

Truck Efficiency & Reduced Idling Study Group

Draft Meeting Notes

Tuesday, June 29, 2010

1:00 p.m. – 5:00 p.m.

DEQ HQ



Attendance:

<u>Study group members</u>	<u>Others</u>
Emily Ackland – Association of Oregon Counties	Sharon Banks – Presenter - Cascade Sierra Solutions
Jim Anderson - Truck and Travel Truckstop	Dave Kayes – Substitute - Daimler Trucks North America LLC
Don Emerson - FMI Trucking	
Bruce Erickson – Oregon Department of Transportation	<u>Public</u>
Cynthia Hilton - Biggs Insurance; National Utility Contractors Association; Associated General Contractors	Holly Sears – Oregon Refuse and Recycling
Brock Howell - Environment Oregon	John Marsh - Webasto
Jay Letter - Unified Grocers, Inc.	<u>ODEQ</u>
Gary McClellan - Ray’s Towing; Oregon Tow Truck Association	Kevin Downing – ODEQ
Doug Pentecost - Cascade Sierra Solutions	Andy Ginsburg - ODEQ
Rakowitz, John – Oregon Chapter of Associated General Contractors	Shelley Matthews - ODEQ
Bob Russell – Oregon Trucking Associations	Uri Papish - ODEQ
Matthew Smith - Navistar	
John Sullivan - Loren’s Sanitation; Oregon Refuse and Recycling Association	
Catherine Thomasson - Physicians for Social Responsibility	
Rick Wallace - Oregon Department of Energy	
Chuck Williams - CalPortland Company	

Overview

Oregon's Truck Efficiency and Reduced Idling Study Group convened to provide input on DEQ's recommendations and report on truck efficiency and reduced idling, due to the interim legislative committees on environment and natural resources by October 1, 2010. The Group plans to hold meetings from April 2010 through July 2010. The following is a summary of the Group's discussion at its third meeting. Responses to questions and comments are shown in *italics* and represent responses DEQ provided to the committee at the meeting.

Welcome and Agenda

Chair Miguel Figliozzi was unable to attend this meeting and DEQ Program Operations Manager Uri Papish filled in as the Chair. He welcomed attendees and called the third meeting of the Truck Efficiency and Reduced Idling Study Group to order at 1:00 pm. Mr. Papish gave an overview of the Agenda (handout).

Draft Meeting Notes

Mr. Papish requested comments and approval on the draft notes from the committee's May 19th meeting (handout). The committee approved the notes with a recommendation to correct the reference to "foreign companies" on page 6 to "foreign countries." *Response: this was corrected.*

Oregon Heavy Duty Greenhouse Gas Measure (PowerPoint presentation)

Kevin Downing provided additional information on annual return on investment and years to payback at 6 mpg for both a single tractor and trailer and a single tractor with three trailers.

Discussion highlights:

- A member requested narrative to go with the tables in the presentation and expressed an interest in seeing a breakdown calculation of savings and costs. *Response: The final report will have text with the table.*

Innovative Programs for cleaner air, lower carbon and a better economy (PowerPoint presentation)

Sharon Banks, CEO and founder of Cascade Sierra Solutions, provided information on innovative financing options for technologies to enhance truck efficiency and reduce idling.

Sharon expressed that some lenders are reluctant to provide loans; they perceive the trucking industry to be sensitive to the economic conditions. In addition, loan amounts for truck efficiency and idle reduction technologies are low, while paperwork is high. CSS works with banks to provide financial packages of \$2 million or more.

Sharon also mentioned that banks are hesitant to finance after-market equipment. To get banks interested in providing loans for aftermarket equipment, she recommends credit enhancements, loan guarantees, revolving loan funds and loss reserves be provided.

Discussion highlights:

- A member stated that a drawback to CSS is that they only deal with a small portion of the trucking industry and it's impossible for them to deal with a large share due to the inadequacy of financing.
- A member expressed concern that small fleets will not drive into Oregon, California or other states because of costs associated with meeting regulations.
- A member expressed that the strength of DEQ's proposed regulation is that it's similar to California's.
- In spite of the fact that some of the vehicles travelling in Oregon also travel in California and are subject to their regulation, one member claimed that DEQ's proposed regulation would have an adverse impact on Oregon's economy because fleets would avoid the state.
- Another member countered that he doesn't feel the regulation would affect demand for trucking services or the economy. Compliance would impact the large fleets and corporations first, buying the smaller businesses some time.
- Members continue to stress the benefits of voluntary programs with education, training, monitoring (driver behavior and fuel economy), incentives and outreach to the trucking industry. They feel that if an owner and/or operator benefits, they'll participate.
- A member indicated that a lot of insurance companies are open to partnering with the trucking industry to provide discounts on insurance. For instance, discounts for vehicles with a modified GPS (measures vehicle conditions and drivers patterns). *Response: DEQ would like to meet with the member to discuss this further. There are other options to improve truck efficiency including increasing weight limits on trucks, freight only roadways, driver training, managing tire pressure and alignment.*
- Another member suggested that a grant could be written to purchase a Smith machine - driver training simulator - for drivers to use to practice on to save fuel and increase safety.
- DEQ mentioned that industrial facilities that violate regulations have an option to contribute funds to their local economy rather than to pay a fine. Some companies have paid for vehicles and equipment to be retrofit with emission control devices.

Responses: Regulations and education, outreach and incentives are not mutually exclusive. Regulations will save money by driving down costs. A regulatory framework can help by creating a demand for and supply of financing options. DEQ is also modeling their regulations after California's and many of the trucks travelling in Oregon are already subject to California's regulations. Further, DEQ's truck efficiency and reduced idling program will have provisions built in for deferrals and extensions, in the event that financing is inadequate.

We haven't discussed a mandatory operator training, but we can consider setting-up a complementary program for training and other incentives.

Existing Oregon Financial Assistance/Incentive Programs

Rick Wallace, Oregon Department of Energy, provided copies of the new BETC application and rule language.

Eligible BETC project requirements:

- Older trucks – APU's only now (no tires, no aerodynamics)
- New trucks – APU + aerodynamics, wheels, and auto inflation, but APU must be with it

- No longer part of conservation program
- DOE uses Smartway efficiency measures and EPA data to calculate savings – still have to meet 10%
- Trailer has to be connected to tractor - one trailer per tractor
- Previously required to show cab card - now more restrictive (YA or YC plate needed). Provide two most recent calendar years of International Registration Plan billing notices that documents percentage of vehicles annual mileage that was driven in Oregon.
- Simple payback period changed to 2-15 years

Discussion highlights:

- One member noted that the objective of the changes is to contain overall costs of the BETC program.
- A member stated that the BETC program is severely restricted; no trucks qualify for the BETC program as of today. It would be difficult to fund the program to the level necessary to be successful.
- Another member pointed out that many of the truck efficiency and idling technologies are beneficial primarily to medium to large fleets. Focusing on the largest fleets and long-haul drivers gives the biggest bang for the buck.
- As in previous meetings, a member proposed that we need to work with the EPA to develop national regulations/standards so manufacturers and the trucking industry will know the rules and to ensure a level playing field.
- A member stated that we need to acknowledge the different classes of trucks in our proposed regulations: small local trucks versus medium to large long-haul. *Response: HB 2186 directs DEQ to recommend potential requirements to reduce aerodynamic drag and greenhouse gas emissions in medium and heavy duty trucks only. However, we were directed to look at all classes for idling.*
- DEQ staff asked whether the BETC rules apply to the State Energy Loan Program and the DOE rep indicated they do not as they are separate programs.
- A member informed the group that the EPA is working on regulations for new heavy-duty vehicles and the regulations will likely apply to equipment that won't have the best payback/ROI. He feels the BETC program could provide additional funding to make marginally fuel efficient equipment more favorable. *Response: Once the requirements are met, BETC and other incentive programs would sunset.*

Response: If we adopt a truck efficiency program similar to California, we'll lay out a plan and phase-in schedule well in advance to provide lead time for truck owners to seek financing and make use of other incentives.

California's Air Resources Board Heavy Duty Vehicle Air Quality Loan Program and the Smartway Finance Center

Mr. Downing provided handouts and information detailing these programs.

- 1) California's Air Resources Board Heavy Duty Vehicle Air Quality Loan Program: In partnership with the State Treasurer's Office (STO), the Air Resources Board (ARB) has developed an innovative heavy-duty vehicle air quality loan program to provide financial assistance to truckers affected by the Proposed Statewide In-Use Truck and Bus Rule and

the Proposed Heavy-Duty Vehicle Greenhouse Gas Emission Reduction measure. The loan program guarantees loans for small trucking fleets that experience difficulties obtaining competitive rate loans in today's tight credit market. This program has provided over 250 loans totaling 16 million to date and has a default rate of less than 1%.

