



AMERICAN
TRUCK DEALERS
A DIVISION OF NADA

Statement of the American Truck Dealers
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Submitted for the Hearing Record
“Cleaner Vehicles: Good for Consumers and Public Health”
U.S. Senate Committee on Environment and Public Works
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Chairman Carper and Ranking Member Capito, the American Truck Dealers (ATD), a division of the National Automobile Dealers Association, appreciates the opportunity to submit comments for the record. Our comments will highlight the U.S. Environmental Protection Agency’s (EPA) final rule entitled “Control of Air Pollution from New Motor Vehicles: Heavy-Duty Engine and Vehicle Standards,” as Congress seeks to better understand the impacts of these stringent new federal emissions standards. ATD represents over 1,800 franchised commercial truck dealerships who employ more than 144,000 people nationwide. Recently, ATD helped launch the Clean Freight Coalition, an alliance of truck transportation stakeholders committed to a clean energy future.¹

In March 2022, EPA published a proposal to implement the Cleaner Trucks Initiative (CTI), first announced in November 2018.² Among other things, the CTI aimed to update current 2010 heavy-duty on-road engine (HDE) oxides of nitrogen (NO_x) emission standards, increase the stringency of the existing Phase 3 greenhouse gas (GHG) mandates, streamline certain HDE emissions testing and certification procedures, and establish strategies to enhance long-term in-use emission performance.

The American trucking industry, which has an essential role in the economy, has made tremendous progress in reducing emissions and protecting the environment as it continues its efforts to reduce greenhouse gas emissions from freight transportation.³ Our statement focuses on EPA’s final heavy-duty engine rule and serious concerns regarding its potential impacts on commercial motor vehicle (CMV) sales, fleet turnover, and affordability and reliability of the truck CMV market. Implications regarding EPA’s recent proposal entitled “Greenhouse Gas Emissions Standards for Heavy-Duty Vehicles – Phase 3” are also highlighted.

¹The Clean Freight Coalition is a comprised of truck dealers, motor carriers of every size and sector and truck manufacturers. The coalition aims to educate policymakers regarding the facts on how clean and green today’s new trucks are and the need for sound policies that lead to deployment of these new trucks that also assures affordable and reliable freight transportation and protects the nation’s supply chain. There are five official members of the Clean Freight Coalition: the American Truck Dealers, the American Trucking Associations, National Tank Truck Carriers, the Truck & Engine Manufacturers Association, and the Truckload Carriers Association.

² 87 Fed. Reg. 17414, *et seq.* (March 28, 2022). In August 2021, the CTI was folded into a Clean Truck Plan which also aims to set new CMV greenhouse gas (GHG) standards for model years 2030 and beyond.

³ See [Clean Freight Coalition, “Our Progress.”](#)

Background

America's truck dealers have long supported emission improvements for HDEs. However, any new emissions mandates such as EPA's NOx rule, must not compromise the affordability, reliability, fuel economy, and/or serviceability of HDEs and CMVs. If a final rule has some or all these attributes, prospective customers will avoid purchasing or leasing new CMVs, which have too high of a cost, offer performance compromises, or pose risks of unacceptable downtime. Government policies that have not provided sufficient lead time or regulatory stability have proven ineffective and harmful, as described below. The committee should keep in mind that CMVs are purchased or leased only to meet the business needs of their customers, and that they are customizable and specifically built to accomplish a variety of jobs and specific tasks.

Largest Expected "Pre-Buy/No-Buy" Will Significantly Disrupt the Truck Market

When EPA implemented their model year (MY) 2004-2010 emissions mandates, it directly resulted in higher truck prices, increased operating costs, reduced reliability, and lower fuel economy performance, which caused dramatic disruptions to the new truck marketplace. As a result, many prospective new truck purchasers rushed to "pre-buy" trucks with pre-compliant technologies to avoid the effects of EPA's costly mandates. A surge of orders came in for pre-MY 2007 equipment followed by a significant drop in orders. The reaction that resulted in the marketplace was to avoid higher prices and poorer performance of compliant technologies.⁴

In December 2022, the EPA finalized the "Control of Air Pollution from New Motor Vehicles: Heavy-Duty Engine and Vehicle Standards" rule, which could potentially set the stage for a repeat of what manifested in 2005-2007. Beginning with MY 2027 CMVs, the final rule calls for NOx emissions to be reduced 0.035 grams per horsepower-hour during normal operation, 0.05 grams at low load, and 10 grams at idle. Ultimately, the rule aims to reduce the remaining 1-2% of tailpipe NOx emissions for 2027 and later CMVs by 82.5%.

