

CRITICAL ISSUES IN THE TRUCKING INDUSTRY – 2007



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Prepared by

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The trucking industry continues to be the primary mover of goods in the United States, with more than three-quarters of all manufactured freight hauled by truck. Despite an essential economic role, the trucking industry continues to struggle with both near-term and long-term issues that threaten its position in a rapidly changing world economy. These topics are highly interrelated, whereby changes to one seemingly unrelated industry issue can have cascading effects on multiple other industry issues. A pointed example of this is the direct and indirect impact of this year's top issue – hours-of-service regulations – on multiple other industry concerns.

The ongoing debate over the hours-of-service rules highlights a central conflict within the trucking industry between pressures to develop and conform to safety standards designed to enhance the industry's safety performance, and operational requirements that ensure the trucking industry can remain dynamic, innovative and profitable. Another issue that has garnered a considerable amount of national attention is the U.S. Department of Transportation (U.S. DOT) pilot program to allow Mexican trucks beyond the border zones, where they have traditionally been confined in the U.S. Again, this issue transcends safety concerns and gravitates to issues of trade equity, carrier profitability, job protection and cargo concerns.

In spite of the interrelated conflicts and pressures on the trucking industry, it is useful to prioritize and evaluate the relative criticality of issues facing the trucking industry and study the various strategies for addressing these issues. An important tool for achieving these aims is the annual ATRI Top Industry Issues Survey.

Over the last three years the American Trucking Associations Federation has commissioned ATRI to conduct a survey that identifies critical issues facing the trucking industry. Doing so allows the industry to address the issues broadly and proactively. This report presents the findings of the 2007 annual survey and analysis.

The Top Industry Issues survey is conducted in two phases. The Phase One survey is designed and distributed to identify key topic areas and strategies from representative samples of carriers. ATRI analyzes and categorizes these initial responses into specific issue and strategy groups based on the most common responses. The second phase surveys a larger population of respondents in order to rank the relative importance of the issues and the preferred strategies identified through the first survey initiative. Responses (n=499) to the second phase survey were representative of a broad range of fleets by sector and size, as well as drivers and other industry stakeholders.

The top ten list is developed through a formula that sums the values of the percentage of responses to the first three rankings. In rank order, the top ten issues identified by industry respondents are detailed below.

1. Hours-of-Service

Ranked 1st	Ranked 2nd	Ranked 3 rd	Total Ranking
22.0%	21.5%	16.6%	60.1

This year hours-of-service (HOS) rose from 4th in the 2005 and 2006 rankings to edge out last year’s top issue of driver shortage. Unquestionably, the July 24, 2007 decision of the U.S. Court of Appeals on the 11-hour driving provision and 34-hour restart caused significant concern within the industry. Respondents indicated that the decision significantly restricts variability in drivers’ work schedules, consequently reducing carriers’ ability to meet dynamic pick-up and delivery schedules demanded by shippers. Furthermore, many within the industry still have concern over the loss of flexibility in the sleeper berth provisions as a result of the October 2005 HOS rules change. Given the numerous challenges, lawsuits and appeals relating to this issue, the long-term status of HOS requirements remain uncertain.

Proposed Strategies:

- a) *Advocate for increased flexibility of split-sleeper berth provision.* Both fleet managers and drivers continue to hold that restrictions on splitting sleeper berth time found in the current HOS rules push drivers to operate while fatigued so as not to lose available driving hours, resulting in a perceived negative safety impact. 65 percent of respondents ranked this strategy 1st.
- b) *Continue advocating for 11- and 34-hour provisions in current hours-of-service.* In light of the July 24th Court ruling, respondents believe that advocacy efforts should be focused on retaining the 11- and 34-hour provisions in the HOS rules. 27 percent of respondents ranked this strategy 1st.
- c) *Continue research on safety and productivity impacts of new HOS rules.* In light of the ongoing attention and debate on commercial driver HOS, respondents believe it is imperative to continue efforts to establish a measurable, scientific relationship between the HOS rules and overall safety benefits. 9 percent of respondents ranked this strategy 1st.

