

TRUCKING IN 2018

BIGGEST CHALLENGES FOR TRUCKING INDUSTRY IN 2018 AND MOVING FORWARD

Pickle Packers International, Inc.
2018 Annual Meeting & Product Showcase
Nashville, TN

**2018 HAS PROVEN PROVE TO BE ONE OF THE MOST
CHALLENGING YEARS FOR THE TRUCKING INDUSTRY**

**YOU MIGHT SAY IT'S A "PERFECT STORM"
INDUSTRY CHANGING**

CHALLENGES FOR THE TRUCKING INDUSTRY IN 2018

What are these issues?

- Driver Shortage
- Cost of Insurance
- Cost/availability of equipment
- Regulatory
- Capacity

DRIVER SHORTAGE

“America needs more truck drivers. The trucking industry is facing a growing shortage of drivers that is pushing retailers to delay non essential shipments or pay high prices to get their goods delivered on time.” NPR

“More than 70% of goods consumed in the U.S. are moved by truck, but the industry needs to hire almost 900,000 more drivers to meet future demands”
ATA

DRIVER SHORTAGE

- Average age of a driver is now 55 – Bureau of Labor Statistics
- Health (especially sleep apnea) and retirement are causing drivers to leave industry
- New generations don't even consider driving truck as a career choice
- Truck driving schools attendance is down over 50% in many schools
- Must be 21 (federal), 23 with 2 years experience (insurance) unless self insured.
- Low unemployment means no supply of transitional workers from other industries

DRIVER SHORTAGE – HOW ARE COMPANIES REACTING? THE POOL ONLY HAS SO MUCH IN IT

- Wage increases (including large sign on bonuses).

“Pay in the industry’s has increased over 17% over the last couple of years and we are implementing more as we speak” Werner Trucking

“The median annual wage for heavy and tractor-trailer drivers was \$41,340 in May 2016, First year 2018 entrants into the industry now make over \$50,000 a year (22% more than average wages in 2016).

- Rate increases are going straight to the drivers
- Increase in benefits
- Addressing or eliminating shippers/ receivers that cause delays, freight is too difficult, driver treatment and conditions are poor
- New equipment to retain and potential attract new drivers
 - Trucks
 - Wi-Fi
 - Satellite
 - Auto transmissions
 - “all the bells and whistles”

COST OF INSURANCE KEEPS GOING UP

- Liability
- Physical Damage
- Cargo
- Health Care
- Worker Comp

Trucking Companies are experiencing increases in all these areas!

COST OF INSURANCE KEEPS GOING UP

- Trucks are getting into more accidents. 14% increase in fatalities with trucks last year and only .3% increase in miles. – ATA Nov 2017
- In spite of newest technologies and our best efforts, trucks are getting in 59% more accidents per mile than 2010.
- Injuries from truck accidents are up 48% during this time.
- Accidents are 2x more likely to exceed \$100,000. In 2010, 1.5% of accidents incurred more than \$100,000. In 2016 that number nearly doubled to 2.9%
- Despite being just a small fraction of accident frequency, these large accidents account for approximately 75% of all incurred losses.
- Nuclear Verdicts: Plaintiffs attorneys have mastered going after trucking companies and as a result many insurance companies have decided to abandoned insuring the trucking industry all together. Eliminating competition

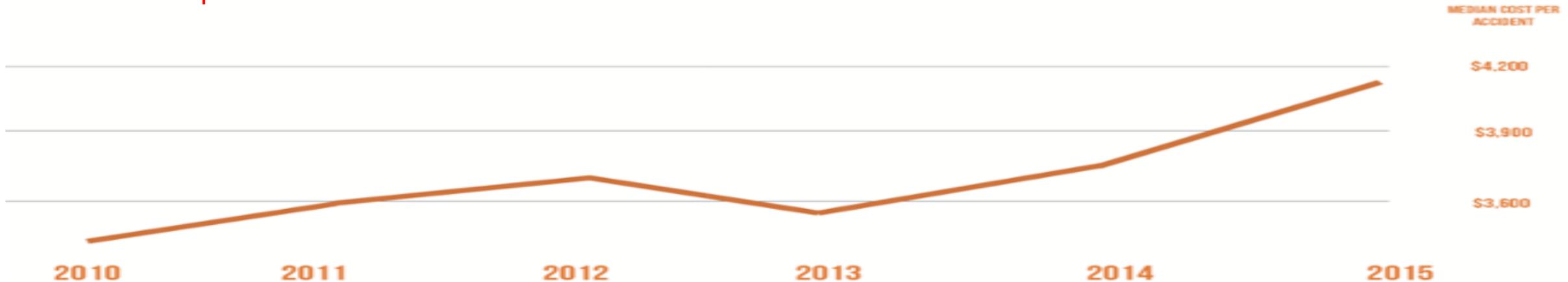
COST OF INSURANCE KEEPS GOING UP

EACH ACCIDENT IS COSTING MORE

In a study done by HNI of over 24,000 accidents that occurred between 2010 and 2016, it was clear that the cost of an accident is on the rise. The median cost of an accident has increased 14% in the past 5 years alone.

*Source: HNI study of 24,000 accidents from 2010 to 2015

Median Cost per Accident Continues to Climb!



COST OF INSURANCE KEEPS GOING UP

As a result the cost for liability insurance for truckers (one of their top 3 expenses) is skyrocketing. At the same time....

The cost of cargo insurance for those hauling food grade products is increasing.