In response to EPA's rule, a massive "pre-buy/no-buy" is anticipated to start leading up to 2027. ACT Research analyzed EPA's heavy-duty engine rule and its likely impact on the U.S. truck manufacturing and freight transportation industries. According to Kenny Vieth, president and senior analyst at ACT Research, the new standards will likely result in the largest truck pre-buy ever, beginning sometime in 2025 or 2026. Vieth stated, "what makes 2027 different is that instead of price increases driven by new systems, components or technology, the main hit for fleets will come on the warranty front. What will be new are significant, mandated, warranty extensions on emissions control systems. Those systems will likely go from today's two years/250,000 miles to 400,000 miles in 2027 and topping out at 600,000 in 2031."⁵ Besides the technology advancements that will increase the price of a truck, taxes, fees, and warranty extensions will play a significant role in increases to the price of a truck.

A significant "pre-buy/no-buy" is the last thing the trucking industry wants because not only would environmental goals be delayed, but there could also be severe job loss and lay-offs in vehicle assembly plants, powertrain production facilities, and elsewhere.

⁴ The deleterious economic impacts of this rulemaking should service as a cautionary tale for the recently finalized new NOx standards. In 2012, the National Automobile Dealers Association (NADA) issued "[A Look Back at EPA's Cost and Other Impact Projections for MY 2004-2010 Heavy-Duty Truck Emissions Standards](#)" by Esteban Plaza-Jennings et al. This retrospective study examined EPA's 2004-2010 heavy-duty truck emission rules and compared EPA's predicted compliance costs to actual OEM compliance costs. When put side by side, NADA found that EPA underestimated per vehicle costs of compliance by up to 320%. While EPA predicted vehicle prices would increase by \$5,000 per truck, the actual price increase was over \$21,000.

⁵ Jack Roberts, "[Is a Massive Prebuy Headed Toward Trucking?](#)" *MOTOR Information Systems*, (Oct. 13, 2022).

EPA's Mandates Delay Turnover of America's Truck Fleet

Truck buyers can expect EPA's final NOx rule to increase the price of a new heavy-duty truck by \$20,000 to \$25,000, according to Tim Denoyer, Vice President and Senior Analyst at ACT Research.⁶ When truck buyers are faced with higher truck pricing and lower truck performance, prospective new CMV customers hold onto their older equipment longer instead of buying new equipment.

This fact should concern the committee, as new trucks have made significant environmental gains due to recent federal emissions and fuel-economy mandates and industry innovation. For example, cleaner fuel and engines utilizing advanced technologies have combined to reduce NOx emissions and particulate matter (PM) emissions by 98% when compared to the late 1990s. To put that in perspective, it would take 60 new trucks to generate the same level of emissions as a single truck manufactured in 1988. From 2007 to 2020, new trucks have reduced carbon dioxide (CO₂) emissions by 202,000,000 tons, NOx emissions by 27,000,000 tons, and saved 472,000,000 barrels of crude oil.⁷

Nearly half of the Class 8 trucks on the road are over 10 years old. The primary reason trucks older than a decade are still on the road is the higher costs due to these regulatory mandates. Truck buyers and small businesses now hold onto their older trucks longer, or purchases used trucks, rather than investing in trucks with the latest environmental technologies. Stringent policies that delay the transition from older trucks to cleaner, greener trucks keeps older model year CMVs on the road and is counterproductive to meeting the environmental goals sought by EPA.

For example, during the last "pre-buy/no-buy" CMVs built prior to 2007 stayed on the road longer and the age of the Class 7 fleet increased to 6.6 years, about 11 months older than the historical average dating back to 1979. Additionally, because of this added costs, EPA's final NOx rule may inhibit the roll-out of important new accident-reducing features and systems such as advanced driver assistance systems (ADAS).

EPA's Useful Life & Warranty Changes Must be Modified to Ensure Market Viability

ATD supports reasonable revisions to existing HDE/CMV emissions warranty periods. The EPA's proposals acknowledged that longer emissions warranty periods are likely to increase the purchase price of new CMVs. In fact, of the \$20,000 to \$25,000 increase of the cost per truck, most of the increase would be due to warranty and useful life changes. The new rules increase the defined useful life of regulated vehicles by 1.5 to 2.5 times, from 435,000 miles to 635,000 miles. Emissions systems warranties will increase by 2.8 to 4.5 times, or from 100,000 miles to 450,000 miles for MY2027 trucks.

