Testimony of

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Regarding

DRILLING FOR A SOLUTION: FINDING WAYS TO CURTAIL THE CRUSHING EFFECT OF HIGH GAS PRICES ON SMALL BUSINESS

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Good morning Chairman Tipton, Ranking Member Critz, and distinguished members of the Subcommittee. Thank you for inviting me to testify on matters which are extremely important to our nation's small business trucking professionals and professional truck drivers.

My name is Dick Pingel. I live in the village of Plover, Wisconsin, and have been an owner-operator trucker for the past 28 years. I am a member of OOIDA, and currently run a one truck operation, Finally Trucking Company, hauling food around the country.

As you are most likely aware, OOIDA is is the national trade association representing the interests of independent owner-operators and professional drivers on all issues that affect small-business truckers. The more than 152,000 members of OOIDA are small-business men and women in all 50 states who collectively own and operate more than 200,000 individual heavy-duty trucks.

The majority of the trucking community in this country is made up of small businesses, as 93% of all carriers have less than 20 trucks in their fleet and 78% of carriers have fleets of just 6 or fewer trucks. In fact, one-truck motor carriers represent nearly half of the total number of motor carriers operating in the United States.

I have been asked to come here today to speak on behalf of OOIDA and my fellow professional drivers about the impact that high fuel prices are having on the trucking industry, especially small business truckers like me who personally experience the costs of high fuel prices every day when we fill up our trucks and take to the road. Unlike many industries around the country, the trucking industry is not made up of a small number of major entities who can spread increased fuel costs across their business units; for a large part of the trucking community, when a trucking company pays for fuel, it comes out of the drivers pocket.

Sadly, the impact of fuel prices on the livelihoods of truckers is a story we have told to Capitol Hill many times before. Today, as before, the rising cost of fuel is causing harm to the trucking industry as we know it, especially to small business truckers who are already living load to load. Across this nation, small business truckers are experiencing unprecedented operating cost increases and are being forced to make tough decisions in the name of saving their businesses and providing for their families.

However, unlike past fuel price increases, the recent increases in the costs of fuel are not occurring in isolation. Over the past few years, the trucking industry has been laboring under a steadily increasing amount of safety, security and environmental regulations. While some regulations are necessary to further our overall societal goals, recently, trucking has been assaulted by a barrage of unnecessary and costly regulation which, when coupled with the rising cost of fuel, are certain to force many small business truckers to park their truck.

Just this Monday, diesel's national average jumped to over $4 per gallon for the first time since September 2008, gaining 10.2 cents to $4.078 a gallon, with some drivers in some states seeing fuel prices approaching $4.50 a gallon. To put this into perspective, each time the price of a gallon of diesel fuel increases by a nickel, a trucker's annual costs increase by $1,000. Diesel prices today are around $1 higher than they were this time last year, resulting in an enormous extra burden on the small business trucker whose average annual income is only approximately $37,000. The urgency for action to help truckers survive grows with every additional cent they must pay at the fuel pump.

On behalf of America's small business truckers, I thank the Subcommittee for this opportunity to highlight some actions that OOIDA feels would address the challenges facing our industry from high fuel prices. We recognize that this problem will not be fixed overnight, but that steps can be taken now that will have a real impact to drivers.

<u>Addressing Fuel Use within the Trucking Industry: Focusing on Real Solutions</u>

Small-business truckers operate in a hyper-competitive market, so managing their number one expense, fuel, is imperative for their survival. In our marketplace, we often see costs increase without any corresponding rate increases; as such, the only way to survive is to become even more efficient in how one operates their truck.

Some have suggested that the best way to address fuel usage within the trucking industry is to adopt technology mandates with an eye towards improving fuel economy. From the perspective of small business truckers, we certainly recognize that many of these new technologies, such as APUs to reducing idling and side skirts to improve trailer aerodynamics, can and do have an impact on improving fuel economy and saving drivers money. However, the use of these technologies must be determined in light of their purchase cost, the fuel savings achieved from their use, and if their installation and use fits with the operating model used by the individual driver and the conditions they operate within.