- 2) Smartway Finance Center: EPA and its contractor, IBank, provide this web site as a service to the trucking industry to bring interested buyers and lenders together for the purchase or lease of vehicles and technologies that conserve fuel and reduce emissions.

Discussion highlights:

- A member asked us to define the universe of trucks that will be impacted by the truck efficiency regulation: in state vehicles and/or out-of-state vehicles operating in Oregon. Another member provided an example; Oregon companies travelling 50% in California are eligible for a loan guarantee program. *Response: There are approximately 46,000 trucks based in Oregon, a smaller segment pulls 53 ft. trailers). The decision to provide financing to out-of-state vehicles travelling in Oregon is a policy issue.*
- A member responded that Oregon companies travelling 50% in California are eligible for the loan reserve program.
- A member stated that regardless of whether we adopt a regulation, we should incent early adoption of fuel efficiency measures. *Response: This is possible as part of the phase-in schedule and could be accomplished by providing additional credit for early adoption.*

Outline and Compliance Schedule for Proposed Oregon Heavy Duty Truck Greenhouse Gas Measure

Mr. Downing went over the outline and compliance dates for Oregon's heavy duty truck greenhouse gas measure (handouts) and requested high-level comments. He also explained the choice of 2015 to begin the phase in. Andy pointed out that the years are subject to change.

- 1) Outline for Proposed Oregon Heavy Duty Truck Greenhouse Gas Measure:
 - Heavy duty tractor and 53 foot trailer requirements and exemptions
 - Optional fleet compliance schedules
 - Requirements for drivers, owners of heavy duty tractors and box-type trailers, motor carriers, and Oregon-based brokers and shippers.

Discussion highlights:

- A member recommended that the proposed regulation specifically exempt intermodal containers.
- A member asked who is responsible for truck efficiency violation/tickets (owned vs. leased vehicles) and where the fines will go. *Response: Currently owners are responsible for violations. Compliance is primarily through a fleet plan; drivers are not required to carry a plan. Someone won't be able to look at a particular vehicle and tell if it's in compliance; the question is whether the fleet is in compliance. There is also a long phase-in schedule. If a fleet can't get financing then the compliance schedule is pushed back a year. Compliance will be enforced through the audit of fleet plans.*

Fines can be used to upgrade trucks. California has a four year head start and we can look to their experience in formulating compliance measures.

Compliance would default to Division 12. There are 3 classes of violations with penalty tables. Small business is typically assessed smaller amounts and the fines address economic values gained from the violation and whether the violator came back into compliance. Programs like this are education and outreach driven, not enforcement driven; usually 1-2 warning letters are issued before assessing penalties. We can show the group those figures.

- A member indicated that California's program is fine driven (not education), and enforcement is a stumbling block in California's regulations due to lack of engagement by the enforcement division.

Response: Andy Ginsburg reiterated that the recommendations made to the legislative committees will be part of a DEQ report, not a study group report. We will include the group's views, concerns, etc. in the report and the Governor will ultimately decide if a bill is introduced to the legislature.

We are currently working on a legislative concept that describes the truck efficiency and idling program in enough detail to adopt this rule only, not some other rule. Our goal is for the statute to be specific enough to address only this program. The statute will not be included in the report to the legislature.

- 2) Compliance Dates for Heavy Duty Greenhouse Gas Measure: This report provides a comparison of Oregon and California compliance schedules for large and small fleet trailers. Oregon's schedule coincides with California's with a four year lag; California's requirements are phased-in between 2011 and 2017, while Oregon's phase in from 2015 to 2021.

Additional discussion on idling

- A member stated that model year 2007 and newer engines should not be subject to the idling regulations. *Response: Our legislative directive is to reduce greenhouse gas emissions. The 2007 and newer engines emit less particulates, but are not significantly more efficient at reducing greenhouse gasses. We are also proposing to defer compliance and are providing an education and outreach up front to encourage as much compliance as possible before the regulations go into effect. We will also issue warnings prior to ticketing violations.*

Conclusion:

Uri Papish informed the group that the next meeting will be on July 29th at DEQ Headquarters from 8:30 am - 12:30 pm. and will discuss program funding, the draft report to the legislative committees, and idling enforcement. He also asked the group what they would like to cover at the next meeting and opened the conversation to public comment. There was no public comment.