2. Driver Shortage

Ranked 1st	Ranked 2nd	Ranked 3 rd	Total Ranking
32.0%	15.0%	11.8%	58.8

After placing 2nd in 2005 and 1st in 2006, it is clear that the driver shortage issue will remain a pressing problem for the trucking industry for years to come. The recent slowing of the economy in certain sectors has provided temporary relief for some carriers – a number of whom were forced to turn down freight orders over the last few years due to a lack of available drivers. However, over the long term, the industry still faces a significant deficit in the number of drivers needed versus the number of available drivers in the workforce. The industry is confronted with the fact that large numbers of current drivers will soon reach retirement age while simultaneously having to compete with other industries in a shrinking U.S. workforce. Furthermore, with the HOS rules in flux and the potential for fewer daily driving hours as a result, more drivers may be needed to haul the same amount of freight.

Proposed Strategies:

- a) *Research the relationship between driver compensation and driver shortage/retention.* 42 percent of respondents ranked this strategy 1st for addressing the driver shortage issue. Many respondents felt that too little was known about the relationship between driver compensation schemas and a carrier’s ability to recruit and retain qualified drivers.
- b) *Expand image campaigns to attract an expanded pool of applicants.* 31 percent ranked this strategy 1st. While individual carriers and the American Trucking Associations have instituted programs over the past few years designed to enhance the public’s perception of truck driving as a career, many respondents felt that these programs should be intensified to be successful in recruiting new drivers now, and changing potential drivers’ perception of the trucking industry in the future. This is necessary to ensure a “sustainable” workforce over time.
- c) *Redesign new entrant driver training programs to increase driver satisfaction/retention.* 28 percent ranked this strategy 1st. The initial days or weeks of a truck driver training program are a critical period during which many potential drivers determine whether they are prepared for the demands of the lifestyle. Establishing new entrant programs that enhance drivers’ confidence in their abilities and strengthen their belief in the long-term viability of a career in truck driving could improve retention rates among industry recruits.

3. Fuel Issues

Ranked 1 st	Ranked 2 nd	Ranked 3 rd	Total Ranking
11.3%	17.5%	18.3%	47.1

After ranking 1st in 2005 and 2nd in 2006, fuel issues dropped one place in the ranking in 2007. The drop may correspond to expanded use of fuel surcharges, but its continuing presence in the top three slots documents the industry’s concern with fuel issues. This includes a market futures price of a barrel of oil rising to a record high of \$90.00 in October, 2007. Since 2002, the price of oil has more than quadrupled. Other fuel-related issues include concern with ultra-low sulfur diesel fuel and mounting pressure to mandate higher percentages of bio-fuels. Lastly, ongoing price volatility makes budgeting for fuel a challenge for most carriers. As the second highest operational cost for the industry, fuel issues will not likely subside in the near term.

Proposed Strategies:

- a) *Focus on increasing supplies through expanded exploration and increased refining capacities.* Increasing the supply of oil in the marketplace, through expanded refining capacity and identification of new resources, may reduce oil price volatility linked to concerns about available supplies. 42 percent of respondents ranked this strategy 1st.

- b) *Evaluate higher standards for truck engine efficiency and provide financial incentives for additional fuel-saving technologies.* The marketplace is rapidly becoming filled with technologies that offer the potential to increase the efficiency of truck engines and reduce the impact that fuel prices have on trucking operations. Carriers may be more likely to invest in such technologies if government provides subsidies to offset the up-front capital costs of such technologies and lower the risk involved in adopting new, unproven technologies. In parallel, research should be conducted to evaluate the efficacy of the various new technologies that gain a foothold in the market to ensure trucking companies neither adopt ineffective technology nor ignore technologies that are able to effectively reduce fuel consumption. 30 percent ranked this strategy 1st.

