CRITICAL ISSUES IN THE TRUCKING INDUSTRY – 2008

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American Trucking Associations

Prepared by
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The trucking industry continues to be the lifeblood of the U.S. economy and underpins the massive distribution system that supports our country's high living standards. However, the last several years have seen a dramatic economic slowdown which threatens job growth, freight shipments and markets – both domestic and international. The multitude of safety and operational issues that the trucking industry presently faces, all exacerbated by high fuel prices and marketplace volatility, create new urgency for identifying critical issues as well as related solution sets.

Despite short-term challenges to the industry, trucking remains a critical and resilient economic indicator. As the primary mover of goods in the U.S., trucks hauled 69 percent of all freight tonnage in the U.S. in 2006, a percentage that is certain to increase in the coming years[1]. The industry employs over 8.7 million people and provides 1 in every 13 private sector jobs[2].

Not surprisingly, the trucking industry is confronted by a number of issues that are highly interrelated. Faced with such complex challenges, it is important to identify and prioritize the top issues facing the industry as well as the strategies deemed most effective in mitigating the related consequences. Recognizing this, the American Trucking Associations Federation has commissioned ATRI to conduct an annual survey of critical issues facing the trucking industry. Now in its fourth year, the ATRI Top Industry Issues Survey is a critical tool for industry as well as public sector decision-makers, allowing stakeholders to address the top issues decisively and proactively.

The top two issues identified by industry respondents in 2008 are: Fuel Costs and the Economy. The Economy debuted on the trucking industry's top issues list in 2008 as the 2nd most important issue facing the industry. As diesel fuel prices rose to unprecedented levels, an already fragile U.S. economy began to feel the impacts of inflationary pressures, and declines in consumer optimism and manufacturing output. The mortgage crisis and resultant credit crunch further pushes the economy toward recession.

The Top Industry Issues survey is conducted in two phases. The Phase One Survey is designed to identify and categorize key issue areas and strategies from representative samples of carriers. The Phase One Survey was distributed to several hundred carriers, representing a diversity of fleet sizes, sectors and geographic regions.

The Phase Two Survey was distributed to a larger population of respondents in order to rank the relative importance of each issue and the preferred strategies that were identified in the Phase One survey initiative. Responses (n=796) to the Phase Two survey were equally 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 assigns values to respondents' rankings of the issues facing the industry. Values are also assigned to respondents' rankings for each of the three strategies favored by the industry to address each issue. In rank order, the top ten issues identified by industry respondents are detailed below.

[1] American Trucking Associations. *American Trucking Trends: 2007-2008.* Arlington, VA.
[2] Ibid.

1. **Fuel Costs**

Ranked 1st	Ranked 2nd	Ranked 3rd	Total Ranking
54.3%	24.3%	9.2%	87.8

After ranking 1st in 2005, 2nd in 2006 and 3rd in 2007, fuel once again attained the top ranking. Though motor carriers in 2008 aggressively sought to recoup fuel cost increases with fuel surcharges, the industry simply could not keep pace with the unprecedented rise in diesel fuel costs, topping $4.70 a gallon in July 2008. Fuel cost increases were directly related to equally unprecedented increases in oil prices; increasing from $90 a barrel in October 2007 to $147.27 in July 2008. Other oil- and fuel-related issues impacting the industry include increases in tire and motor oil costs. A secondary impact was the Federal Reserve Bank's response to higher energy costs – multiple increases in the prime interest rate – which reduced the industry's access to loans and capital. The year 2008 was also significant in that fuel replaced labor costs as the top operating expense for most carriers.