As professional drivers, OOIDA members recognize that the best fuel saving device on any truck is a well trained and experienced driver. The National Academy of Sciences study titled "*Technologies and Approaches to Reducing the Fuel Consumption of Medium-and-Heavy-Duty Vehicles*" supported this first-hand experience by stating that driver training offers potential savings for the trucking industry rivaling the savings available from technology. The opportunities for fuel savings are significant and indicators are that this could be one of the most cost-effective and best ways to reduce fuel consumption. Professional drivers always drive with an eye towards saving fuel, when fuel prices are high and when they are low because their business survival depends upon it.

However, some are calling for the installation and requirement of technologies within trucks that would only serve to take the fuel saving capabilities of a trained driver out of the equation. Fuel conservation is complicated and can depend on a number of variables including tire pressure, gear ratio, and road conditions. Selling speed limiting devices as a cure all for achieving increased fuel conservation is disingenuous and not supported by any existing real world studies. As professional drivers like myself know, reducing fuel use isn't a science, it is an art, and one that we pride ourselves on being masters at.

Instead of focusing on one-size-fits-all technology mandates, there are significant steps that Congress and the regulatory agencies can take to help small business truckers reduce the cost of operating a truck, including those related to fuel usage, such as the following:

Stop New, Costly Regulations

Over the past 5 months, the trucking industry has had to address 15 new major regulatory rulemakings, almost all of which would add significant costs to truckers while providing limited true public benefit. This comes on top of the additional costs that drivers are paying today for past regulatory efforts. In this context, the impact of today's high fuel costs is clear. By pursuing new regulatory technology mandates, which would create a significant cost for small business truckers, such as electronic on board recorders, speed limiters, and revisions to hours of service regulations, this administration is heaping an unprecedented burden on the small operations who cannot disperse the costs. Small business truckers, who often have decades of experience on the road and are often the ones behind the wheel of the truck with their skin and bones on the line need immediate relief from some of these abusive regulatory pursuits which often serve to only promote large corporate motor carrier interests.

Ensure Drivers Receive Fuel Surcharge Payments

For a wide variety of reasons, owner operators and small business truckers such as myself seldom deal directly with shippers. Most of their freight comes through brokers (third party logistics companies) if they are true independent operations or through a larger trucking company if they are leased as independent contractors. Mid-size trucking firms often have contracts with shippers for 'front hauls', but depend entirely on brokers for 'back hauls'. As I previously mentioned, these small and midsize trucking operations make up the vast majority of the industry. As opposed to large corporations, they are the ones getting particularly hard hit by fuel prices.

Due to the dynamics of the trucking marketplace, truckers are often constrained from adjusting their base freight hauling rates. For many years, the only viable marketplace solution to high or erratic fuel prices has been the application of a surcharge. It is an established means by which trucking companies are able to vary their pricing to respond to higher or lower fuel costs. With diesel prices consistently rising, shippers are paying more now in fuel surcharges to get their freight moved than ever before. Unfortunately, all too often motor carriers and transportation brokers push shippers to pay higher fuel surcharges, but may pass along only a portion, or sometimes nothing at all, of those surcharges to the truckers who are actually hauling the freight and paying the fuel bill. Congress or appropriate Executive Branch departments should act to address this issue and ensure that fuel surcharges paid by shippers are being passed along in full to the individuals who pay for the fuel to haul those shippers' freight.

Address Excessive Detention Time

Shippers and receivers routinely make truckers wait for considerable amounts of time before they allow them to load or unload their trucks. Drivers, including myself, routinely arrive at loading facilities with little or no idea how long they will be there. When detained while delivering refrigerated freight, my refrigeration unit must run the entire time I am waiting, wasting fuel while I await my turn at the dock.

Known in the industry as "detention time," most shippers do not pay for this time and have little financial or regulatory incentive to make more efficient use of drivers' time or fuel. It is common for a driver to pull into a shipping or receiving facility and wait for 2 hours or for 10, in many cases using fuel. Reasonably addressing detention time, either through limits or guaranteed detention pay, would truly reflect the cost of detention on the supply chain, including the increased use of fuel during these periods.

