



**Commodities Markets Oversight Coalition
Press Conference**

**Statement of Randy Mullett
on behalf of the
American Trucking Associations, Inc. (ATA)**

Wednesday, February 3, 2010

Good afternoon. My name is Randy Mullett and I am a Vice President of Con-Way, Inc. a trucking and logistics company with nearly 12,000 trucks and 28,000 employees. Today I appear before you representing the American Trucking Associations (ATA).

The trucking industry consumes 34 billion gallons of diesel fuel annually to deliver virtually all of the country's consumer goods. Diesel fuel is the second highest expense for most trucking companies. Every one-cent increase in the price of diesel costs the trucking industry an additional \$340 million a year.

Trucking is a highly competitive industry with very low profit margins. The dramatic rise in diesel fuel prices and volatility combined with the soft demand for freight transportation services have left many trucking companies struggling to survive.

Many companies in the trucking industry – as well as the airline industry – use hedging strategies to help manage their exposure to fuel price volatility. One of the more typical practices among trucking companies is the use of heating oil derivative contracts on the New York Mercantile Exchange to hedge against exposure to diesel price movements. However, there is a difference between hedging, speculating and excessive speculation.

While we cannot quantify the extent to which excessive speculation is responsible for the recent dramatic increases in the price of crude oil, we believe that it is a significant part of the problem.

One year ago, oil cost \$42 per barrel. Today, oil has jumped to \$74. Yet during this past year, global demand remained weak, crude oil inventory in storage was well above average, and the dollar declined by only 8% relative to the Euro. In the face of these market realities, excessive speculation is the only other variable left unaccounted for.

To address this market disconnect, we believe that the federal government should take steps to increase the transparency of the derivatives markets and establish reasonable aggregate position limits. CFTC has taken an initial step in proposing position limits for energy trades on certain commodities exchanges; however, this step by itself is insufficient to curb the problem of excessive speculation.

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While we applaud CFTC's initial efforts, we believe that Congress must act to broaden CFTC's authority and eliminate trading loopholes. The government must require transparency for all markets that trade energy commodity derivatives and establish aggregate position limits across all of markets, including over-the-counter markets and foreign exchanges. The failure to apply position limits across all trading platforms creates a loophole that permits excessive speculation beyond the control of government regulators.

We also are concerned with the positions taken by index funds. While we are not alleging that these funds are manipulating the market, we believe that the cumulative impact of their enormous long-only positions may contribute to the disconnect between market prices and market fundamentals.

CFTC must re-define who meets the definition of a commercial participant, or bona fide hedger. In petroleum markets, a commercial participant must take physical possession of a petroleum product. The trucking industry typically hedges diesel fuel by purchasing heating oil and crude oil derivatives. Recognizing these hedging surrogates is important in determining the status of various commercial participants. At the same time, those that seek to hedge against inflation by purchasing petroleum derivatives contracts should NOT be considered commercial participants, as these so-called hedgers are more akin to pure speculators.

Increasing market transparency and establishing reasonable aggregate position limits that distinguish between commercial and non-commercial participants have no potential downside that we can discern. Under a worst-case scenario, the transparency of the market is improved, but the price of oil remains unaffected. More optimistically, these remedies likely would reduce speculative bubbles, restore investor confidence, and strengthen the link between commodity prices and market fundamentals.