Proposed Strategies:

a) *Advocate for increased supply through expansion of domestic drilling and refinery capacity.* Alarmingly high fuel prices spurred the trucking industry, as well as many others in the nation, to express a strong sentiment to increase domestic oil and fuel supplies. As Fuel Costs rose, carriers were impacted twofold with higher operating costs and increases in other areas of their business. 68 percent of respondents ranked this strategy 1st.

b) *Promote initiatives to conserve fuel including a national speed limit and tax incentives for fuel-saving technologies*. In 2008, many motor carriers attempted and succeeded in reducing fuel consumption by reducing top vehicle speeds through the use of speed governors. Respondents indicate the need for a broader approach to conserve fuel. At the same time, many in the industry are wary of the potential safety impacts of policies that increase the differential between maximum truck and automobile speeds. The industry supports tax incentives to increase industry adoption of proven fuel-saving technologies. 21 percent ranked this strategy 1st.

c) *Support increased design and deployment of alternative energy forms.* The alternative energy market continues its dramatic expansion as industry, government and consumers grapple with high Fuel Costs and increasingly stringent emission requirements. Despite the operational challenges associated with expanded use of alternative energy/fuel, the industry continues to support their increased use. 13 percent of respondents ranked this strategy 1st.

2. Economy

Ranked 1st	Ranked 2nd	Ranked 3rd	Total Ranking
18.1%	28.3%	16.7%	63.1

Reflecting deep concern over current economic conditions, the Economy debuts on the list as the 2nd most pressing issue facing the industry. As high fuel prices, a deepening credit crisis and rising inflationary pressures take a greater toll on the U.S. economy, the industry is pressed by increasing regulations, slumping demand, excess capacity and increases in both fixed and marginal key cost centers. These factors result in a fiercely competitive environment where revenues decline or remain flat while regulatory compliance and operating costs continue to rise.

Proposed Strategies:

a) *Support pro-freight candidates in state and federal elections*. The top strategy for mitigating the impacts of a slumping Economy on the industry is to proactively support those candidates that understand the importance of trucking to the nation's Economy. Pro-freight candidates are more likely to have an understanding of the complexities of trucking and the burdens placed on the industry by economic externalities and excessive regulation. Lastly, pro-freight candidates are more likely to help industry educate fellow decision-makers. 45 percent of respondents ranked this strategy 1st.

b) *Advocate for policies that control healthcare costs for employers*. Narrowly missing the top strategy ranking was policies for controlling healthcare costs. As the industry's already thin profit margins are squeezed further by economic conditions, the industry must focus on containing both fixed and operating costs, especially those that increasingly reduce profitability. As healthcare cost increases continue to outpace the overall inflation rate, the industry must advocate for public policies that keep these expenses in check.

c) *Pursue full implementation of trade agreements (NAFTA, etc.)*. The two-year NAFTA pilot program, a precursor to full implementation of the trade agreement, remains a hotly debated topic. The U.S. House of Representatives recently passed a bill to end the pilot program. The bill awaits action by the U.S. Senate. Additionally, a lawsuit filed in federal court spearheaded by the Teamsters and others challenging the legality of the program remains pending. Respondents indicate that opening new markets for U.S. motor carriers via NAFTA is a key to the growth and health of the industry as well as the U.S. economy. 10 percent of respondents ranked this strategy 1st.

3. **Driver Shortage/Retention**

Ranked 1st	Ranked 2nd	Ranked 3rd	Total Ranking
7.3%	11.3%	16.2%	34.8

After remaining in one of the top two spots in the survey since 2005, the Driver Shortage/Retention issue slipped to 3rd place this year. Although the persistent sluggishness of the economy relieves some pressure, respondents clearly remain concerned. Many in the industry recognize this is a temporary hiatus that will dissipate as baby-boomers continue to retire in large numbers and as the economy rebounds. Driver training, compensation and other issues create new difficulties in attracting new driver entrants and reducing driver turnover.

Proposed Strategies:

a) *Research and identify the factors that most influence driver satisfaction and retention.* 55 percent of respondents ranked this strategy 1st. This strategy echoes the top rated strategy in 2007, which was also based on continuing research into the Driver Shortage/Retention issue. In doing so, the industry hopes to harness the power of data and analysis for identifying the factors underlying the development of a sustainable labor pool.

b) *Redesign new entrant driver training programs to increase driver satisfaction/retention.* In a 2008 Notice of Proposed Rulemaking (NPRM), the Federal Motor Carrier Safety Administration (FMCSA) detailed minimum training requirements for new entrant drivers. As the industry prepares for new requirements and considers revised training programs, survey respondents indicate that these programs may be improved to better prepare new driver entrants for the rigors of truck driving. The programs may need to be revised based on the research findings of the factors underlying driver satisfaction and retention. 25 percent ranked this strategy 1st.

c) *Expand image campaigns to attract new entrants from non-traditional labor pools.* 21 percent ranked this strategy 1st. As a significant portion of the driver base nears retirement age, respondents highlighted the need to expand existing image campaigns targeted towards a larger pool of potential employees. Though the American Trucking Associations as well as individual carriers have launched image campaigns to recruit and retain drivers, respondents believe that campaigns should target non-traditional labor pools. These recruitment campaigns could be tailored to recruit individuals that exhibit the essential factors or traits identified in strategy a).

