



December 10, 2008

California Air Resources Board
1001 I Street
P.O. Box 2815
Sacramento, CA 95812

RE: Proposed Regulation to Reduce Greenhouse Gas Emissions from Heavy-Duty Vehicles

Dear Chairman Nichols and Members of the Board:

Con-way Inc. (hereinafter "Con-way") respectfully submits the attached comments regarding the California Air Resources Board (hereinafter "CARB") proposed Regulation to Reduce Greenhouse Gas Emissions from Heavy-Duty Vehicles (hereinafter the "Regulation" or the "GHG Regulation"). Con-way shares with CARB the mutual goal of improving fuel efficiency and reducing greenhouse gas (GHG) emissions. However, for the reasons outlined below, Con-way does not support the GHG Regulation in its current form. Based upon its usage of the technologies mandated by the GHG Regulation, namely full skirting on 53' trailers and the tractors that pull them, Con-way believes that they will not have the desired impact on fuel economy or GHG emissions. Further, due to their high implementation costs and operational limitations, these measures will be cost prohibitive for trucking companies to adopt and will have severely negative economic impacts at a time when trucking companies and all other businesses are dealing with the most challenging economic environment since the Great Depression.

Con-way is a \$4.7 billion freight transportation, brokerage and logistics services company headquartered in San Mateo, CA, consisting of three (3) operating companies: Con-way Freight, Con-way Truckload, and Menlo Worldwide Logistics (hereinafter "Menlo"). Con-way employs over 27,000 transportation professionals at over 500 locations across North America and in 17 countries across five continents. The Company maintains a strong presence in California in particular; Con-way Freight operates 31 Service Centers employing 1,523 transportation professionals in California and handles over 2.8 Million shipments in and out of the State annually, representing approximately 10 percent (10%) of its total annual shipment volume and annual revenue; Con-way Truckload transports over 40,000 full truckload shipments each year with an origin or destination in California, representing over 12 percent (12%) of its total annual shipment volume and over 19 percent (19%) of its total annual revenue; and Menlo operates in excess of 2.15 Million square feet of warehouse space at nine (9) facilities within the State.

All three (3) Con-way operating companies are Partners in the U.S. Environmental Protection Agency SmartWay Partnership, and in 2007, each received a Shipper Index Factor (SIF) of 1.25, the highest possible score awarded under that program. In 2007, as a result of its fuel saving efforts under the SmartWay program, Con-way saved in excess of **6.1 Million** gallons of diesel fuel and reduced emissions of Carbon Dioxide (CO₂), Particulate Matter (PM), and Nitrogen Oxides (NO_x) by **186 tons, 0.0108 tons, and 0.40 tons** respectively.

However, despite the fact that Con-way is at the forefront of the transportation industry in terms of its proven track record of adopting fuel saving technologies and strategies, the Company will **not** be

in compliance with the requirements outlined in the GHG Regulation as it is currently proposed. Con-way, like many other trucking companies, will be forced to invest millions of dollars and thousands of man hours implementing technologies which, based upon its own experience in real-world operating conditions, will not achieve the fuel efficiency or GHG emission reduction results desired by CARB, and will not provide a return on investment (ROI) which will make their adoption and implementation financially practical. It is simply impractical to presume that Con-way and other trucking companies will be able to pass the added costs of implementing these technologies on to their customers, particularly during the current economic climate.

One of the primary reasons for the success of the SmartWay Partnership program is that it allows its Partner companies the latitude to adopt fuel-saving technologies and strategies that are tailored to their individual business practices, rather than forcing them to employ generic approaches that may not work in their operations. The GHG Regulation in the present case requires specific equipment to be installed on tractors and trailers with inadequate consideration given to operating environment, equipment performance and maintenance, and potential benefits.

Con-way's Testing and Use of Tractor and Trailer Skirts:

If adopted in its current form, the GHG Regulation would mandate that certain technologies be phased in beginning January 1, 2011. Among them is the installation of full side skirts on 53' trailers and the tractors used to pull them.

Con-way Truckload, which primarily provides full truckload long-haul freight transportation service, operates a fleet of over 8,000 53' trailers. The Company conducted a two (2) year comparison test with a fleet of ten (10) tractors to evaluate the fuel mileage performance of tractors equipped with full skirts vs. those equipped with half or no skirts. The Company operated the test fleet for twelve consecutive months in each configuration and tracked the fuel mileage performance results for each tractor on a monthly basis. On average, the test trucks achieved **0.12 miles per gallon better fuel efficiency with half or no skirts vs. full skirts** (6.03 mpg vs. 5.91 mpg) during the test period. While no wind tunnel testing was performed, we believe that the improved performance of trucks with half or no skirts vs. those with full skirts was primarily due to a reduction in vehicle weight once the skirts were reduced or removed.

