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February 24, 2015

Oregon House Committee on Energy and Environment
Chair Representative Jessica Vega Pederson
SB 324, February 24, 2015 Hearing room D

Chair Pederson,

Thank you for the opportunity to speak before you here today. My name is Mark Gibson; I am President of Siskiyou Transportation, Inc. and Timberland Helicopters, Inc. I have also served in past years as Chairman of the Board for the Oregon Trucking Associations. Both my businesses are small in size, located in Ashland, Oregon. We have been in business since 1984. Between the two companies we employ an average of 20 full-time employees and operate an average of 14 trucks. Over the years we have strived to operate a clean, lean and efficient business. As you could imagine, the challenges are many and can be large at times, while the profit margins are small. The difference between a profitable year and an unprofitable year can, at times, be as simple as a spike in the price of fuel. The cost of fuel, or the potential cost of fuel is the reason I am compelled to take the time to speak before you today. I have a great deal of concern in regards to the proposed Low Carbon Fuel Standard (LCFS), otherwise known as the Clean Fuels Program. Regardless of how this is presented, ultimately it translates into a hidden gas tax that will put an incredible burden on trucking companies and ultimately the consumer. Clean air is of paramount importance to society. That clean air, however, should be achieved through a balanced and stable plan to achieve the needed outcome. The LCFS does not offer the return on investment in terms of its cost to the consuming public.

Historically, the cost of labor has been the number one expense for the average trucking company. That changed for the first time about 5 or 6 years ago when the price of fuel surpassed labor for the number one expense. The American Trucking Research Institute (ATRI) conducts studies of the trucking industry on a regular basis. According to one of their most recent studies fuel has proven to be the largest share of the total average marginal cost to motor carriers. The California Trucking Association commissioned a study entitled; "The Impact of Low Carbon Fuel Standard and Cap and Trade Programs on California Retail Diesel Prices". California's Low Carbon Fuel Standard is nearly

identical to Oregon's Clean Fuel Program. The California study concluded that California's program would increase diesel fuel costs by \$1.47 per gallon. Using this figure, our small company, which purchases approximately 85,000 gallons of diesel fuel per year, would be hit with basically a fuel tax of \$124,950 annually. I can tell you now, we can't take it. An increase in fuel or any other costs quite frankly, of that magnitude can't be absorbed. Unfortunately, increases like that take time, more time than we could afford to pass on to customers.

To date, the Low Carbon Fuel Standard calls for a fuel with such low carbon content that it is not commercially available. This, in turn, forces fuel providers to purchase carbon credits, the cost of which will be passed along to businesses and eventually consumers. Again, we all want cleaner air, but a Low Carbon Fuel Standard is an inefficient and expensive way to attempt to achieve it. A 90 percent reduction in nitrogen oxide (NOx) was achieved with the introduction of the 2010 trucks. In 2012, tractor-trailers consumed over 95 billion fewer gallons of fuel than passenger vehicles, accounting for just 17% of fuel consumption. The trucking industry is already regulating itself, making logical and timely investments in newer equipment that don't cause unnecessary and burdensome costs. Diesel fuel alternatives have significant issues. Most engine manufacturers do not extend their warranties to a fuel mixture of more than 5% bio-diesel. This coupled with cold weather issues makes a biodiesel alternative mixture in an attempt to satisfy the Clean Fuel Standard unworkable.

Businesses today are constantly called upon to pay for many of today's societal wants and needs. The trucking industry, now more than ever, is being hit by a shortage of drivers and increased regulatory and operating expenses. Oregon's trucking industry transports nearly 75% of the total tonnage of freight moved within or in and out of the state. Every item you and I buy in a retail store was transported there by truck at some point in its process. We need to clean our air and environment utilizing efficient and cost effective methods. The Low Carbon Fuel Standard, i.e., the Clean Fuels Program is not the solution.

Thank you for your time,

Sincerely,

A handwritten signature in black ink, appearing to read "Mark D. Gibson", is written over a light gray rectangular background.

Mark D. Gibson
President