4. **Government Regulation**

Ranked 1st	Ranked 2nd	Ranked 3rd	Total Ranking
4.4%	9.0%	13.1%	26.5

Despite unprecedented fuel costs and a slumping economy, Government Regulation continues its ascension in the top industry issues by garnering a 4th place ranking in 2008. Previously Government Regulation ranked 7th in 2005, 6th in 2006 and 5th in 2007.

Though respondents were not asked to rank specific regulations, clearly the burdens of industry regulation by multiple agencies continue to have an impact on the industry. Though primary safety regulation is the mandate of FMCSA, carriers face other significant regulations imposed by federal, state and local authorities. Examples include security-related driver credentials, owner-operator classification status and anti-idling laws. While Government Regulation is in its fourth year as a top industry issue, the strategies recommended in 2008 differ from those identified in earlier surveys.

Proposed Strategies:

a) *Oppose government mandates that increase equipment costs.* 49 percent ranked this strategy 1st. Government regulations have significantly increased the costs of trucking-related equipment. New engine emission standards is an example cited by industry as an unfunded government mandate resulting in increased equipment costs. Other examples of mandates that increase equipment costs are anti-idling regulations that force carriers to equip trucks with tractor cab heating/cooling devices to ensure drivers can rest comfortably without main engine idling.

b) *Advocate for streamlined and standardized security-related compliance mandates.* 25 percent of respondents ranked this strategy 1st. As government agencies seek to increase cargo, driver and border security, the impact on the industry is often program/policy redundancy; for example, multiple driver background checks. This, in turn, causes confusion on the part of carriers as well as shippers. Redundant driver credential mandates increase motor carrier administrative burdens, carrier costs and may also play a role in the Driver Shortage/Retention issue. Some drivers may be required to obtain as many as three security-related credentials including a hazardous materials endorsement, a Free and Secure Trade (FAST) credential and a Transportation Worker Identification Credential (TWIC) card.

c) *Protect owner-operator/independent contractor classification at the state level.* In 2008, several states took high profile actions that reconsidered the definition and status of owner-operators and independent contractors. A classification change would reclassify owner-operators as company employees and would have ramifications on union organization efforts as well as worker compensation claims. A key element of this discussion is the preemption of federal government jurisdiction over states' authority to regulate interstate commerce.

5. **Hours-of-Service**

Ranked 1st	Ranked 2nd	Ranked 3rd	Total Ranking
3.3%	8.7%	10.2%	22.2

Hours-of-Service (HOS), the top ranked issue in 2007, slipped four places in 2008. The prominence of the HOS issue in 2007 was likely due, in part, to the industry's concern over the July 2007 U.S. Court of Appeals rejection of the 11-hour driving provision and 34-hour restart. In 2008 however, the concern over potential changes in HOS regulations has been supplanted by issues that are having a more direct impact on carrier operations and profitability. Additionally, FMCSA retained the 11- and 34-hour provisions in an Interim Final Rule in late 2007 which was viewed by the industry as a positive sign, pending issuance of a Final Rule. As noted in the 2007 report, the long-term status of HOS requirements remains uncertain as legal challenges and appeals are likely to continue. Respondents indicate a need to retain several elements of previous HOS regulations and that HOS regulations should be made more flexible in certain areas.