- c) *Support research, testing and evaluation of alternative fuels.* The alternative fuel market has dramatically expanded over the past few years, and trucking companies may stand to benefit from increased production of useable fuel from non-petroleum sources. Unfortunately, the rapid expansion of this market has led to concerns about fuel quality, consistency and energy content, widely varied and sometimes unrealistic government mandates on required usage, and overall confusion over the operational benefits and costs associated with

adopting alternative fuels within a fleet. 29 percent of respondents ranked this strategy 1st.

4. Congestion

Ranked 1 st	Ranked 2nd	Ranked 3rd	Total Ranking
11.6%	14.6%	10.7%	36.8

Congestion continued its rise in criticality by climbing to 4th place in the 2007 ranking, as compared to 5th place in 2006 and 8th place in 2005. Average truck speeds and system reliability within many urban areas continues to decline as monitored by the FHWA/ATRI “Freight Performance Measures” initiative and the Texas Transportation Institute’s Urban Congestion Monitoring program.

Proposed Strategies:

- a) *Identify tools and strategies for expanding roadway capacity with an emphasis on infrastructure maintenance and expansion for the highest congested corridors of the highway system.* A substantial amount of current research identifies specific sections of roadway where freight bottlenecks and other impediments occur. Understanding the potential of such research to effectively increase freight capacity and mitigate congestion, a majority of respondents advocated for a targeted expansion of roadway construction and repair efforts. 56 percent of respondents rated this strategy 1st.
- b) *Examine the potential for truck-only lanes/corridors/networks.* This strategy, which received 22.5 percent of respondent support, generated numerous caveats. Generally, the comments focused on the need for voluntary or optional usage; reasonable fees should tolls be considered; assurances that cars would be prohibited; and adequate entrance and egress.
- c) *Encourage size and weight provisions that allow carriers to maximize productivity and reduce roadway demand.* Respondents generally support further analysis and potential revisions to existing “size and weight” standards to improve system efficiency, infrastructure sustainability and transportation safety. 21.9 percent of respondents rated this strategy 1st.

5. Government Regulation

Ranked 1 st	Ranked 2nd	Ranked 3 rd	Total Ranking
9.0%	8.7%	12.2%	29.9

Government regulation jumped from a 7th place ranking in 2005 and 6th in 2006 to 5th in the 2007 ranking of most critical issues affecting the trucking industry. Respondents did not identify specific regulatory issues that sparked concern, but

it remains reasonable that the myriad of regulatory changes that affected the trucking industry throughout the previous year, including hours-of-service changes, environmental regulations and various mandatory driver identification card initiatives, are at the root of respondents' concern.

Proposed Strategies:

- a) *Continue to educate agency regulators and elected officials on the critical role of the trucking industry and the requisite impacts that regulations have on the economy.* 59 percent ranked this strategy 1st. There remains a widespread belief that government regulators often do not adequately understand and assess the full impact of new and changing regulations on the trucking industry. By increasing feedback to government agencies, both before and after regulations are put into place, industry stakeholders may change the regulatory cost-benefit approach used in developing efficient and effective regulations.
- b) *Expand research to scientifically and economically justify regulatory and legislative decisions.* 22 percent of respondents ranked this strategy 1st. A key tool for influencing the regulatory process is scientifically sound data and analysis on the expected effects of new regulation. Conversely, sound evaluation data is needed on real-world impacts of newly implemented regulations. Ideally, this information should be provided by, or vetted through, independent organizations to relieve concerns over bias.
- c) *Encourage greater industry participation in government and regulatory processes.* 21 percent of respondents ranked this strategy 1st. Many respondents indicated that participation by industry stakeholders in the regulatory process is not adequate, given the enormous impacts that regulations can have on the industry. Increased participation during all stages of the regulatory process ensures that industry perspectives are proactively considered.

