



## Submission to the House of Commons Standing Committee on Finance 2011 Pre-Budget Consultations



August 2011

### **Canadian Trucking Alliance:**

- Federation of all of Canada's provincial trucking associations.
- Representing over 4,500 motor carriers.
- Most are small, family-owned establishments.

### **Trucking Industry:**

- Handles 90% of consumer products and foodstuffs.
- Two-thirds of Canada-US trade.
- Service is what distinguishes trucking from other modes.
- No other mode able to provide time-sensitive, door-to-door service to every community, business and individual in the country.
- Employs an estimated 388,000 workers.
- In 2010 contributed almost \$17 billion to Canada's GDP – more than air, rail and marine transportation combined.

Canadian Trucking Alliance

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# Trucking as a Leading Economic Indicator

- Trucking is a leading indicator of economic activity.
- Canadian trucking industry is emerging from recession which saw drop in volumes of about 30%.
- Domestic economy has rebounded impressively but the outlook remains cloudy due to an uncertain economic outlook for the US, the high value of the Canadian dollar and escalating fuel prices.
- Southbound shipments to the United States, the industry's major market and source of growth for over 20 years, remain very weak.
- Cross-border truck trips remain well below pre-recession numbers.
- This creates challenges for equipment utilization and profitability.
- Freight rates continue to lag behind the pick-up in economic activity.
- Combined with economic uncertainty, tight access to capital has led to a drag on investment in new equipment. As a result, fleet is aging when carriers should be replacing older vehicles and investing in GHG compliant trucks and aftermarket devices to reduce GHG from the existing fleet.

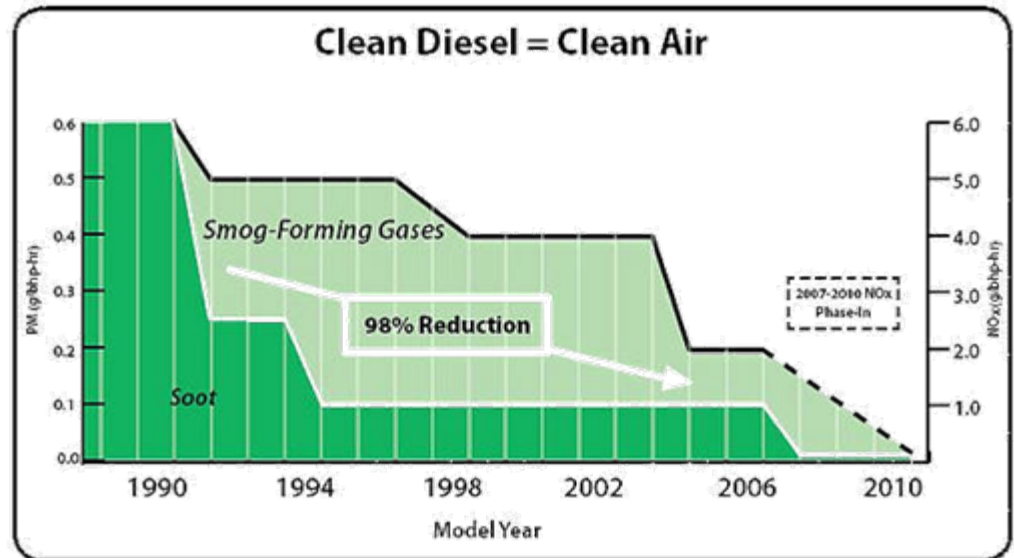


# Impact of Emissions Regulation

- Few if any other industries – certainly not in transport sector -- subject to such a high level of emissions regulation.
- Focus has been on eliminating emissions that contribute to smog (PM, NOx).
- Since 2010 all new engines are smog free.
- However has come at a cost – higher purchase price, more costly to maintain AND fuel efficiency penalty.
- New biodiesel mandate will exacerbate situation: increase price of fuel, reduce fuel economy and increase maintenance costs.
- Environment Canada now turning attention to GHG emissions from heavy trucks which is almost entirely function of fuel consumption.
- NRTEE report (2007) said improving truck fuel efficiency is *second largest single GHG reduction opportunity for Canada after carbon capture & sequestration*.
- So while federal air quality regulations are driving fuel consumption up, federal government preparing fuel economy regulation.
- However, regulation will focus only on the *tractor and engine* where limited gains in fuel economy can be realized.

