

TOP INDUSTRY ISSUES 2006



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Critical Issues in the U.S. Trucking Industry – 2006

The U.S. trucking industry is at a pivotal period in its 100-year history: safety, economic and operational issues are more complex now than at any previous point in time. While trucking economics have always been challenging, external pressures such as fuel costs and driver shortages are reaching crisis levels. As industry safety improves, it becomes ever more challenging to realize the incremental gains needed to reduce crashes. In many cases, private sector objectives conflict with government policies; in some cases certain government policies conflict with other government policies, putting carriers in tenuous operating conditions. Examples of this might include fuel efficiency programs versus air quality initiatives, or hours-of-service limitations with truck parking restrictions.

In response to these challenges, the trucking industry now recognizes that, to be informed and proactively prepared, it must better understand the myriad issues it faces. Consequently, the American Transportation Research Institute (ATRI) has been commissioned to undertake an annual Top Industry Issues Survey on behalf of the American Trucking Associations Federation. The results are intended to provide insight into the critical short- and long-term issues confronting the U.S. trucking industry.

ATRI conducted a series of phased surveys and interviews to discern key topics of interest, and then identify relevant strategies and solutions for addressing the issues or mitigating their impacts. The first phase of surveys and interviews identified topic categories. The second phase of surveys (n=483) provided specificity within categories and identified the requisite solutions and strategies. Respondents represented a broad range of fleets by sector and size as well as driver and other industry stakeholder respondents.

This summary presents the “top ten” list of issues and strategies for further consideration by ATA Federation staff and industry stakeholders.

In rank order, the top ten issues identified by industry respondents included:

- 1. Driver Shortage** – Ranked as the 1st, 2nd, or 3rd top issue by 57 percent of all respondents (1st 32 percent; 2nd 16 percent; 3rd 9 percent). This year the driver shortage replaced fuel costs as the number one issue as compared to the 2005 survey results. With a growing economy, industry capacity issues are taking precedent over stabilizing/declining fuel prices. This is readily apparent with respondents indicating, particularly in the truckload sector, that the driver shortage is forcing companies to turn down freight transportation orders and raise driver compensation to

historic levels. In both cases, fleet operating margins are seriously impacted.

The trucking industry has had moderate success in attracting new entrants, with the for-hire sector employing an additional 2,900¹ workers in September, 2006 – boosting the year-to-date total of new hires to 25,500¹. September's increase in trucking employment was the twelfth in the last thirteen months and the third-largest monthly gain this year. Nevertheless, industry research indicates that by 2014 the projected driver shortage will exceed 110,000².

Proposed Strategies:

- a) The industry should expand recruitment campaigns to enhance driver image and attract from an expanded pool of applicants. Enhancing driver image and driver lifestyle by recruitment campaigns may help explain some of the employment gains made in September. A number of respondents indicated that, in a growing economy that is competing for employees, more targeted recruitment research and campaigning is needed to identify those candidates best suited for truck driving. 92 percent ranked this strategy as 1st, 2nd or 3rd.
 - b) Advocate for improved quality, funding and availability of new entrant CDL training. It is not yet known whether this approach would raise the overall population of drivers or driver candidates, but it would likely improve driver safety and retention for those applicable drivers. 89 percent ranked this strategy as 1st, 2nd or 3rd.
 - c) Work with the Veterans Administration to expand training opportunities for veterans. Driving a truck could be a source of jobs for returning veterans or for veterans who want to switch jobs. There is, however, some issue with veteran availability based on the military's own challenges with meeting quotas. 87 percent ranked this strategy as 1st, 2nd or 3rd.
- 2. Fuel Issues** – Ranked as the 1st, 2nd, or 3rd top issue by 54 percent of all respondents (1st 21 percent; 2nd 15 percent; 3rd 18 percent). According to the Energy Information Administration (EIA) the average retail price for a gallon of on-highway diesel slipped 4.9 cents to \$2.546 as of October 2, 2006³. The national average, which decreased for the seventh straight week, is now 59.8 cents lower than during the same time in 2005. Given that diesel prices are well below their high of more than \$3.00/gallon, companies in our sample are less concerned about diesel prices than they were a year ago. However, respondents acknowledged the volatility of fuel prices; which can quickly increase in the future amid rumors of political instability or OPEC production cuts. Carriers and drivers are obviously still concerned about this issue based on its second place ranking.