In addition to adding weight to the vehicle, full skirts cover the tractor's fuel tanks, causing them to retain more heat. This heat retention, exacerbated during the summer months, increases the temperature of the fuel and reduces its BTU output, resulting in a decrease in fuel mileage. In the winter months, full side skirts collect more ice and snow build-up, which further increases the weight of the tractor and further reduces fuel mileage performance.

Since the aforementioned comparison test, Con-way Truckload has primarily operated tractors with half or no side skirts throughout its fleet, and these units have consistently outperformed tractors with full skirts. Currently, the Company operates approximately 200 trucks equipped with full skirts, and these units are consistently the lowest performing trucks in its fleet by an average of 3.2 percent (3.2%) (5.96 mpg for trucks with half of no skirts vs. 5.77 mpg for those with full skirts) based upon performance data for the past 12 months.

Similarly, Con-way Truckload has not experienced the improvement in fuel economy projected by CARB in its use of trailers equipped with side skirts. The Company operates over 8,000 53' dry van trailers, approximately 400 of which were equipped with side skirts up until last year. While using these trailers under actual field operating conditions, Con-way Truckload experienced fuel economy improvement of less than three (3) percent at highway speeds in excess of 60 mph, and no improvement in fuel economy at speeds of less than 45 mph. The skirts added hundreds of pounds

of weight to each trailer, which contributed to the diminished improvement in fuel efficiency and limited their loading capacity, problems which were again exacerbated during winter months, when they had a tendency to collect snow and ice, adding even more weight to the trailers. Skirts were also frequently damaged, resulting in higher repair and replacement costs, and operationally, in addition to limiting trailer load capacity, they prevented sliding of the trailer tandems and prevented the trailers from being lifted on to railroad cars, factors which limited their use in normal highway operations and completely precluded their use in intermodal operations.

Because of the additional costs to purchase and maintain trailer skirts (approximately \$2,700 per unit to purchase, plus the additional maintenance and repair costs), their operational limitations, and their unsatisfactory fuel economy improvement of less than three (3) percent, Con-way Truckload has determined that it simply is **not** cost effective from an ROI perspective to install and operate them on its trailer fleet.

In order to comply with the tractor and trailer skirt requirements of the GHG Regulation, Con-way Truckload will have to spend roughly \$3,000 per truck and \$2,700 per trailer to equip them with the mandated skirting. Due to the volume of business the Company conducts in California, and due to the fact that it cannot dedicate specific trucks and trailers to providing service in California, it will have no choice but to spend millions of dollars to equip its tractor and trailer fleet with the necessary equipment if the GHG Regulation is adopted in its current form.

Con-way Freight and Menlo rely extensively upon contract carriers operating 53' trailers in long-haul operations to provide service to their customers as well. Under the GHG Regulation, their business models will likely be negatively impacted, as many carriers may choose to stop providing service to and from California, as it will be very expensive, if not cost prohibitive, for them to implement the technologies mandated by the GHG Regulation.

Con-way disputes the accuracy of the fuel savings associated with truck and trailer skirts projected by CARB, as they are based upon projections by the truck and trailer manufacturers which do not take into account the increase in vehicle weight that will result from their installation. The Company also believes that CARB's projections as to the ROI for the aforementioned technologies are also inaccurate based upon its own experiences with them under actual operating conditions, due to the high up-front purchase cost, higher maintenance and repair costs, operational limitations, and inability to pass the added costs on to customers in the form of higher freight rates, particularly in today's economic environment.

Con-way's Successful Implementation of Fuel Saving Technologies Under the SmartWay Program:

As mentioned earlier, Con-way has already adopted numerous fuel saving technologies with great success at each of its three (3) operating companies:

Implementation of wide base tires at Con-way Truckload and weight reduction measures at Con-way Freight: In its operations, Con-way Truckload has experienced an improvement in fuel economy of **0.4 miles per gallon** with full combination units (both tractor and trailer) equipped with wide base tires vs. comparable units equipped with conventional dual tires (0.2 miles per gallon improvement for the tractor and an additional 0.2 miles per gallon improvement for the trailer). Wide base tires offer less rolling resistance and result in significant weight savings; with Con-way Truckload's current tractor and trailer specifications, wide base tires save 430 lbs. per tractor and per trailer, for a total savings of nearly 900lbs. for full combination units. As a result, the Company is equipping all newly purchased tractors and trailers with wide base tires and is in the process of equipping all existing trailers with them as part of its tire replacement cycle. Currently, 100% of Con-

way Truckload's fleet of 2,700 tractors, and approximately 30% of its fleet of 8,000 trailers are equipped with wide base tires.

