

TOP INDUSTRY ISSUES 2005



Presented to the
American Trucking Associations

Prepared by
The American Transportation Research Institute
October 2005



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RESEARCH SUMMARY

Critical Issues for the Trucking Industry – Today and Tomorrow

The American Transportation Research Institute was commissioned by the American Trucking Associations in 2005 to research the issues that have the highest priority within the U.S. trucking industry.

ATRI conducted a series of phased surveys and interviews to discern the top issues and then identify relevant strategies and solutions for addressing the issues, or mitigating their impacts. In total, more than 2000 carriers were contacted.

This synopsis reflects the top issues and key strategies and approaches for further consideration by ATA staff and member executives.

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

1. **Fuel Costs** – Ranked as 1st, 2nd, or 3rd top issue by 78% of all respondents (1st 40%; 2nd 30%; 3rd 8%). By any definition, diesel and gasoline fuel prices are skyrocketing, with no foreseeable decline. By October, 2005, average diesel prices per gallon readily exceeded \$3.00. At best, carriers indicated hope that prices would at least stabilize, allowing them to better plan for fuel budgets and fuel surcharge opportunities.

Proposed Strategies:

- a) The industry should advocate for a long-term National Energy Policy that offers price stability, uniform supplies and alternative energy sources. 92% ranked this strategy either 1, 2, or 3.
 - b) Support research on alternative fuel/energy. This could result in different energy sources, increases in MPGs, or changes in fuel composition. An important distinction should be made in the future as to whether fuel additives such as ethanol or bio-diesel meet the definition of “alternative fuels.” 92% ranked this strategy 1, 2, or 3.
 - c) More widespread use of model ATA/NITL Shipper/Carrier Contract language. 85% ranked this strategy 1, 2, or 3.
2. **Driver Shortage** – Ranked as 1st, 2nd or 3rd top issue by 69% of all respondents (1st 43%; 2nd 19%; 3rd 7%). The driver shortage issue is complex, but derives from a series of converging factors including a strong economy, aging driver work force, driver turnover, and limited asset capacity.

Proposed Strategies:

- a) Increase driver compensation/wages. Since the driver shortage is more evident in certain sectors of the industry, this solution may initially require targeting wage increases to those sectors with the highest turnover. 92% ranked this option 1, 2, or 3
 - b) Focus retention campaigns on non-traditional labor sources (tied for 2nd). Classic driver labor pools such as the military are shrinking. New sources may include domestic and international populations as well as new driver definitions and utilizations. 90% ranked this strategy 1, 2, or 3.
 - c) Improve driver training (tied for 2nd) to improve the driver pool. It is not yet known whether this approach would raise the overall population of drivers or driver candidates, but it is assumed that “driver training” includes outreach, education and promotion to potential new populations. 90% ranked this strategy 1, 2, or 3.
3. **Insurance Costs** – Ranked as 1st, 2nd, or 3rd top issue by 35% of respondents (1st 6%; 2nd 12%; 3rd 17%). Insurance costs rose dramatically over a three-year period between 2001 and 2003. Industry research shows that “safe” carriers – those with satisfactory safety ratings – experienced premium increases of 20 – 60 percent or more. Most carriers now say that rates are high but stable, allowing carriers to predict and plan for insurance costs.

Proposed Strategies:

- a) Seek insurance recognition for safety practices and technology deployments (tie for 1st). 89% ranked this strategy 1, 2, or 3.
 - b) Identify specific cost reduction strategies (tie for 1st). 92% ranked this strategy 1, 2, or 3
 - c) Collaborate on new actuarial approaches. 87% ranked this strategy 1, 2, or 3.
4. **Hours-of-Service** – Ranked as 1st, 2nd, or 3rd top issue by 31% of respondents (1st 5%; 2nd 10%; 3rd 16%). As an industry issue, HOS has been at the forefront for the last 24 months while the regulations were revised, challenged, vacated and reestablished. At the present time, minor revisions to HOS are being considered, but it is likely that HOS as a top issue will now decrease in importance.