Proposed Strategies:

- a) The industry should advocate for increased domestic oil refineries and production. 93 percent ranked this strategy as 1st, 2nd or 3rd. While this strategy is tied with the next strategy when ranked 1st, 2nd or 3rd, 41 percent ranked this strategy as 1st. Respondents indicated that increased domestic production may lower dependency on foreign oil and therefore stabilize prices.
 - b) Develop new methods to increase fuel efficiency. 93 percent also ranked this strategy as 1st, 2nd or 3rd but only 34 percent ranked the strategy as 1st. Increasing fuel efficiency will lower the demand for diesel which may exert downward pressure on the price and availability of diesel fuel.
 - c) Support research and development on the impact and viability of alternative fuels. 92 percent ranked this strategy as 1st, 2nd or 3rd but only 27 percent ranked the strategy as 1st. Alternative fuels research has become increasingly popular as the price of diesel fuel climbed towards \$3.00/gallon. President Bush is also pushing an initiative to fund alternative fuels research in hopes of decreasing America's dependency on foreign oil. Farmers and the agriculture sector may also benefit from bio-diesel research.
- 3. Driver Retention** – Ranked as the 1st, 2nd, or 3rd top issue by 43 percent of all respondents (1st 14 percent; 2nd 20 percent; 3rd 10 percent). Even though the trucking industry has recently hired more than 25,000 new drivers, driver retention and driver turn-over remains a major concern for carriers. With the per-driver cost of hiring and training at an estimated \$4,000 to \$8,000, carriers are extremely concerned about high turn-over.

Proposed Strategies:

- a) Advocate for improved driver training that adequately prepares entry-level drivers for the truck driver lifestyle. Since long-haul drivers may be away from home a week or more at a time and short-haul drivers often experience severe traffic congestion, targeted training may improve a driver's ability to manage strains associated with these factors. Fatigue and stress are major concerns for drivers and adequate preparation for the "trucker lifestyle" may help retain both new and experienced drivers. 92 percent ranked this strategy as 1st, 2nd or 3rd.
- b) Examine impacts of different driver compensation schemas and related human resources issues. Since driver retention is a greater problem in

certain sectors of the industry, research is needed to investigate the role of sector-customized compensation approaches. 91 percent ranked this strategy as 1st, 2nd or 3rd.

- c) Research use of technology to improve driver safety, ease-of-driving, and driver comfort, and any requisite relationships to driver satisfaction and retention. Since truck drivers often drive in excess of 50,000 miles in a given year, comfort and ease-of-driving are critical to lessening driver fatigue and stress. The more comfortable and safe a truck driver's in-cab experience is, the more likely the driver is to stay in the job. 88 percent ranked this strategy as 1st, 2nd or 3rd.

4. Hours-of-Service – Ranked as the 1st, 2nd, or 3rd top issue by 34 percent of all respondents (1st 9 percent; 2nd 8 percent; 3rd 16 percent). HOS remained the number four concern for the industry for the second year in a row. HOS is still a top concern among the industry and drivers, especially team drivers who have strong concerns over the October 2005 HOS rules change which eliminated drivers' ability to split the time spent in the sleeper berth. In addition, anecdotal research is now showing slight and unexpected decreases in freight productivity associated with the HOS rules changes.

Proposed Strategies:

- a) Advocate for increased flexibility of split-sleeper berth provision. Many in the industry, managers and drivers alike, believe that the latest HOS rules change is pushing drivers to drive when fatigued so as to not lose available driving hours. 90 percent ranked this strategy as 1st, 2nd or 3rd.
- b) Continue research and analysis on safety and productivity impacts of new HOS rules. Linking the HOS provisions to increased or decreased safety benefits is essential to widespread acceptance by drivers and stakeholders of the revised HOS regulations. 89 percent ranked this strategy as 1st, 2nd or 3rd.
- c) Advocate for technologies to ease logging requirements. Electronic On-Board Recorders (EOBRs) may be one solution that will reduce the time spent tracking hours with traditional paper logs, but will not be readily accepted without financial incentives, research guidance and data protection policies. 88 percent ranked this strategy as 1st, 2nd or 3rd.

5. Congestion – Ranked as the 1st, 2nd, or 3rd top issue by 30 percent of all respondents (1st 9 percent; 2nd 10 percent; 3rd 11 percent). Concern over congestion is growing annually based on its 8th place ranking in 2005. Heavy

congestion in some areas can delay shipments and dramatically erode a driver's HOS-regulated driving time. For many urban trips, the percentage of congestion-related delays is now becoming a considerable percentage of total truck driving time. Idling in traffic also reduces fuel economy and results in increases in air pollutants.

