultaneously improving highway safety.

Politicians must assume more responsibility to ensure that the trucking industry can meet this challenge. A lack of political will to raise federal taxes has spawned waves of unacceptable alternatives — decentralization, privatization and the subsequent tolling of existing highways and other so-called creative highway financing alternatives. Further, increasing highway safety cannot occur unless government provides the necessary funds to enforce safety regulations.

This current regulatory doctrine, our lack of investment in infrastructure and no rationalized transportation strategy puts this nation at a competitive disadvantage with other industrialized nations.

The trucking industry is further challenged to meet its objectives due to unprecedented fuel prices, necessary but expensive environmental protections, and a shortage of qualified drivers.

THE SOLUTION

The following legislative and regulatory recommendations are inter-related and mutually dependent. If adopted as a comprehensive package, the trucking industry will meet the needs of a growing economy safely, efficiently and in an environmentally friendly manner. These initiatives are not designed to impose economic regulation.

There are five legislative and regulatory sections:

Safety

Environment

Workforce

Infrastructure

Productivity

SAFETY

The following components will improve highway safety:

- increase minimum financial responsibility requirements for motor carriers from \$700k to \$5 million
- provide incentives to install Integrated Vehicle Based Safety Systems (IVBSS)
- mandate electronic on-board recorders (EOBRs) in all commercial trucks
- pass federal pre-emptive primary seat belt laws for all vehicles
- require increased training standards for entry-level truck drivers
- create a national database for commercial drivers who test positive on drug and alcohol exams
- create a national database to track commercial drivers that violate hours of service rules
- expedite FMCSA rulemaking pertaining to 391.25 (ENS) Employer

Notification System

- set a maximum speed limit for all commercial vehicles
- mandate speed governors on all commercial vehicles
- increase shipper responsibility for non-compliance of hours-of-service rules

Safety Highlights

The trucking industry must operate safely in an environment that will become more complex and congested. Stakeholders must be assured that the people who operate equipment are “privileged” to do so and are well-trained, highly skilled, drug and alcohol free, and sufficiently rested.

The use of various safety technologies such as collision avoidance, roll stability and lane departure systems can save lives. However, their use is currently voluntary and not widely implemented due to their initial cost. The broader use of Integrated Vehicle Based Safety Systems (IVBSS) should be promoted by providing a tax credit to purchasers of commercial motor vehicles equipped with certain advanced safety technologies.

The trucking industry is composed of large national enterprises as well as a host of small businesses. In fact, 91 percent of motor carriers are small businesses, operating 20 or fewer trucks. All trucking companies, whether the largest or smallest, operate in the same business environment, one that is extremely competitive with narrow profit margins. The mandatory use of electronic onboard recorders (EOBRs) in all commercial trucks, regardless of the company’s size, is the foundation upon which other system improvements can be built. Also required should be adequate funding to enforce mandatory compliance of EOBRs. The EOBR and the financial support required to insure its compliance are critical pieces to ensure that all segments of the industry operate on a “level playing field.” The EOBR and the financial support required to ensure compliance of hours-of-service is a critical piece allowing the industry a level playing field that is necessary to rationalize the industry’s further investment in the capacity needed to meet the demands of a growing economy.

If shippers are complicit in allowing motor carriers to ignore regulations, they should be held accountable. Carriers that consistently ignore federal hours-of-service rules should be tracked to determine if there are also commonalities among shippers with corresponding penalties accruing to these shippers.

Funding should be adequate to ensure a higher degree of compliance with federal

hours-of-service regulations, a factor that will further increase the cost of transportation however.

ENVIRONMENT

The following components will improve the environment:

- pass a pre-emptive Federal anti-idling mandate
- pass a federal bio-diesel mandate not to exceed a 5 percent blend
- provide incentives for early adoption of clean engine technology
- mandate speed limiting governors in all commercial vehicles, a measure that will conserve fuel and improve highway safety

Environmental Highlights

The trucking industry is committed to a clean environment. In fact, trucking was the first transportation mode to embrace advanced diesel engine emission control systems. Beginning in 2002, the industry began buying new engines that incorporated exhaust gas recirculation (EGR) and other emission control technologies that reduced harmful nitrogen oxide (NOx).

In 2007, new diesel engines were required by law to incorporate diesel particulate filters (DPFs) to reduce tailpipe emissions of particulate matter (PM) by 90 percent. These new regulations will ultimately result in a 90 percent reduction in NOx.