Con-way Freight has seen similar positive benefits in fuel economy as a result of weight reduction measures in the specification of its equipment. In its operations, for every 2,000 pound reduction in vehicle weight, the Company has experienced an improvement in fuel economy of 1 percent (1%).

Speed reduction at Con-way Truckload and Con-way Freight: In 2007, Con-way Freight reduced the governed speed of its fleet of 8,400 tractors from 65 mph to 62 mph, and Con-way Truckload reduced the governed speed of its fleet of 2,700 tractors from 70 mph to 65 mph. Because fuel mileage is heavily impacted by climate and Con-way has not yet had the aforementioned speed reduction measures in place for a full year and through all four (4) seasons, the precise fuel savings generated from them is not clear. However, based upon year over year comparison data since the speed reduction measures were adopted, the Company has experienced fleet-wide average fuel mileage improvement of **0.132** miles per gallon and **0.25** miles per gallon at Con-way Freight and Con-way Truckload, respectively. In 2007, Con-way Freight and Con-way Truckload logged a combined total of over 900 million miles, so these measures will clearly result in a savings of millions of gallons of diesel fuel and significant reductions in GHG emissions.

Implementation of No Idling Policies at Menlo Facilities and SmartWay Compliance as a Key Factor in Carrier Selection: Since joining the SmartWay Partnership last year, Menlo has seen significant results from educating and promoting green initiatives among its contract carriers. The Company is in the process of implementing a no-idling policy at its distribution centers and emphasizes SmartWay compliance as a preferred factor when considering new carriers and during its annual review process with existing carriers, encourages its trucking service providers to join SmartWay and actively adopt its performance model. Today, approximately 85 percent of Menlo's total network miles are operated with SmartWay-approved carriers.

Con-way's Commitment to Improving Fuel Efficiency and Reducing Carbon Emissions:

As demonstrated by its receipt of the highest possible SIF score and multiple Environmental Excellence Awards from the EPA, Con-way is a committed SmartWay Partner that fully supports measures to improve fuel efficiency and reduce GHG emissions. However, in order to comply with the proposed Regulation, Con-way will be forced to re-direct resources away from proven fuel saving technologies and strategies to other technologies which simply do not work in its operations.

Con-way supports the American Trucking Associations' (ATA) sustainability plan entitled Strategies for Reducing the Trucking Industry's Carbon Footprint because it takes into account the unique nature of the trucking industry and identifies opportunities to reduce its carbon footprint without inhibiting the delivery of goods and harming our economy. ATA's plan, if fully adopted, would have an immediate, positive environmental impact by reducing fuel consumption by 86 Billion gallons and reducing the carbon footprint of all vehicles by nearly One (1) Billion tons over the next ten years.

Con-way fully supports the six (6) key recommendations outlined in the ATA's plan:

- Enact a National 65 mph Speed Limit and Govern Maximum Truck Speeds at 65 mph;
- Decrease Idling;
- Reduce Highway Congestion through Highway Infrastructure Improvements;
- Increase Fuel Efficiency through EPA's SmartWay Program;
- Promote the Use of More Productive Truck Combinations; and
- Support National Fuel Economy Standards for Medium- and Heavy-Duty Trucks.

Alternative Compliance Options for the Proposed Regulation:

Con-way fully supports the additional and alternative compliance provisions proposed by ATA and respectfully requests that CARB include them in the final version of the GHG Regulation. In particular, Con-way requests that CARB add the following provisions to the proposed Regulation:

- Trucking companies should be allowed to include the proven measures under the SmartWay Program to demonstrate compliance and any company that has been certified under SmartWay should automatically be deemed to be in full compliance with the GHG Regulation.
- CARB should allow early action and/or additional credits for SmartWay certified tractors which are model year 2010 and older as companies operating these units will be achieving greater fuel efficiency than is required under the Regulation.
- CARB should allow credits for fleet owners that deploy aerodynamic technologies which provide fuel efficiency improvements in excess of the specific percentages established in the Regulation.
- CARB should adopt a compliance provision to allow 2011 and subsequent model year sleeper cab tractors that are not SmartWay certified to become compliant with the Regulation if fleets can demonstrate the compliance equivalency of these units.

Con-way appreciates the opportunity to submit comments regarding the proposed GHG Regulation.

If you have any questions, or would like to discuss this issue further, please feel free to contact Troy Robertson, Associate General Counsel at (417) 659-5021 or trobertyson@cfi-us.com or Randy Mullett, Vice President – Government Relations at (202) 368-4912 or mullett.randy@con-way.com.