- With the **Food Modernization Act** the cost of claims involving food grade products has increased dramatically (some over 100%) as carriers receive more claims and the inability to resale these products has diminished extensively.
- As the number and cost of these claims goes up, so do the rates.

The increased cost/value of equipment is causing the rates for physical damage insurance to increase

COST / AVAILABILITY OF EQUIPMENT

A \$100,000 truck in 2010 now can cost over \$150,000.

“While there are myriad variables on the costs, the CAB of an eighteen wheeler usually ranges from \$130,000 to \$180,000 and new trailers range from \$30,000 to \$80,000” – The truckers report 2017

At the same time the availability of equipment in 2018 is becoming a challenge. Many manufacturers are not committing to new orders (dependent on size of order) until next fall due to capacity. Lease trucks are a hot commodity and prices and availability are issues for motor carriers.

COST / AVAILABILITY OF EQUIPMENT

Why the increase?

Emissions reduction:

- 1991 particulate standard was .27
- 1994-2001 approximately .10
- 2010 = .01
- 2014 = .001

- NOx 1991-1994 = approx. 5 NOx
- 1998 = 4 NOx
- 2002 – 2009 = 2.5 NOx
- 2010 phase in from 1.1 to
- 2014 = .025 NOx

From 1991 till 2014 only two requirements: Particulates and NOx

In 2014 added two more requirements: Carbon Monoxide and Methane

Mufflers were replaced with Diesel Particulate Filters in 2007 at an average cost of \$10,000...In January 2010 Selective Catalyst Reduction was added at an average cost of \$7,000 - \$8,000 and by Jan 1 2013 all engines had to be compliant with on board diagnostics

AND ALL THIS CAME AT A COST

REGULATORY ISSUES

“Federal regulators simply don’t have a clue,” Todd Spencer – VP OIDA – “They don’t have a clue what truckers do, how they go about doing it, the environment that they live in, the schedules and things like that, the demands of the job”

Regulations* did not change with the requirements of AOBRD’s/ ELD’s:

- 10 hour break
- 11 hours driving
- 14 hour day
- 60/70 in 7/8 days
- 30 minute break

But the industry has changed. There is no more looking the other way, no fudging of paperwork, no moving the truck to another site and come back later but don’t log it. GPS catches every move!

Drivers, dispatchers, and companies are now all aware and held accountable.

*The new agricultural HOS exemption is aiding your industry (Fatigue driving is still illegal)

REGULATORY ISSUES

- *On-duty time* means all time from the time a driver begins to work or is required to be in readiness to work until the time the driver is relieved from work and all responsibility for performing work. *On-duty time* shall include:
 - (1) All time at a plant, terminal, facility, or other property of a motor carrier or shipper, or on any public property, waiting to be dispatched, unless the driver has been relieved from duty by the motor carrier;
 - (2) All time inspecting, servicing, or conditioning any commercial motor vehicle at any time;
 - (3) All driving time as defined in the term *driving time*;
 - (4) All time in or on a commercial motor vehicle, other than:
 - (i) Time spent resting in or on a parked vehicle, except as otherwise provided in §397.5 of this subchapter;
 - (ii) Time spent resting in a *sleeper berth*; or
 - (iii) Up to 2 hours riding in the passenger seat of a property-carrying vehicle moving on the highway immediately before or after a period of at least 8 consecutive hours in the sleeper berth;
 - (5) All time loading or unloading a commercial motor vehicle, supervising, or assisting in the loading or unloading, attending a commercial motor vehicle being loaded or unloaded, remaining in readiness to operate the commercial motor vehicle, or in giving or receiving receipts for shipments loaded or unloaded;
 - (6) All time repairing, obtaining assistance, or remaining in attendance upon a disabled commercial motor vehicle;
 - (7) All time spent providing a breath sample or urine specimen, including travel time to and from the collection site, to comply with the random, reasonable suspicion, post-crash, or follow-up testing required by part 382 of this subchapter when directed by a motor carrier;
 - (8) Performing any other work in the capacity, employ, or service of, a motor carrier; and
 - (9) Performing any compensated work for a person who is not a motor carrier.

REGULATORY ISSUES

- SMS / CSA = Safety Measurement System / Compliance, Safety and Accountability
- ISS = Independent Selection System
- Vicarious liability for shippers

CAPACITY ISSUES

“Just one truck was available for every 12 loads needing to be shipped at the start of 2018, the lowest ratio since 2005. and expected to continue spiraling”.

Trucking Company's are changing their business plans

THE FUTURE?

- Not a lot of relief in the near future on the driver shortage however:
 - Platooning
 - Self driving
 - High pay may attract more to the industry
 - Maybe some relief on the age requirement but nothing really in near future
- Economy will play a major factor
- Cost of goods will go up and may create inflationary trends
- Continue increase in insurance cost with a leveling off (dependent on claim cost controls, carriers more focused on losses (revenue retention) vs. revenues, potential litigation legislation, etc.
- Drop Trailers and Yard Services will be vital to eliminate hours of service.
- Shipper carrier relationships will be more powerful, will work together.

WHAT CAN YOU DO?

Work with your Carrier base to eliminate potential issues:

- Focus on being driver friendly:
 - Eliminate wasted time and delays
 - Treat drivers with respect
 - Having facilities available for use
 - Restrooms
 - Food and beverage
 - Scales on site
 - Prioritizing freight
 - Build your relationships with your partner carriers recognize their value to your organization and work with them to meet their challenges.
 - Be prepared

Questions!

HNI is a performance-driven risk advisor that delivers insurance, benefits, and advisory strategies. We work with ambitious leaders to reduce insurance dependency and boost performance.