To enable the use of these new emission reduction technologies, the trucking industry began using ultra-low sulfur diesel fuel (ULSD) in 2006. ULSD now represents the vast majority of the on-road diesel fuel purchased in the US and has reined in sulfur levels to near-zero (15 parts/million).

These latest efforts to improve air quality continue a nearly quarter-century trend of reducing truck emissions. In 2002, on-road diesel engines contributed approximately one percent of the nation's total emissions of volatile organic compounds, carbon monoxide and sulfur dioxide, less than 1.5 percent of the nation's total emissions of NOx and account for less than 6 percent of the nation's greenhouse gas emissions.

Nationally, on-road heavy-duty diesel trucks produce half as much fine particulates as off road sources, including construction and farm equipment, locomotive, and marine vessels. When compared to the EPA's 2002 emissions inventory baseline, PM and NOx emissions from heavy-duty trucks will be reduced by more than 40 percent by 2010 and by more than 70 percent by 2020 due to stricter engine and diesel fuel standards.

The US can learn from its European counterparts by adopting incentives to encourage the early adoption of technology to meet clean engine mandates.

A national speed limit for vehicles should not exceed 65 miles per hour. Maximum truck speeds should be governed at no more than 65 miles per hour for new vehicles. The rate of speed by which a truck travels is directly related to fuel consumption. In turn, fuel consumption is directly related to levels of pollutants. On average, a truck traveling at 65 mph versus 75 mph will burn 27 percent less fuel. Through better speed enforcement for cars and trucks, dramatic improvements in air quality could be achieved.

The trucking industry supports the development of alternative fuels, including the use of bio-diesel when the percentage blended is limited to 5 percent.

The industry understands that cities, counties, and state governments want to limit pollution. However, adopting a variety of well-intentioned truck idling regulations throughout the country will create a myriad of confusing regulations. Further, these regulations often have a negative impact on the quality of life of drivers. They can actually increase driver fatigue and possibly jeopardize public safety. There must be a pre-emptive federal regulation to harmonize various state, county and cities ordinances for vehicles that operate in interstate commerce. A uniform standard of specifications must be established to insure the development and investment in technology solutions that meet a national standard.

WORKFORCE

The following workforce components will help ensure that the trucking industry can attract and keep qualified labor:

- targeted funding for driver training
- change DOL classification of truck driver from unskilled to skilled labor

Workforce Highlights

The demographics of our population have changed dramatically. Not only is the population from which the trucking industry hires shrinking more dramatically than the general population, their average age is increasing rapidly. While the gross domestic product (GDP) continues to increase demand, research indicates that the trucking

industry will need to hire an average of 54,000 additional drivers per year due to growth of the industry and retirement. The current driver shortage is estimated at 20,000 and is expected to grow to 111,000 by 2010.

There are fewer qualified truck drivers due to these changing workforce demographics. As demand for more drivers goes up, drivers will more likely operate in a more congested and challenging environment but will have less experience and be less qualified than today's operators. Training standards must be strengthened to ensure that tomorrow's truck drivers operate their equipment safely.

Adjusted for inflation, the average truck driver in the US is working for less money today than he did 27 years ago. In the future, increased demand for drivers who can comply with a more disciplined regulatory environment will command relatively higher wages. It is worth noting that these good paying "driving jobs" cannot be exported to other nations.

The federal government should include greater support for initiatives that will support the training of drivers of commercial vehicles. The US Department of Labor should change the classification of truck drivers from unskilled to skilled labor. There should be greater oversight of curriculum and performance standards for CDL schools. This will have a positive impact on not only the numbers of individuals eligible to operate trucks but will help their ability to operate them safely on our nation's highways. Currently, there are driving schools that are not much more than "CDL mills," more interested in graduating students and collecting tuition than in efficiently preparing men and women to operate commercial vehicles safely.

INFRASTRUCTURE

The following Infrastructure Components will provide the funding necessary to improve the nation's highways and bridges to meet the needs of a growing economy:

- dramatically increase funding for nation's highway infrastructure
- preserve the federal diesel fuel tax
- preserve the federal highway use tax (FHUT)
- preserve the federal excise tax (FET)
- promote greater Inter-modal (truck-rail) connectivity
- no privatization of the federal highway system
- ban toll road conversion of existing segments of the federal highway system
- develop a new federal network of freight corridors
- strategic placement of rest areas for commercial vehicles

Infrastructure Highlights

The current tax system for funding infrastructure works well. The system should offer the structural flexibility necessary to respond to the new fuel saving technologies that will come on line in the years ahead in the US commercial fleet market.