Proposed Strategies:

a) *Continue industry advocacy to maintain 11- and 34-hour provisions in current HOS rules.* The top strategy for addressing HOS concerns changed in 2008 from allowing drivers to split sleeper berth periods to maintaining the 11- and 34-hour provisions. This finding indicates that respondents see a need to retain these core provisions before advocating a change in the sleeper berth provision. 55 percent of respondents ranked this strategy 1st, double the percent of 1st place rankings in 2007.

b) *Seek HOS rules change to allow split sleeper berth periods.* Respondents ranking this strategy 1st in 2008 decreased by almost half, from 65 percent in 2007 to 33 percent this year. Respondents indicate that the contiguous sleeper berth requirement remains a significant issue, though the impact of this mandate is less important to the industry than retention of the 11- and 34-hour provisions. Motor carriers continue to maintain that the inability of drivers to split sleeper berth periods forces some drivers to operate while fatigued in an effort to not lose available driving hours.

c) *Support research to identify optimal ways to manage fatigue.* Respondents continue to seek research that focuses on managing driver fatigue. This appears to be driven by the assertion of some that there is little scientific evidence linking adherence to a prescriptive HOS with improved driver alertness. 13 percent of respondents ranked this strategy 1st.

6. Congestion

Ranked 1st	Ranked 2nd	Ranked 3rd	Total Ranking
3.3%	5.1%	10.2%	18.6

Congestion fell two places in 2008 from 4th place in 2007 to 6th. Though Congestion had seen a steady increase in the rankings since 2005, this latest drop may be explained by recent declines in vehicle trips and vehicle miles traveled resulting from fuel price increases for all road users. However, the impact of Congestion on freight system reliability continues to be a longer-term concern as documented by the FHWA/ATRI "Freight Performance Measures" initiative.

Proposed Strategies:

a) *Encourage size and weight provisions to maximize productivity and decrease roadway demand.* In 2007, respondents ranked this strategy third. Conversely in 2008 nearly twice as a many respondents ranked this strategy 1st (21.9% in 2007 to 40% in 2008). Respondents continue to favor revisions to size and weight provisions as an important strategy for mitigating Congestion by reducing the number of trucks needed to haul freight. Higher productivity vehicles also provide a means of reducing fuel consumption and truck emission rates per ton-mile. Other benefits include improving both travel times and system reliability.

b) *Examine the potential for truck-only lanes/corridors/networks*. As vehicle miles traveled (VMT) by trucks are forecast to outpace automobile traffic, respondents continue to support research into the feasibility of truck-only facilities. However, the industry continues to be wary of mandated use of truck-only facilities, as well as unchecked increases in toll costs for facility use. Recent ATRI research found that a majority of motor carriers, while in favor of truck-only lanes, would not be willing to pay tolls to use proposed truck-only toll lanes in the Atlanta area[3]. 32 percent of respondents ranked this strategy 1st.

c) *Improve use of existing infrastructure through improved emphasis on freight planning and policies.* The overall decreases in VMT in 2008 also reduce fuel tax revenues that feed the federal and state Highway Trust Funds – the primary funding mechanism for road system improvements. Respondents believe that a key strategy for mitigating Congestion in an era of declining roadway funding is the more efficient use of existing infrastructure. 29 percent of respondents rated this strategy 1st.

7. **Tolls/Highway Funding**

Ranked 1st	Ranked 2nd	Ranked 3rd	Total Ranking
3.0%	3.4%	8.8%	15.2

Highway Funding concerns and road tolling fell one place in 2008 to 7th. The issue ranked 6th in 2007 and 9th in 2006. In 2008, Tolls/Highway Funding issues gained prominence from several events, including the U.S. DOT announcement that the Highway Trust Fund was running out of money and the rejection of a congestion pricing program in New York City. State efforts to lease public transportation facilities to private interests also heightened debate on the impact these initiatives could have on a national transportation network. Lastly, ATRI's recent research on the efficiencies of infrastructure funding mechanisms[4] has heightened industry awareness of the efficacy of various infrastructure funding mechanisms.