Proposed Strategies:

- a) Research and adopt performance-based HOS regulation. This would design and implement “customized” HOS regulations based on operating characteristics and carrier safety ratings. 87% ranked this strategy 1, 2, or 3.
 - b) Research and develop improved fatigue management practices. Fatigue management has received considerable attention over the last few years, but there is a need to standardize and target fatigue management protocols and programs to sectors and driving characteristics. 88% ranked this strategy 1, 2, or 3.
 - c) Seek incentives for the use of electronic on-board recorders (EOBRs) for HOS compliance. FMCSA is undertaking a thorough analysis of EOBRs, but there is inadequate carrier-generated information. At the present time, carrier ROIs for EOBRs must be improved, and incentives may provide a partial answer. 85% ranked this strategy 1, 2, or 3.
5. **Tolls/Highway Funding** – Ranked as 1st, 2nd, or 3rd top issue by 27% of respondents (1st 7%; 2nd 7%; 3rd 13%). Highway funding continues to be a contentious issue for an industry that rarely exceeds a 5% operating margin. Nevertheless, trucking companies realize that a well maintained transportation system is essential. Developing balance in trucking-related revenue collection is a key objective.

Proposed Strategies:

- a) Advocate for minimizing diversions from the Highway Trust Fund. While many state highway trust funds are dedicated to highway construction and maintenance, the federal trust fund is not. There is some legitimacy to the argument that highway tax receipts should be targeted to roads and fully spent before additional tax receipts are generated. There is also concern about the lack of controls over “creative financing” projects such as tolls. 91% ranked this strategy 1, 2, or 3
- b) Research and develop alternative highway funding/pricing options. As fuel efficiency improves and fossil fuel prices increase, there is a need to develop new and different tax allocation approaches. 92% ranked this strategy 1, 2, or 3.
- c) Increase fuel tax to counteract the need for tolls. The trucking industry believes that fuel tax collection is administratively more efficient and stable than toll systems and other financing tools. A fuel tax increase may provide the funding needed while reducing the role and impact of less reliable creative financing tools. 86% ranked this strategy 1, 2, or 3.

6. **Tort Reform/Legal Issues** – Ranked as 1st, 2nd, or 3rd top issue by 26% of respondents (1st 8%; 2nd 8%; 3rd 10%). In many instances, the trucking industry believes that onerous civil litigation laws make trucking less productive and potentially less safe. “Joint & Several” liability laws in many states hold trucking companies financially responsible for accidents primarily caused by the other vehicle. This legal inequity increases the cost of doing business for all companies – safe or unsafe – and decreases the likelihood (due to weaknesses in data privacy laws) that carriers will work with government to improve safety through information-sharing programs.

Proposed Strategies:

- a) Seek caps/limits on judgments. 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. 92% ranked this strategy 1, 2, or 3.
 - b) Seek liability reform. Reforming the liability equations used in joint & several liability laws to better reflect negligence would result in lower judgments and lower insurance premiums for the trucking industry. 91% ranked this strategy 1, 2, or 3.
 - c) Participate in public education program. The assumption in this approach is that increased awareness by the public, legislators and court staff of equity issues relating to negligence versus liability may change the outcomes of cases and judgments, and lead to revisions in tort laws. 87% ranked this strategy 1, 2, or 3.
7. **Overlapping/Burdensome Regulations** – Ranked as 1st, 2nd, or 3rd top issue by 23% of respondents (1st 7%; 2nd 5%; 3rd 11%). There is a long-held belief that the trucking industry is unduly targeted by regulation and compliance programs for both safety and revenue generation. Furthermore, many regulations are viewed as complex and redundant. Government safety statistics show that the large majority of truck-car crashes are caused by the car driver, and the percentage of the highway trust fund generated by trucks far exceeds that of normalized figures for truck registrations or vehicle miles traveled (VMT).