Advancing Driver Training

As noted above, putting well trained drivers behind the wheel is the number one way the trucking community can reduce its fuel use. To this end, OOIDA and its membership of professional drivers has consistently been a strong proponent of Federal efforts to develop and impose mandatory, comprehensive driver training and licensing requirements for entry-level truck drivers.

At present, FMCSA regulations require entry-level drivers to be trained in only four subjects – driver qualifications, hours-of-service, driver wellness and whistle blower protection – all of them unrelated to the hands on operation of a commercial motor vehicle. In 2008, FMCSA moved forward with the first step in issuing regulations that would expand the required training for Class A drivers to include a minimum of 44 hours behind the wheel training in addition to 76 hours of classroom training. While nearly all of this training will pertain directly to the operation of a commercial motor vehicle, little to no time will be spent focusing on fuel efficient driving techniques. OOIDA feels that the required training is a unique opportunity to instill these strategies with new drivers, and calls upon FMCSA to expand their proposal to cover this important area of commercial motor vehicle operation.

Domestic Energy Resources: Increasing Production to Mitigate Price Spikes

Like all businesses, small business truckers prefer predictability. They like to have predictable loads, predictable weather conditions and traffic, and most of all, predictable fuel prices. During these times of predictability, we are able to manage our businesses in a way that positions us for future growth, benefiting the overall economy.

Today, as in 2008, we are now forced to manage for survival, as fuel cost increases have a direct impact on our bottom line. While most discussions of fuel costs on the trucking industry rightfully focus on the tractor, these increases have wide standing impacts. Let me use my own experience to illustrate. I use a refrigerated van to haul food products, especially dairy products from Wisconsin producers, and my refrigeration unit uses diesel to operate. Since the last price spike, I could count on the tank for the “reefer” costing about $50 to fill up; however, in recent months the cost to fill this tank up has increased to $100. The $50 that I am now spending on this necessary part of my business once went to investing in other areas, but that now has stopped.

The impact that these price spikes have on the small business trucker are devastating, halting investment and potentially forcing drivers to default on the loans that finance their trucks. In the past, domestic energy production has helped mitigate price spikes based on international conditions, but the limitations on production currently in place have helped pass along to truckers the energy price increases related to unrest in the Middle East far more quickly than in the past. There can be no doubt that the fuel prices truckers pay today are dramatically impacted by speculation in the petroleum markets. When a potential supply disruption occurs thousands of miles away and results in a price change in truck stops across the country that very same day, there is a level of volatility in the market that is not connected to any true measure of energy supply.

OOIDA and its members support efforts to expand energy production here at home, from the Gulf of Mexico to the new oil-shale opportunities in the West and urges Congress and the Administration to take actions to proceed with new developments and to restart exploration and production operations currently under constraint. This is especially true of areas in the Gulf and of the area off the shore of Virginia that have seen their leases canceled or delayed. It is difficult for truckers to understand why there will be no new offshore lease sales this year, the first time that has occurred since 1958, when fuel prices are this high.

Additionally, there needs to be action to reduce the regulatory challenges faced by producers as they look to locate and develop new sources of energy. These regulatory challenges, including significant overlaps in agency responsibility, are especially difficult for small energy producers to navigate. Much like the small business truckers I am here speaking on behalf of, these small producers often operate drilling lease to drilling lease and do not have large international operations to leverage against should government delays slow down their progress. In containing the reforms to the Department of the Interior's energy development process, Congress and the Administration should focus on ensuring that regulatory requirements will achieve their desired intent and not simply add new requirements to industry for the sake of adding requirements. We in the trucking industry have experienced such actions first hand, so we speak from experience.

Conclusion

Mr. Chairman and members of the Subcommittee, I thank you again for the opportunity to testify today. If there is any industry that reflects the small business heart of this nation, it is the trucking industry and the community of small business owner-operators that make up its core.

As professional drivers, we see the impact of high fuel prices every day, and we understand what it takes to control fuel usage. Unfortunately, today's high fuel costs are only adding to the challenges imposed upon the industry from numerous, costly government regulations. We look forward to working with this Subcommittee and the entire Congress to find solutions to address our nation's energy challenges while ensuring that regulation of our industry is focused on promoting safety, not simply mandating one-size-fits-all technologies.