The combination of State Fuel Taxes, Federal Fuel taxes, Federal Highway Use Taxes, and Federal Excise Tax create a tax mechanism that works. The rates simply need to change to respond to improvements in fuel consumption and class of vehicle.

More importantly, the legislative and executive branches of government must have the political courage to raise our taxes, an action that the commercial trucking industry will support under certain conditions.

The trucking industry will support “what is required” in order to respond to this national crisis as long as these additional revenues are dedicated to highways of national significance or freight corridors. The federal government should use a centralized approach to build and maintain our highway system going forward.

The nation’s highways must accommodate its drivers safely. For example, truck drivers must have a sufficient number of rest areas and parking to ensure they receive the rest that federal regulations require. There is a current shortage of truck parking spaces along our nation’s primary freight corridors. Drivers who are forced to use exit ramps to sleep are being ticketed, disrupting rest cycles and yet no other options are available.

PRODUCTIVITY

The following productivity components will ensure that the trucking industry efficiently meets the demands for freight delivery while minimizing congestion:

- modify truck size and weight regulations
- protect state grandfather rights
- support 53 feet as the federal maximum and minimum trailer length limit on the National Highway Network
- harmonize western state LCV size and weight limits per The Federal Highway Administration’s Western Uniformity Scenario Analysis.
- allow limited use of longer combination vehicles (LCVs) operations beyond the Western Scenario states.
- increase the combined gross vehicle weight on semi-trucks with six axles to 97,000 lbs.

Productivity Highlights

Despite having the most developed highway system in the world, the United States has the most restrictive truck size and weight regulations of any developed country. At the same time, America's freight transportation demands are greater than any other nation.

While trains have gotten longer and planes and ships are larger, thereby increasing their productivity, the trucking industry remains in a holding pattern despite hauling most of the nation's freight. Congress froze all truck size and weight regulations more than 25 years ago. During that period, GDP grew from \$3 trillion in 1982 to \$12.5 trillion in 2005. The total number of vehicle miles traveled by commercial vehicles has grown proportionally on a National Highway System that has grown by less than 18 percent.

More Productive Vehicles (MPVs) should be allowed to operate in the US where it makes operational sense for them to do so. MPVs currently operate safely in various regions of the country. However, they are not allowed in other parts for various reasons, usually political, despite recommendations by the National Academies of Sciences' Transportation Research Board and the US Department of Transportation's 'Truck Size and Weight' study it released in 2000.

Not only do MPVs have a positive impact on the environment, they have a positive impact on highway safety. Their safety record is superior to their traditional counterparts. Additionally, MPVs reduce the number of vehicle miles traveled (VMT) therefore reducing risk.

Increasing truck size and weight regulations will reduce air pollution by 11-35 percent, depending on the MPV being used. Coupled with improvements in anti-idling technology, wide base tires, improved aerodynamics, lowering vehicle speed, new engine technology and with the properly scaled development and distribution of bio-diesel, our dependence on foreign oil could be cut in half in the near term (when measured by the ton mile).

CONCLUSION

Politics surrounding the upcoming federal highway reauthorization process and a current void in having a national transportation policy threaten to bring the nation's transportation system and the economy to its knees. Our leaders need to find their collective North Star.

Unless we find a way to upgrade our nation's largest public works project, the interstate highway network, our country could soon find itself at a competitive disadvantage in the global economy.

With the unprecedented growth of the trucking industry, of which 87 percent is truckload and 13 percent is less-than-truckload, since the industry was deregulated in 1980, the cost of trucking has declined to 4.8 percent of GDP, its lowest level on record. This trend cannot be sustained nor should it until radical changes are made in improving productivity (far exceeding state-of-the-art).

Logistics cost as a percentage of GDP will trend upward from the current low. Investments in technology to improve safety and the environment; investments in workforce training and development; investments in infrastructure will all come at a tremendous price and will drive up total logistics cost. In fact, every solution required to meet the challenge that we face will add cost.

Supporting this comprehensive trucking initiative will allow the industry to improve productivity safely and efficiently. This improvement in productivity, frozen for over a quarter of a century, will be the primary offset to mitigate the increased cost of transportation. However, more importantly, as transportation cost are poised to increase as a percentage of GDP, American consumers will be investing in transportation solutions that will allow the trucking industry to meet its charge to move the nation's freight while improving highway safety and the quality of the environment.