Proposed Strategies:

a) *Prevent Highway Trust Fund (HTF) diversions to non-highway programs and ensure that new highway funding is dedicated to roads*. Similar to 2007, respondents ranked 1st the exclusive use of HTF receipts for roadway maintenance and improvements. As HTF commitments outpace revenues in 2008, this strategy is expected to portend a renewed debate on the use of HTF

[3] ATRI. *Survey of Motor Carrier Opinions on Potential Optional Truck Only Toll (TOT) Lanes on Atlanta Interstate Highways*. May 2007.
[4] ATRI. *Defining the Legacy for Users: Understanding Strategies and Implications for Highway Funding*. May 2007.

revenues for non-highway uses, such as transit, and the true costs to the HTF of fuel tax exempt groups, as documented in ATRI's highway funding analysis[5]. 55 percent of respondents ranked this strategy 1st.

b) *Oppose tolls and privatization efforts on existing highways.* Garnering significantly more first place votes in 2008 (42% versus 30% in 2007), respondents indicate a growing concern over the expansion of tolls and privatization. The rise in prominence of this strategy is likely a response to recent heavily-publicized efforts by the U.S. DOT and several states to increase the privatization of transportation facilities. Unlike fuel surcharges, the industry believes that tolls are a cost which must be absorbed by carriers. Additionally, research has shown that tolling is a comparatively inefficient mechanism for collecting revenue[6].

c) *Promote fuel tax increases for additional roadway maintenance and construction funding.* Perhaps due to the drastic increase in fuel costs, half as many respondents ranked this strategy 1st in 2008 compared to 2007 (5% versus 11%). Respondents indicate that any increases in fuel taxes must be preceded by legislative mandates that all revenues are expended exclusively for roadway maintenance and improvements.

8. **Environmental Issues**

Ranked 1st	Ranked 2nd	Ranked 3rd	Total Ranking
2.7%	4.0%	7.6%	13.6

Environmental Issues attained its highest ranking in 2008 by placing 8th. The proliferation of anti-idling regulations and other emission reduction initiatives sought by more state and local governments has created concern that the compliance costs may exceed benefits. A related message is that it is extremely difficult to understand and monitor the myriad proposals and initiatives that seek to address greenhouse gas production (including state cap and trade proposals).

Proposed Strategies:

a) *Seek tax incentives for new technology adoption and alternative fuel usage.* Echoing 2007 sentiments, respondents again ranked this as the top strategy for addressing Environmental Issues. Respondents continue to equate new technology mandates with no tax incentives to unfunded mandates on the industry. The industry generally supports improved air quality through increased deployment of proven technologies, but also recognizes that significant capital outlays hinder industry adoption. These impediments may be mitigated by offering carriers tax incentives for technology adoption. 47 percent of respondents ranked this strategy 1st.

b) *Advocate for uniform environmental program standards across states to reduce compliance costs.* Interstate motor carriers routinely operate in multiple jurisdictions and across state lines. These carriers are in large part regulated by

[5] Ibid.
[6] Ibid.

federal government mandates which "preempt" state authority. Federal preemption of state laws relating to interstate commerce is granted by the Commerce Clause of the U.S. Constitution. Respondents indicate federal preemption of environmental standards would likely reduce compliance costs while improving compliance rates. 40 percent ranked this strategy 1st.

c) *Encourage and publicize voluntary industry compliance with sustainability initiatives.* A new strategy for 2008, voluntary industry compliance with sustainability initiatives may be attributed to several high-profile programs including ATA's *Trucks Deliver a Cleaner Tomorrow*. This program is comprised of six recommendations to "…reduce fuel consumption and minimize the carbon footprint of all vehicles over the next ten years[7]." A second high-profile, voluntary program embraced by the industry is the Environmental Protection Agency's Smartway Transport Partnership, an industry and government partnership that makes an effort to "... reduce emissions and fuel consumption from long-haul trucks[8]."

9. **Tort Reform**

Ranked 1st	Ranked 2nd	Ranked 3rd	Total Ranking
2.9%	4.1%	5.1%	12.1

Tort Reform and other legal issues fell to its lowest ranking in four years, placing 9th in 2008, down from 7th in 2007. Tort Reform seeks to minimize industry harm caused by inequitable and excessive civil judgments against trucking firms. The trucking industry, reflective of many other industries, seeks to clarify the distinction between civil tort liability and punitive damage awards.