## Emissions Regulation: Trucking

Year	Regulation	Cost Impact	Fuel Efficiency
2007	Eliminate PM	+ \$8,000/unit	-2% to -4%
2007	Ultra Low Sulphur Diesel	+\$0.02/L to \$0.04/L	-2% to -3%
2010	Eliminate NOx	+\$10,000/unit	-2% to -3%
2011	Biodiesel Mandate	+\$0.01 to \$0.08/L	-2% to -3%
2012	Fuel Economy Std.	TBD	TBD



Source: U.S. Environmental Protection Agency On-Highway Heavy Duty Diesel Emissions Reductions

# Why the Time is Right

## Fuel Costs Climbing

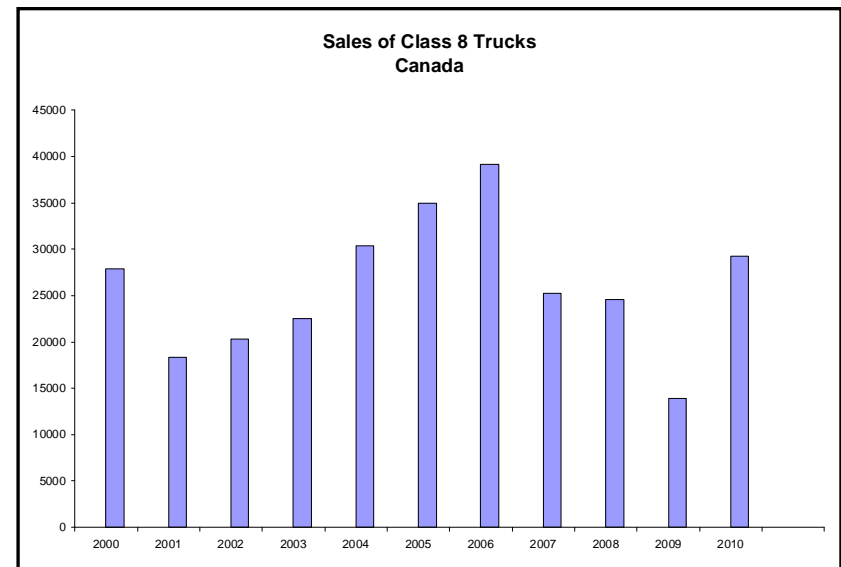
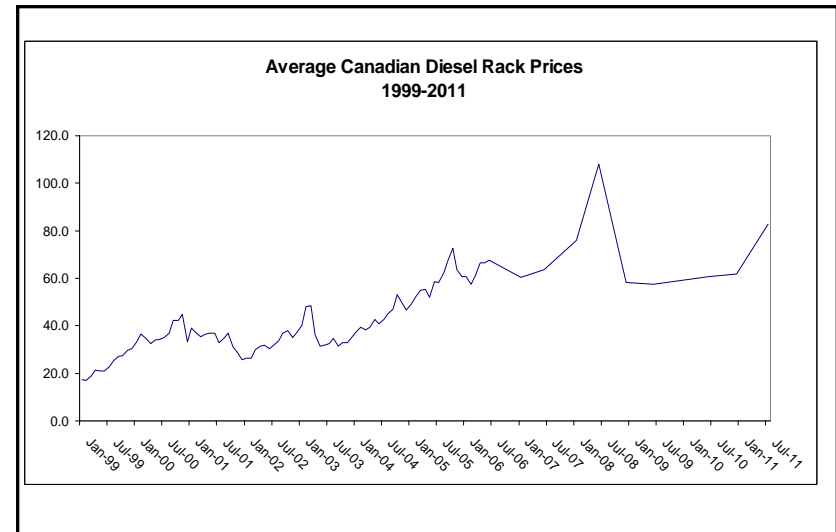
- Fuel 2<sup>nd</sup> largest component of cost.
- Wholesale diesel prices up 35% year-over-year.
- Approaching 2008 levels when Prime Minister promised to reduce excise tax on diesel fuel by 50%.

