

# **SmartWay Financing**

## **Creating Sustainable Financing Strategies**

**SmartWay International Transportation  
Summit**

**Ann Arbor, Michigan**

**December 2-4, 2008**

# Deploy Innovative Financial Strategies

## Overview

- **Goal: Create innovative and sustainable financing for energy efficient and emission control technologies**
- **Phase 1: SmartWay Loan for Upgrade Kits**
  - *Traditional market rates and terms*
  - *Finance fuel saving strategies (e.g., APUs, aerodynamics, tires)*
  - *Difficult to finance after-treatment devices*
- **Phase 2: SmartWay 'Plus' Loan for cleaner trucks and equipment**
  - *More environmental controls = Better financing rates and/or terms*
  - *Finance exhaust after-treatment strategies (e.g., DPFs)*
  - *Make trucks and equipment with after-treatment less expensive than those without*

# SmartWay Upgrade Kit Technologies

## Idle Reduction Technology



## Single-Wide Tires



## Advance Aerodynamics

# Phase 1 - SmartWay Loan: SmartWay Upgrade Kit Example

Device	Cost/Unit (Retrofit)	PM Reduction	NOx Reduction	FE/CO <sub>2</sub> Change
Super Single Tires w/ alum. wheels	\$5,600	--	4%	4%
Trailer Aero Kit	\$2,400	--	5%	5%
APU	\$8,500	5% - 9%	9%	9%
<b>Totals:</b>	<b>\$16,500</b>	<b>5 - 9%</b>	<b>17%</b>	<b>17%</b>

**For a truck traveling 100,000 miles/year @ 6 mpg (16,667 gallons /year)**

- **Fuel savings:** 2,833 gallons @ \$4.50/gallon → \$12,748/year
- **Payback period:** \$16,500 / \$12,748 → ~1.3 years
- **or a 5 year loan @ 12% APR:**

<i>Monthly Fuel Savings:</i>	\$1080
<i>Monthly Loan Payment:</i>	(\$411)
<b>Monthly Cash for Driver:</b>	<b>\$669</b>

# Incentives for SmartWay Upgrade Kit

- Improving access to capital
  - Small Business Administration Loans
  - SmartWay Innovative Finance Grants
- SmartWay Finance Center
  - [www.SmartWayFinanceCenter.com](http://www.SmartWayFinanceCenter.com)
  - SmartWay created a web portal that allows truckers to apply for a loan online, where banks can compete for your business.
  - Over 2,000 users in 5 months
- Addressing Federal Disincentives
  - Excise tax relief for APUs, single-wide tires
  - Tax credits for energy efficient equipment
  - 400 lb weight waver for APUs

## \$3.4 Million SmartWay Clean Diesel Loans

- EPA has awarded \$3.4 million to support three loans programs to help small trucking companies reduce fuel costs and emissions
- Eligible equipment includes purchase of idle and emission reduction devices, and used trucks equipped with these devices
- Loans will be available from:
  - Community Development Transportation Lending Services, Inc.
  - Cascade Sierra Solutions
  - Owner-Operator Independent Drivers Association Foundation

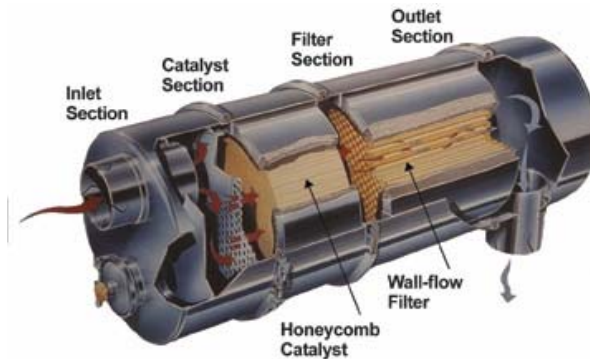
# Phase 2 - SmartWay Plus Loan: New Incentives for Cleaner Trucks

- **Longer terms and greater flexibility:**
  - A truck with PM filter costs \$100-200 per month less than same truck with out a filter
  - Can apply to all types of diesel vehicles/equipment sold
  - Requests lenders to offer mix of new incentives for loans
    - Extended terms
    - Lower interest rates
    - Less collateral
    - More rapid approval
    - Lower fees
    - State, property tax credits/exemptions
- **Benefits of Cleaner Truck Financing**
  - Changes question from “Why would I retrofit?” to “How much money will I save if I buy this clean truck?”
  - Improves monthly cash flow
    - For many small to medium size companies: Cash flow is the key to staying alive in business



# Exhaust After-Treatment Devices

- Diesel Flow Through Filter
  - Estimated cost: \$5,500
  - Reduce PM by 50%
- Particulate Matter Filters
  - Estimated cost \$10,000
  - Reduce PM by 80% – 90%





# Phase 2 - SmartWay Plus Loan: Truck and Bulldozer Example

<b>Trucks</b>	<b>2002 MY Truck on the Used Market</b>	
	<b>Standard Truck</b>	<b>Same Truck with PM Filter</b> <i>Extend loan by 12 months and lower interest rate to 6%</i>
Purchase Price:	\$55,000	\$60,500
60 Month Interest Rate:	12%	6%
Monthly Payment:	\$1,101	\$902 (\$199 less)
<b>Total Cost:</b>	<b>\$66,060</b>	<b>\$64,944</b>

<b>Construction</b>	<b>New Bulldozer</b>	
	<b>Standard Bulldozer</b>	<b>Same Bulldozer with PM Filter</b> <i>Lower interest rate to 8%</i>
Purchase Price:	\$250,000	\$265,000
60 Month Interest Rate:	12%	8%
Monthly Payment:	\$5,005	\$4,836 (\$169 less)
<b>Total Cost:</b>	<b>\$300,300</b>	<b>\$290,160</b>

## SmartWay Loan New

# WE'RE SHOWING YOU THE MONEY



## INTRODUCING FLEXIBLE LOANS TO BUY FUEL-SAVING TECHNOLOGY

If you're a small trucking business, we can connect you to loan funds. The way you like: rapid approval, minimal paperwork and no collateral.

You can use the money to purchase fuel-saving technology found in the SmartWay® Upgrade Kit. The Upgrade Kit includes idle reduction devices, low rolling resistance tires and advanced tractor and trailer aerodynamics. In every case, the fuel savings will pay for the loan and then some. For more info visit [www.epa.gov/smartway/financing.htm](http://www.epa.gov/smartway/financing.htm).



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