Proposed Strategies:

a) *Push for legislation imposing new caps for non-economic damages.* The top strategy for implementing Tort Reform is to advocate legislative solutions that cap non-economic damages awarded by juries in tort cases. Caps on non-economic damages seek to strengthen the legal nexus between negligence and liability. Caps for non-economic damages would likely help control escalating carrier insurance costs. 41 percent of respondents ranked this strategy 1st.

b) *Advocate for new legal fee structure and caps.* Respondents indicate a strong need for the industry to proactively advocate for reform of legal fees paid to plaintiff attorneys. The intent of a reformed legal fee structure as well as compensatory caps would be to dissuade costly legal actions against trucking firms that are based on questionable legal foundations. Successful implementation of this strategy would also curtail recent spikes in insurance costs for motor carriers. 36 percent ranked this strategy 1st.

c) *Promote public education campaigns that outline the negative consequences of excess civil litigation.* Respondents ranking this strategy 1st more than doubled over 2007 (25% versus 11%). Respondents indicate a heightened awareness of

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[7] More information available at http://www.trucksdeliver.org/.
[8] More information available at http://www.truckline.com/aboutata/smartway/index.

the importance of educating the public on the overall economic and inflationary impacts of excessive civil judgments. Public education was identified as an important component of garnering support for legislative reform.

10. **Onboard Truck Technology**

Ranked 1st	Ranked 2nd	Ranked 3rd	Total Ranking
.8%	1.8%	2.7%	5.3

After first surfacing in 2007 as a top ten issue, Onboard Truck Technology remains the 10th most pressing issue facing the industry. The top three strategies reveal that the industry understands and supports many of the potential benefits of these technologies, even though many questions remain. The most prolific technology topic is Electronic Onboard Recorders (EOBRs), most often cited as a potentially effective tool for monitoring HOS compliance. Alternatively, recent government actions in Canada as well as the U.S. to mandate EOBR usage for segments of the industry have raised some concern in the industry. Other technologies identified as promising include Collision Warning Systems (CWS), Rollover Stability Control Systems (RSC) and Lane Departure Warning Systems (LDWS).

Proposed Strategies:

a) *Support tax incentives to help offset the cost of new technologies.* 51 percent of respondents ranked this strategy 1st. Reflecting respondents' similar strategy for emission reduction tools, there is strong support for increasing deployment of these technologies through tax incentives. The capital costs as well as the ongoing support costs of these systems may be offset by offering users financial incentives.

b) *Continue research to quantify real-world costs and benefits of onboard safety systems.* Significantly more respondents ranked this strategy 1st in 2008 compared to 2007 (35% versus 19%). In addition to technology integration issues, respondents remain concerned with the lack of uniformity and enforcement requirements for EOBR usage[9].

c) *Develop technical standards and more detailed recommended practices for implementation and use of Electronic Onboard Recorders (EOBRs).* 15 percent of stakeholders ranked this strategy 1st. Inclusion of this new strategy into the top three illustrates the industry's evolving acceptance of EOBRs as a potential beneficial technology. However, concerns remain on quantifying real-world economic and safety benefits for the different operating segments of the industry. Development of these resources will likely bolster industry adoption of EOBRs.

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

Top Industry Issues Survey Results			
2008	**2007**	**2006**	**2005**
1. Fuel Costs	1. Hours-of-Service	1. Driver Shortage	1. Fuel Costs
2. Economy	2. Driver Shortage	2. Fuel Issues	2. Driver Shortage
3. Driver Shortage/ Retention	3. Fuel Issues	3. Driver Retention	3. Insurance Costs
4. Government Regulation	4. Congestion	4. Hours-of-Service	4. Hours-of-Service
5. Hours-of-Service	5. Government Regulation	5. Congestion	5. Tolls/Highway Funding
6. Congestion	6. Tolls/Highway Funding	6. Government Regulation	6. Tort Reform/Legal Issues
7. Tolls/ Highway Funding	7. Tort Reform/Legal Issues	7. Highway Infrastructure	7. Government Regulation
8. Environmental Issues	8. Truck Driver Training	8. Tort Reform	8. Congestion
9. Tort Reform	9. Environmental Issues	9. Tolls/Highway Funding	9. Environmental Issues
10. Onboard Truck Technology	10. Onboard Truck Technology	10. Environmental Issues	10. Truck Security