By definition, an emissions warranty is included in the price a first purchaser pays when buying a new CMV. However, given that CMV and HDE OEMs must "pass on" the costs associated with emissions warranty (and useful life) mandates, the practical result will be an increase above the prices first purchasers would otherwise pay for the new CMVs and HDEs they buy. ATD is also concerned that new CMV purchasers with short trade cycles will not value and want to "pay for" the incremental cost of lengthy emissions warranties.

⁶ Heavy Duty Trucking, Trucking Info, [EPA 2027 and Beyond: How Will New Low-NOx Rules Affect Fleets?](#) (March 16, 2023).

⁷ Heavy Duty Trucking, Trucking Info, [Analysis: Clean Diesel Truck Adoptions Jumping in Southwest, Northwest](#) (July 23, 2021).

Congressional Action on EPA's NOx Rule

On November 17, 2022, Sen. Joni Ernst (R-Iowa) and 16 Senators sent a [letter](#) to the EPA urging the agency to ensure its pending nitrogen oxide emissions rule is technologically achievable and affordable. On February 9, 2023, Sen. Deb Fischer (R-Neb.) and 33 Senators introduced legislation to overturn EPA's overly stringent and costly NOx emission rule. This resolution ([S.J. Res. 11](#)) was introduced under a procedure established by the Congressional Review Act (CRA).

EPA Issues Aggressive GHG Emissions Proposal for Heavy-Duty Vehicles

On April 13, 2023, the EPA issued a proposal entitled "Greenhouse Gas Emissions Standards for Heavy-Duty Vehicles – Phase 3" aimed at dramatically reducing GHGs from new heavy-duty vehicles built and delivered for sale in MYs 2027-2032.

The 717-page proposal targets fleet-wide GHG reductions from MY 2027-2032 heavy-duty vocational and road tractor vehicles. It contains several compliance options, each of which contemplates that CMV manufacturers will bring to market a large number of battery, plug-in hybrid and fuel cell electric vehicles (EVs) for those model years, to the tune of between 34-46% of heavy-duty EVs in MY 2032 (versus today's sales of <2%).

ATD remains all-in on promoting the adoption of advanced technology trucks and EVs, and its dealers are making substantial investments in the tools, training and equipment necessary to facilitate extensive EV adoption. More broadly, ATD supports sound policies that increase fuel efficiency and reduce GHGs for America's trucks. New trucks that reduce GHG emissions must be affordable and reliable for CMV customers to buy them. ATD is currently reviewing this new rule and plans to submit formal comments to the EPA.

Additionally, the Committee should keep in mind that the costs of these new GHG mandates come close on the heels of the NOx rule's \$39 billion price tag. At some point, truck buyers, especially small trucking firms, are simply going to be priced out of the new truck market. We urge Congress to examine the ramifications and the unintended consequences associated with EPA moving forward with overly stringent regulations that create affordability and reliability issues for the customer and in the long run could slow fleet turnover.

Congress Should Revisit Taxing Clean Heavy-Duty Trucks

Unlike light duty vehicles, heavy-duty trucks and trailers are almost entirely made in North America. These trucks and trailers are designed, tested, and assembled across the United States. One policy change Congress can undertake to offset the additional regulatory costs of EPA's mandates would be repeal of the federal excise tax (FET) on heavy duty trucks. Congress imposes the 12% FET on the retail sale of most new heavy-duty trucks.

The investments in new technologies required to fulfill these new environmental and regulatory mandates have added nearly \$40,000 to the price of a new truck, and these regulatory costs are also subject to the FET. The FET can also add more than \$50,000 to the price of an electric or hydrogen fuel-cell truck, as these vehicles are already more than twice the price of internal combustion engine trucks. To put this tax in perspective, the \$45,000 subsidy to purchase clean heavy-duty trucks included in the Inflation Reduction Act would not pay for the FET the federal government levies.

In this way, the FET's demand-suppressing effect delays fleet turnover and deprives society of the benefits of environmental gains, as truck owners decide to hold onto their older less

environmentally clean and less fuel-efficient trucks for longer periods of time. While new commercial trucks and trailers are as clean and green as they have ever been, the FET has delayed the deployment of these trucks, and they are not reaching the road fast enough to fully realize the benefits of significantly improved environmental technologies.