Proposed Strategies:

- a) Standardized rules and regulations. Standardizing regulations would increase compliance through improved understanding and a “leveling of the playing field” for motor carriers in different sectors and states. 91% ranked this strategy 1, 2, or 3.
- b) Move towards more centralized regulatory jurisdictions. There are hundreds of jurisdictions throughout the U.S. involved in developing

and/or enforcing regulations. Centralizing many of these functions would increase compliance, reduce complexities and lower regulatory and enforcement costs. 88% ranked this strategy 1, 2, or 3.

- c) Increased research on policy issues. Additional research is needed to fully document and decipher the various regulatory programs and jurisdictions. This research would form the foundation for making sound recommendations for regulatory streamlining. 86% ranked this strategy 1, 2, or 3.

8. **Congestion** – Ranked as 1st, 2nd, or 3rd top issue by 21% of respondents (1st 3%; 2nd 7%; 3rd 11%). Traffic congestion continues to build as vehicle utilization and VMT grow at a much faster rate than system capacity increases.

Proposed Strategies:

- a) Seek improved operations of highway infrastructure. Improving operations for constructing and maintaining new and existing infrastructure will ultimately increase the available funding for roads and reduce construction delays. 92% ranked this strategy 1, 2, or 3.
- b) Seek incentives for off-hour pickup/delivery (tie for 2nd). Since most freight schedules are dictated by shippers and consumers, it is speculated that financial or non-financial incentives are needed to traditional business schedules. 89% ranked this strategy 1, 2, or 3.
- c) Advocate for truck-only lanes (Tie for 2nd). Truck-only lanes provide a clear strategy to moving trucks out of the vehicle congestion mix by creating dedicated, and preferably new lanes for freight movement. In most cases, it appears that the trucking industry is amenable to paying for the additional capacity assuming some basic conditions can be met. 87% ranked this strategy 1, 2, or 3.

9. **Environmental Issues** – Ranked as 1st, 2nd, or 3rd top issue by 12% of respondents (1st 2%; 2nd 4%; 3rd 6%). The trucking industry, like all sectors of the U.S. economy, consumes resources and produces environmental byproducts. New attention is being focused on truck-related fuel usage, air and water emissions and other secondary byproducts that may harm the environment. The trucking industry is seeking reasonable programs and approaches for reducing the industry's negative environmental impact without harming economic growth.

Proposed Strategies:

- a) Seek incentives for the use of environmentally-friendly technologies. Because new and emerging technologies generally have higher initial costs, incentives are needed to increase deployment and usage. 89% ranked this strategy 1, 2, or 3.

- b) Develop industry environmental best practices. There is inadequate information on useful, appropriate and proven environment-friendly policies and programs. There is considerable interest in developing a trucking industry “best practices” program. 89% ranked this strategy 1, 2, or 3.
- c) Research and develop 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. 87% ranked this strategy 1, 2, or 3.

10. **Truck Security** – Ranked as 1st, 2nd, or 3rd top issue by 12% of respondents (1st 4%; 2nd 2%; 3rd 6%). The trucking industry recognizes that it is a potential and accessible target for security threats. However, there is little security or economic justification for many of the security solutions that have been considered.

Proposed Strategies:

- a) Require cost/benefit analysis as part of all security regulations. As is the case with most government programs, cost-benefit analyses should become standard practice in all industry-targeted security programs. 75% ranked this strategy 1, 2, or 3.
- b) Develop and disseminate comprehensive security policies. There is little consensus, direction and access to standardized and relevant information on security policies and programs. 72% ranked this strategy 1, 2, or 3.
- c) Reorganize trucking security oversight. At the present time, trucking industry security is managed and enforced by multiple state and federal agencies. An overhaul and refocusing is needed based on centralized, outcome-based security objectives. 47% ranked this strategy 1, 2, or 3.
- d) Increase industry security research and development. There is a dearth of data and information on effective security technologies, policies and programs and few industry-generated security experts. 69% ranked this strategy 1, 2, or 3.