6. Tolls/Highway Funding

Ranked 1 st	Ranked 2 nd	Ranked 3rd	Total Ranking
5.1%	7.3%	9.2%	21.6

Highway funding concerns and road tolling ranked 6th in 2007, up from 9th place in 2006. The underlying causes for this increase appear to stem primarily from the recent and expanded promotion by the U.S. DOT to increase the use of non-traditional highway funding schemas such as roadway privatization (public-private partnerships), and state-level frustration over the inability to increase fuel tax revenue. The resulting concern is an increase in the prevalence of tolled roadways in the U.S. and the potential for balkanization of the U.S. transportation system. Since trucks traditionally pay significantly higher tolls than passenger

vehicles, the possibility of more and higher-priced tolls poses a threat to the economic viability of the industry. Furthermore, ATRI's recent research on the impact of various highway funding tools¹ has focused industry attention on transportation revenue shortfalls as well as the most effective methods for improving transportation investment. In addition, the short-term attention on the I-35 bridge collapse and the longer-term strategizing for the next federal transportation bill has ostensibly re-energized this issue.

Proposed Strategies:

- a) *Promote legislation that eliminates highway fund diversions to non-highway uses.* Within this category, 62 percent of respondents ranked this strategy 1st. Research has shown that a number of non-highway programs are recipients of revenue from the federal highway trust fund (HTF), which is designed as the primary funding mechanism for roadway maintenance and construction. In addition to non-highway programs that benefit from HTF revenues such as the Leaking Underground Storage Tank (LUST) fund, numerous vehicles associated with government entities, school transportation and charitable organizations are exempted from fuel taxes.
- b) *Oppose expanded tolling of existing and proposed transportation infrastructure.* 30 percent of respondents ranked this strategy 1st. A variety of research has shown that, in comparison to fuel tax methods, tolling is an inefficient means for collecting transportation revenue. Under tolling schemas, the portion of revenue that is diverted to administration often ranges from 20 to 35 percent of total revenues compared to less than one percent for the current federal fuel-tax system².
- c) *Support increased fuel tax to fund needed improvements and increased capacity.* 11 percent of stakeholders ranked this strategy 1st. Despite significant increases in traffic volumes and roadway construction costs, the federal fuel tax rate has remained flat since 1993. Political pressure during election cycles often undermines efforts to raise taxes, but many in the trucking industry and the general public now recognize that roadway funding must keep up with demand if acceptable levels of service are to be maintained. An increase in available highway funds will allow planners to more effectively deploy resources – dramatically speeding completion of maintenance and construction projects.

¹ ATRI. *Defining the Legacy for Users: Understanding Strategies and Implications for Highway Funding*. May 2007.

² Ibid.

7. Tort Reform/Legal Issues

Ranked 1st	Ranked 2 nd	Ranked 3rd	Total Ranking
5.0%	5.0%	6.5%	16.4

Ranking 6th in 2005 and 8th in 2006, tort reform and associated legal issues appear stable at 7th place in 2007. The potential for massive financial payouts awarded by court settlements is a continuing concern of trucking companies. The disconnection between, and inequity of, negligence and financial liability is the underlying basis of this issue. The trucking industry seeks to avoid the unproductive outcome of excessive lawsuits similar to those that have befallen other industries.

Proposed Strategies:

- a) *Advocate for federal legislation to regulate lawsuits and limit claim damages, especially in class action cases.* The potential for excessive damage settlements raises insurance costs and limits carriers' ability to invest resources in areas of operation that enhance productivity and safety. As jury awards have increased steadily over time, carriers seek limitations on judgments such as those instituted on medical malpractice cases. Additionally, federal regulation would render the civil system more uniform and less confusing for carriers. 66 percent of respondents ranked this strategy 1st.
- b) *Seek tort reform at state level using grassroots approach.* A stronger correlation between negligence and liability may be brought about by a campaign aimed at reforming liability equations used in several types of statutes. Such reforms offer the potential for lower judgments and insurance premiums for the trucking industry. 24 percent ranked this strategy 1st.
- c) *Support public education campaigns focused on negative consequences of civil litigation.* While the media has made the public aware of large settlements awarded to victims, there has been little initiative placed on educating voters about the negative indirect impacts of such settlements in economic terms. A vigorous education campaign aimed at identifying specific ways in which citizens are harmed by imprudent damage assessments may promote legislative action, resulting in damage caps and reducing "venue shopping." The messages should be bolstered with government statistics that document the substantial negligence of car drivers involved in truck-car crashes. 11 percent of respondents ranked this strategy 1st.

8. Driver Training/Driver Education

Ranked 1st	Ranked 2 nd	Ranked 3rd	Total Ranking
3.5%	5.4%	7.1%	16.0

Driver training is listed for the first time in the Top Industry Issues Survey in 2007, ranking 8th. Carriers increasingly recognize that a key factor in maximizing safety performance and driver retention hinges on a robust training background with exposure to continued, targeted training techniques. In advance of the FMCSA ruling on entry level driver training expected in late 2007 or early 2008, several research initiatives are underway to provide carriers with improved guidance on targeting training programs to maximize safety outcomes. Due to the low operating margins common in the trucking industry, carriers often operate with limited training budgets, but recognize the safety and economic benefits that training can provide.

Proposed Strategies:

- a) *Standardize driver training and testing requirements.* 51 percent ranked this strategy 1st. As the industry seeks to recruit large numbers of new drivers to address the driver shortage issue, there is a growing recognition that an important tool for creating a professional, courteous and safe driver workforce is high quality driver training and instruction. An important method to ensure that all new entrants are exposed to adequate, comprehensive training is to introduce standards into both training curricula and testing
- b) *Research and develop effective carrier-based truck driver training practices.* 33 percent ranked this strategy 1st. While many entry-level truck drivers are exposed to initial instruction at a public or private educational institution, most carriers provide training to drivers once hired. For experienced drivers hired by a carrier, in-house training may be the only training to which the driver is exposed since initially earning a CDL. Effectively utilizing this company-administered instruction is a key to creating a company-wide safety culture. Many respondents expressed a desire for research which identifies best practices for emphasizing safety within a carrier training program.
- c) *Increase driver training and testing requirements.* 19 percent ranked this strategy 1st. Many respondents indicated that current requirements for driver training and testing were not stringent enough. Strengthening requirements has the potential both to spur innovation and professionalism in the training profession and to ensure a safe, professional driver workforce.

9. Environmental Issues

Ranked 1st	Ranked 2nd	Ranked 3 rd	Total Ranking
1.1%	3.0%	5.1%	9.2

Environmental issues returns to the 9th highest ranked issue in 2007, after falling from 9th to 10th between the 2005 and 2006 surveys. Anti-idling regulations and other emissions reduction initiatives continue to impact the lives of drivers and carriers on a daily basis. Additionally, as production of alternative fuels such as biodiesel has increased exponentially since the first top industry issues survey in 2005, trucking companies must increasingly consider utilizing such fuels where economic and operational advantages are indicated. On a national scale, increasing public agreement over the need for environmental sustainability, along with the potential for strengthened environmental regulations accompanying administration changes in 2008 are factors that may significantly influence the trucking industry.