To promote more clean trucks on the road and a swifter transition to a lower carbon future, Congress should stop taxing the sale of clean trucks and repeal the FET. ATD urges Congress to pass the bipartisan “Modern, Clean, and Safe Trucks Act of 2023” introduced in the House ([H.R. 1440](#)) by Reps. Doug LaMalfa (R-Calif.), Chris Pappas (D-N.H.), Darin LaHood (R-Ill.), and Earl Blumenauer (D-Ore.) and in the Senate ([S. 694](#)) by Sens. Todd Young (R-Ind.) and Ben Cardin (D-Md.). See attached issue brief.

ATD stands ready to work with Congress and the EPA to modernize and promote the transition to a cleaner greener American truck fleet. Thank you again for the opportunity to submit testimony.



Repeal the Federal Excise Tax on New Heavy-Duty Trucks – Cosponsor H.R. 1440/S. 694
Promote the Transition to a Cleaner, Greener and Safer Truck Fleet

ISSUE

Congress imposes a 12% federal excise tax (FET) on the retail sale of most new heavy-duty trucks. This tax depresses heavy-duty truck sales and delays the purchase of cleaner, safer and more fuel-efficient trucks. Truck manufacturing and assembly employment is significant in the U.S, and the FET negatively impacts American truck industry jobs. **Members of Congress are urged to cosponsor H.R. 1440/S. 694 to protect U.S. jobs, replace older trucks with newer and greener trucks and promote the adoption of advanced technology trucks.**

BACKGROUND

The FET on heavy-duty trucks was first imposed in 1917 to help pay for World War I. The 12% FET is the highest excise tax on a percentage basis that Congress levies on a product, often adding as much as \$22,000 to the price of a new heavy-duty truck. The tax is imposed on top of the nearly \$40,000 in recent federal emissions and fuel-economy mandates, which already make it harder for small businesses to afford a new truck.

With more than half of the Class 8 trucks on the road over 10 years old, truck buyers and small businesses now hold onto their older trucks longer, or purchase used trucks, rather than investing in the latest environmental and safety technologies. Repealing the FET would immediately help modernize the truck fleet by incentivizing the purchase of new trucks with the latest emission-reduction technology and crash avoidance advancements. While new commercial trucks and trailers are as clean and green as they have ever been, the FET has delayed the deployment of these trucks, and they are not reaching the road fast enough to fully realize the benefits of significantly improved environmental and safety technologies. For example, the FET can add more than \$50,000 to the price of an electric or hydrogen fuel-cell truck, as these vehicles are already more than twice the price of internal combustion engine trucks.

Additionally, the FET has been the most inconsistent source of revenue to the Highway Trust Fund (HTF) over the past 20 years. Because FET revenue is dependent on volatile annual truck sales, the tax has contributed to the overall instability of the HTF. To establish long-term stability for the HTF, the 12% FET should be replaced with a more consistent revenue source. The Modernize the Truck Fleet coalition is working to identify viable funding options to replace this burdensome tax with a more consistent and equitable revenue mechanism to modernize and fund the HTF.

KEY POINTS

- **FET repeal would immediately benefit the environment by replacing older trucks with cleaner and more fuel-efficient trucks.** While new trucks have made significant environmental gains, such as reducing nitrous oxide emissions by 97% and particulate matter emissions by 98%, the FET remains a costly barrier to the purchase of new trucks with the latest environmental technologies. (Fuel economy regulations for heavy duty trucks did not exist in 2010.) Half the Class 8 trucks on the road are over 10 years old and lack the markedly cleaner technologies and fuel efficiency gains of today's trucks.
- **The FET should be repealed and replaced with a more consistent revenue source to fund the HTF.** Since the FET is based on annual truck sales which can vary greatly, the tax has been the *most inconsistent HTF revenue source over the past 20 years* and contributes to the long-term instability of the HTF.
- **Repealing the FET would spur new truck sales and protect the 1.3 million U.S. manufacturing, supplier, dealership and heavy-duty trucking and trailer related jobs.** Modernize the Truck Fleet, a coalition of industry groups and state associations, backs FET repeal because it would support American workers in manufacturing and sales and drive the adoption of advanced technology trucks.

STATUS

Bill to repeal the FET have been introduced in the House (H.R. 1440) by Reps. LaMalfa (R-Calif.), Pappas (D-N.H.), LaHood (R-Ill.), and Blumenauer (D-Ore.) and in the Senate (S. 694) by Sens. Young (R-Ind.) and Cardin (D-Md.). **To promote the deployment of cleaner trucks and the transition to a lower carbon future, Members are urged to cosponsor H.R. 1440/S. 694.**