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Why Would TransAm Switch to New Engines?

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Summary

The question many truckers are asking, with the overall fleet aging, is which engine technology is best for my operation.

EPA'07 EGR engines purchased ahead of the emission mandate (not many did).
The more expensiveEPA'10 SCR technology (not many have yet)
A Navistar EPA'10 non-compliant enhanced EGR engine (few test units available)
Wait another year

SCR may be the safest choice. Better mpg offsets much of the higher up front cost and the technology has been used for years in Europe.

Analysis

The question that many truckers are asking now, with the overall fleet about as old as it has ever been, is which technology is going to be the best for my operation.

The options were:
1) Buy the last of the EPA2007 engines prior to the mandate for the new engines went into effect on January 1 (although there were still some engines in inventory that have been purchased early this year). While this is a known entity, the fuel efficiency of the 2007 engines is the worse than prior models and the amount of heat in the engine is significant, potentially leading to more difficult maintenance issues later in the life cycle.
2) Buy a new SCR engine from one of the manufacturers. While these are new to the US market, the technology has been used in Europe for years and performs well. While more expensive (about $10K per truck), the fuel savings over the '07 engines is about 3-4%. The cost differential is offset in 3-5 years depending on miles driven and price of diesel.

3) Buy a Navistar truck with an enhanced EGR (2007 technology) engine that does not yet meet the standard but Navistar is using credits from past years where they were slightly better than required. Navistar has not yet finalized their 15L engine. They say they have solved the heat problem, but no one has been able to really test the technology.
4) Wait another year and see where the competing technologies shake out.

TransAm must have tested the Paccar technology and liked what they saw in terms of performance and fuel efficiency. Now that freight demand is picking up and capacity is starting to tighten, rates will be rising and profits improving. Not many carriers chose Option 1 (overall tractor sales were about 40% below normal replacement levels in 2009) because the economy was so weak and capital tight. Waiting another year will start to put a strain on maintenance budgets for many carriers.

By the second half of 2010, capital availability should improve as carrier profits show improving trends, allowing more companies to make the decision on which way to go. The ramp up in demand for new equipment should rise rapidly through 2011.