Proposed Strategies:

- a) *Seek financial incentives and tax breaks to offset costs of environmentally-friendly technologies and practices.* A significant impediment to environmentally-friendly technologies within the trucking industry is the significant initial capital outlays required to implement the technologies into operations. Similarly, carriers are often unwilling to adjust existing operational practices in significant ways to achieve environmental outcomes not strongly associated with tangible economic benefits. Providing tax breaks to lessen the economic burden of technology purchases and financial incentives to justify adjusting operations has the potential to significantly increase use within the industry. 38 percent of respondents ranked this strategy 1st.
- b) *Explore technology and operational solutions for improving fuel efficiency and reducing emissions.* While numerous new technologies designed to reduce emissions and improve fuel efficiency have entered the marketplace recently, respondents felt that sufficient information was not readily available about the real-world effectiveness of the technologies. Scientifically sound research measuring expected benefits of new technologies holds the potential to greatly expand utilization within the industry, provided that operational benefits are discernable. 37 percent of respondents ranked this strategy 1st.
- c) *Advocate for environmental program standards across states to reduce compliance costs.* Trucking companies generally operate in multiple jurisdictions and across state lines. As a result of the necessarily mobile nature of trucking operations, compliance with environmental programs that vary across states and municipalities becomes onerous. As indicated by the demand for ATRI's Idling Regulations

Compendium³, which provides drivers with information on idling rules across the U.S., many stakeholders desire to remain compliant with regulations despite being hampered by conflicting regulations. Standardization of rules is likely to both increase compliance and reduce costs for motor carriers. 27 percent ranked this strategy 1st.

10. On-Board Truck Technology

Ranked 1st	Ranked 2nd	Ranked 3rd	Total Ranking
1.1%	2.2%	4.3%	7.6

2007 is the first year that On-Board Truck Technology has ranked among the top ten most pressing issues within the trucking industry. On-board technology ranges from technologies such as Electronic On-Board Recorders (EOBR) which some carriers worry can be used as an invasive law enforcement tool, to Electronic Forward Collision Warning Systems (EFCWS) and Rollover Stability Systems (RSS) which hold the potential for significantly reducing certain types of truck accidents, to electronic speed governors, the use of which is the subject of debate within the industry.

Proposed Strategies:

- a) *Advocate for tax incentives to help offset the cost of new technologies.* 59 percent of respondents ranked this strategy 1st. While many new on-board truck technologies appear to offer cost and safety savings over the life of the vehicle, the initial capital outlays for the purchase of these systems remains an impediment to adoption within the industry. Tax and other financial incentives to promote the adoption of these technologies may increase penetration rates within the trucking industry.
- b) *Develop recommended practices for implementation and use of Electronic On-Board Recorders (EOBR).* 23 percent ranked this strategy 1st. ATRI’s research on EOBR use in the industry⁴ indicated a concern on the part of carriers (users and non-users) for the lack of standards and uniform practices. The research recommended development of some form of technical and functional standards for EOBR use.
- c) *Expand economic and safety analyses of on-board technologies.* 19 percent of stakeholders ranked this strategy 1st. Many respondents remain concerned that on-board technology systems have not been adequately tested to evaluate real-world economic and safety benefits.

³ Available online at http://www.atri-online.org/research/idling/2007_ATRI_Cab_Card_Secure.pdf

⁴ ATRI. *Electronic On-Board Recorder Adoption in the Trucking Industry: Issues and Opportunities*. September 2006.

Detailed scientific research directly applicable to the trucking industry may provide insight and assurance into the level of benefits that these systems are expected to provide.

Top Industry Issues 2007	Top Industry Issues 2006	Top Industry Issues 2005
1. Hours-of-Service	1. Driver Shortage	1. Fuel Costs
2. Driver Shortage	2. Fuel Issues	2. Driver Shortage
3. Fuel Issues	3. Driver Retention	3. Insurance Costs
4. Congestion	4. Hours-of-Service	4. Hours-of-Service
5. Government Regulation	5. Congestion	5. Tolls/Highway Funding
6. Tolls/Highway Funding	6. Government Regulation	6. Tort Reform/Legal Issues
7. Tort Reform/Legal Issues	7. Highway Infrastructure	7. Government Regulation
8. Truck Driver Training	8. Tort Reform	8. Congestion
9. Environmental Issues	9. Tolls/Highway Funding	9. Environmental Issues
10. On-Board Truck Technology	10. Environmental Issues	10. Truck Security