Proposed Strategies:

- a) Advocate for expanding highway and roadway capacity/construction and repair. Expanding highway capacity may ease congestion in urban areas and other problem areas. Many of the respondents recognized that expanding capacity is a costly proposition and that new revenue is needed. A majority of highway funds come from fuel taxes; tax increases may be a more efficient mechanism for funding increased capacity than alternative funding mechanisms. 93 percent ranked this strategy as 1st, 2nd or 3rd.
 - b) Examine dynamic/real-time routing solutions. Dramatic improvement in technology and logistics management may help identify more expeditious route patterns during peak congestion periods. 89 percent ranked this strategy as 1st, 2nd or 3rd.
 - c) Seek methods to reduce car-related congestion through alternative transportation options (transit, carpooling, etc.). Many cities are pursuing various approaches to this strategy in order to reduce congestion and pollution, albeit with mixed results. Research might provide more targeted and effective application of this strategy. 88 percent ranked this strategy as 1st, 2nd or 3rd.
6. **Government Regulations** – Ranked as the 1st, 2nd, or 3rd top issue by 27 percent of all respondents (1st 9 percent; 2nd 8 percent; 3rd 10 percent). There is a long-held belief that the trucking industry is heavily targeted by regulation and compliance programs for both safety and revenue generation. Furthermore, many regulations are viewed as complex and redundant, particularly when government safety statistics show that the large majority of truck-car crashes are caused by the car driver. Further exacerbating the problem is the fact that FHWA databases indicate that the percentage of the highway trust fund generated by trucks far exceeds that of normalized exposure statistics for truck registrations or vehicle miles traveled (VMT).
- a) Educate regulating agencies on the critical nature of the trucking industry and economic impacts of regulation. Industry feedback indicated a belief that government regulators do not always understand the impact new regulations will have on the industry or drivers. Increasing feedback to government agencies by industry stakeholders

may lead to better regulations. 93 percent ranked this strategy as 1st, 2nd or 3rd.

- b) Document and advocate against redundant regulations. According to industry stakeholders, overlapping regulations create additional burdens on the industry. A simplified and integrated system of regulations may lessen confusion, improve safety and lead to higher rates of compliance. 91 percent ranked this strategy as 1st, 2nd or 3rd.
 - c) Expand cost-benefit research that scientifically justifies regulatory and legislative decisions. Research into regulations is needed that includes both industry and independent organizations to help regulators better understand the current and proposed regulatory environment(s). 90 percent ranked this strategy as 1st, 2nd or 3rd.
7. **Highway Infrastructure** – Ranked as the 1st, 2nd, or 3rd top issue by 22 percent of all respondents (1st 5 percent; 2nd 9 percent; 3rd 8 percent). This issue is tangentially related to congestion, but beyond capacity includes adequacy and safety design considerations. Highway designs which understand and incorporate all users can lead to safer and more productive transportation systems for all users.
- a) Support increased road capacity/construction. Again, increased capacity is recognized as a long-term, necessary but expensive undertaking. However, construction on heavily congested roads is likely to increase congestion-related delays in the short-term. 92 percent ranked this strategy as 1st, 2nd or 3rd.
 - b) Continue to research truck size and weight/vehicle productivity issues. Revising truck configurations and size/weight limitations could reduce both truck trips and system VMT. With fewer trips and fewer trucks on the road, congestion may be reduced and road repairs less frequent. While 90 percent ranked this strategy and the next strategy as 1st, 2nd, or 3rd, only 24 percent ranked this strategy as 1st.
 - c) Develop public education campaigns on the importance of road improvements. If you can increase public awareness of the problems with road repair and safety, the industry will not have to bear most of the burden of advocating for increased road improvements. 90 percent also ranked this strategy as 1st, 2nd, or 3rd; however, only 21 percent ranked it as 1st.
8. **Tort Reform** – Ranked as the 1st, 2nd, or 3rd top issue by 19 percent of all respondents (1st 5 percent; 2nd 5 percent; 3rd 8 percent). Tort reform has continued to be a major legal and economic issue for the trucking industry but

has fallen in priority as compared to 2005 rankings. In last year's survey tort reform ranked as the number six issue.