## Fleets Need to Re-Tool

- During recession truck sales plummeted.
- Carriers delayed re-tooling of fleet, extended age of fleet and glut of used equipment.
- Economic uncertainty, lag in rates, tight access to capital continue to be a drag on investment.
- Sales of new trucks have begun to pick-up but replacement only.

## Government-Industry Interests Are Aligned

- If ever there was a time to incent carriers to make choices consistent with government environmental objectives, it is now.
- Canada wants to meet GHG targets.
- Industry needs to recoup fuel economy loss from emissions regulation/biodiesel mandate.
- Proposed fuel economy standard for heavy trucks a start but will have only limited impact; new tractors and engines only and truck buyers will not be compelled to purchase trucks that meet GHG regulatory standards. They will still have choice.



# What Can Be Achieved

- CTA *enviroTruck* initiative marries mandated new, smog-free truck engines with proven technologies and devices for tractors and trailers to improve fuel efficiency and therefore reduce GHGs.
- Consistent with USEPA Smartway.
- If Canadian fleet (300,000 Class 8 trucks) adopted full package, fuel consumption reduced by 4.1 billion litres and GHG reduced by 11.5 million tonnes each year.
- Equivalent to taking 2.6 million cars or 90,000 trucks off the road.
- Another way to look at it: Two trucks travelling Vancouver to Toronto (4,400 km) – one equipped with *enviroTruck* devices yielding 17% fuel savings. The one without these devices would run out of fuel around Wawa, ON -- 750 km short of Toronto. *enviroTruck* would make it all the way.
- Payback over time but upfront costs.
- Environmental premium for new tractors, lack of financing especially for retrofits.

## GHG Reductions from *enviroTruck* Technology

<b>enviroTruck Technologies &amp; Devices</b>	<b>Annual Fuel Savings</b>	<b>Annual GHG Savings/Truck</b>	<b>Cost (\$/Unit)</b>
Anti-Idling (APU)	90% (idle fuel)	13.5 tonnes	\$7,500
Tractor Aerodynamics	2%	2.5 tonnes	\$1,050
Low Rolling Resist. Tires	5%	8.5 tonnes	\$500
Gap Fairings	2%	2.5 tonnes	\$900
Trailer Side Skirts	4%	5 tonnes	\$1,700
Rear Trailer Aerodynamics	6%	7.5 tonnes	\$3,150



# How It Can Be Achieved

## 1. Purchase of New “GHG Compliant” Tractors

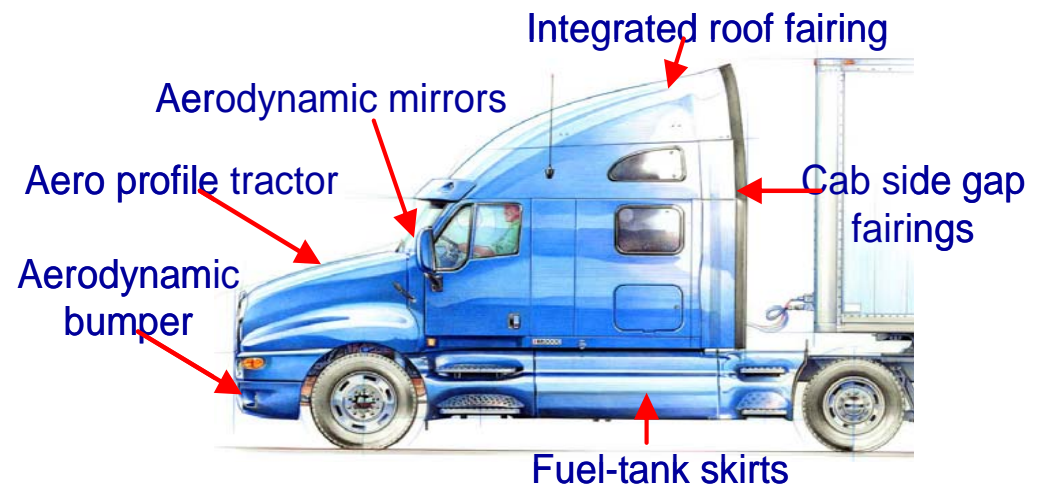
- Canadian CCA rates for new tractors should be accelerated to quicken fleet turnover and incent purchase of heavy trucks which meet the new GHG standard .
- US carriers will have same GHG standard but can write off tractor in 4 years; in Canada tractors are 8 year asset.
- 2008 budget accelerated CCA rates for railways to assist with *proposed* locomotive emission regulations.
- Manufacturers receive one-year depreciation for environmental technology.
- Why has trucking - already complying with tough engine, fuel standards - not received similar consideration?
- Include alternative propulsion systems (e.g., electric hybrids, liquefied natural gas, etc.) , which are ready for prime time.
- Quebec has accelerated CCA rates for tractors to 60%, and trucks powered by Liquefied Natural Gas (LNG) to 85% on top of that.