- a) Advocate for federal legislation to regulate lawsuits and limit claim damages. Federal legislation would make the civil system more uniform and reduce the confusion of dealing with state-by-state laws. Jury awards have been increasing steadily over time, particularly in the area of punitive damages. Limitations on judgments, similar to those instituted on medical malpractice cases, could decrease operating costs and provide additional liquidity for improved safety initiatives. 94 percent ranked this strategy as 1st, 2nd or 3rd.
 - b) Seek tort reform at state level using grassroots approach. Reforming the liability equations used in joint & several liability laws to better relate liability to negligence may result in lower judgments and lower insurance premiums for the trucking industry. 89 percent ranked this strategy as 1st, 2nd or 3rd.
 - c) Support public education campaign. This approach assumes that increased public awareness will lead the public to influence state legislatures in enacting new laws that may limit "venue shopping" and cap damages. 88 percent ranked this strategy as 1st, 2nd or 3rd.
9. **Tolls/Highway Funding** – Ranked as the 1st, 2nd, or 3rd top issue by 18 percent of all respondents (1st 4 percent; 2nd 6 percent; 3rd 7 percent). Tolls and highway funding slipped to the number nine issue from the number five issue compared to last year's survey. Truck drivers pay considerably higher tolls when compared to passenger cars. Drivers may also engage in toll avoidance and use secondary roads which are less optimal for safety and more vulnerable to pavement damage. Based on the industry's small profit margin overall, any increase in operating costs can create unintended consequences in operating costs and safety.
- a) Oppose expanded tolling of interstate highways. Respondents indicated that interstate highways are typically the fastest and most efficient avenues for freight movement, and have already been paid for with transportation tax revenues. Toll booth islands often decrease speeds and increase congestion, thus increasing operating costs and truck-car exposure. While 90 percent ranked this strategy and the next strategy as 1st, 2nd, or 3rd, 53 percent ranked this strategy as 1st.
 - b) Seek new/expanded sources of funding for highways. As fuel efficiency increases, fuel tax revenue decreases at both the state and federal levels. Increases in truck and automobile VMT may slightly offset the revenue declines in the short-term, but alternative sources of funding are still needed to ensure adequate funding levels. However,

there is considerable research showing that toll system administration costs consume considerably more of the revenue than do fuel tax administrative costs. This was recently recognized by the Massachusetts Turnpike Authority Board, who voted to eliminate tolls on large sections of the system. 90 percent also ranked this strategy as 1st, 2nd, or 3rd, but only 30 percent ranked it as 1st.

- c) Support increasing fuel and/or sales taxes to address revenue gaps and minimize the need for less efficient revenue collection mechanisms. While increasing fuel taxes may be an efficient method for revenue collection, carriers will be challenged to pass on smaller, more incremental fuel tax increases. 83 percent ranked this strategy as 1st, 2nd or 3rd.

10. Environmental Issues – Ranked as the 1st, 2nd, or 3rd top issue by 9 percent of all respondents (1st 1 percent; 2nd 4 percent; 3rd 4 percent). While environmental issues dropped from 9th place in 2005 to 10th place, respondents clearly believe that environmental issues and regulations will be an ongoing issue for the foreseeable future. These issues include anti-idling regulations; further reductions in pollutant requirements for new engines; new air quality regulations for existing engines; boutique fuels; and truck wash run-off concerns among others.

- a) Explore options for improving fuel efficiency. 92 percent ranked this strategy as 1st, 2nd or 3rd. This strategy has three primary benefits: 1) newer engines that are fuel efficient are also typically “cleaner” burning; 2) fuel cost savings increase the liquidity for carriers, allowing for investment in new technologies related to safety and the environment; and 3) increased fuel efficiency will reduce demand for fossil fuels.
- b) Seek incentives for new diesel technologies (2010 engines) and other environmentally-friendly technologies and practices. New technologies are generally capital-intensive, particularly when a fleet purchases large numbers of newer vehicles. Therefore, incentives can induce or increase carriers’ ability to deploy emission lowering technology. 90 percent ranked this strategy as 1st, 2nd or 3rd
- c) Advance research in alternative environmentally-friendly technologies. There is a strong sense in the trucking industry that there are too few options for deploying environmentally friendly technologies, and for those that exist, too little empirical data on effectiveness. 89 percent ranked this strategy as 1st, 2nd or 3rd.

Absent from this year’s top ten issues is truck security, which in the 2005 survey ranked number 10. The truck security strategies proposed and ranked in the

2005 survey pointed to industry's concern with a lack of economic justification for many of the security solutions being proposed for, or imposed on, the industry.

Also absent from the 2006 survey as a top issue is insurance costs. However, the cost of insurance still remains a concern for the industry. Approximately 2 percent ranked healthcare costs as an issue as 1st, 2nd or 3rd under the "Other" category in the survey. Some strategies mentioned in the survey include increased coverage of employee health insurance premiums by employers and increased tax breaks for premiums or major illness coverage.

Top Industry Issues – 2006

- 1. Driver Shortage**
- 2. Fuel Issues**
- 3. Driver Retention**
- 4. Hours-of-Service**
- 5. Congestion**
- 6. Government Regulations**
- 7. Highway Infrastructure**
- 8. Tort Reform**
- 9. Tolls/Highway Funding**
- 10. Environmental Issues**

Top Industry Issues – 2005

- 1. Fuel Costs**
- 2. Driver Shortage**
- 3. Insurance Costs**
- 4. Hours-of-Service**
- 5. Tolls/Highway Funding**
- 6. Tort Reform/Legal Issues**
- 7. Overlapping/Burdensome Regulations**
- 8. Congestion**
- 9. Environmental Issues**
- 10. Truck Security**

References

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