## 2. Retrofit Existing Fleet (Tractors AND Trailers)

- Time-limited, retrofit program for equipping existing fleet of tractor-trailers with designated aftermarket fuel efficiency technologies and devices.
- Complement heavy-truck GHG regulation (will cover new tractors only).
- Use USEPA Smartway designation for eligibility.
- Program would comprise rebates/grants.

## Comparison: Canada-US CCA Rates for Tractors

Yr	Canada		United States	
	Annual (%)	Cumulative (%)	Annual (%)	Cumulative (%)
1	20.0	20.0	33.3	33.3
2	32.0	52.0	44.5	77.8
3	19.2	71.2	14.8	92.6
4	11.5	82.7	7.4	100.0
	Balance	17.3	Balance	0.0



# Where the Rubber Hits the Road

## Mindful of Fiscal Constraints

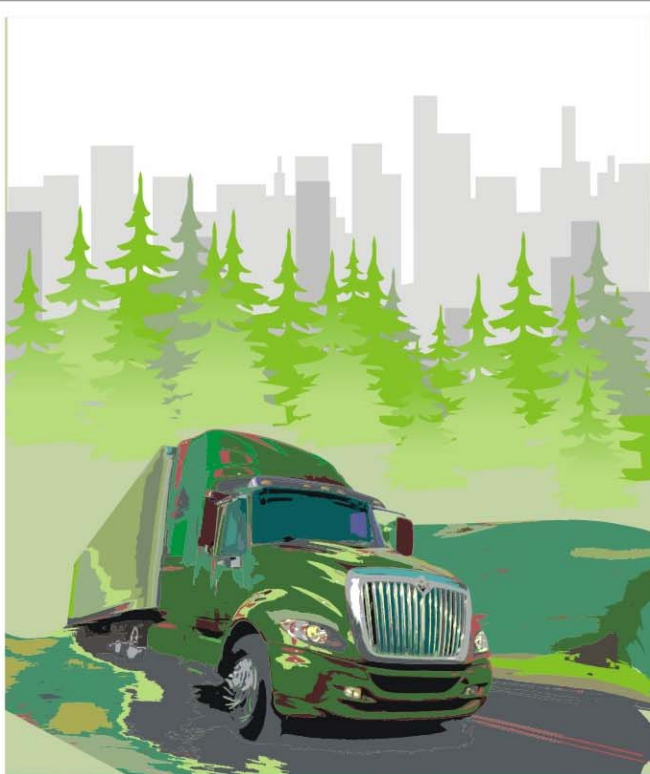
- Now is not the time to be recommending new, expensive measures .
- Recommendations will have little impact on federal finances, but tremendous GHG reduction impact and support Canadian manufacturers of the technology.

## CCA Rate Acceleration Limited in Scope

- CCA rate acceleration will be for new “GHG compliant” tractors only – not all new tractors and not for existing fleet.

## Paying for a Retrofit Program

- Previous experience suggests significant payback to society for modest investment.
- Previous NRCAN program for auxiliary power units (APUs) had rebate of 20% of cost and generated \$31 million in private investment for \$6 million in government spending.
- In addition, commitment was made by Prime Minister in 2008 to cut the 4 cent/litre diesel excise tax in half.
- Instead, CTA receptive to using revenues to fund retrofit program.
- Excise tax on diesel generates about \$1 billion per year in revenue. Truckers pay lion’s share. 50% reduction yields \$500 million. If half devoted to rebate program \$250 million would be available.



**Delivering A Greener Environment**

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