Trucking & Congestion: A Complex Issue

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ATRI

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- Research Categories:
  - Safety & Human Factors
  - Technology & Training
  - Environmental Factors
  - Transportation Security
  - Economic Analyses
One Damn Thing After Another
Next 10,000 miles
Freight Industry Snapshot..

- 6 Class 1 railroads; 550 Total
  - 1.2M freight cars
  - 200K employees
  - 170K miles of track
- 51 Deep Water Ports; 148 Total
  - 8000 ships
  - 12K miles of commercial waterways
- 12M – 20M Containers
  - Truck-Rail now fastest growing
- 75% air cargo moved by non-U.S. carriers
  - Fastest-growing sector over time
  - Expedited: Truck vs. airplane?
- 640,000 Trucking Companies
  - 10.1M employees; 3.2M truck drivers
  - 2.8 million large trucks; 20M commercial trucks
  - 4.9M trailers
Key Realities

- **Trucking**
  - Heavily Regulated
    - HOS
    - Equipment
    - Routing
    - Insurance
  - Highly Competitive
    - 640K Carriers with U.S. DOT; 100K in last 3 years
  - Safety Issues Complex
    - 68% of Tonnage; 86% of Revenue
    - 7% of vehicles; 15.5% of VMTs
Top Industry Issues: 2005 vs 2006

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

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
Strategic Issues

- **Insurance Costs**
  - Post-9/11: 20% - 50% increases for “good” carriers

- **New Regulations:** HOS; HM Endorsements, etc.

- **Fuel Cost Volatility**
  - Jan. ’02 - $1.16/Gallon
  - Oct. ‘04 - $2.20/Gallon
  - May ’06 - $2.89/Gallon
  - March ’07 - $2.79/Gallon
Strategic Issues

- Operating Margins
  - Average: 3.6%; 1.8% - 5.6%

- Shipper Contracts Dictate Operations/Costs

- Is Six Sigma/TQM Backfiring?
  - Supply Chain Elasticity/Flexibility/Dynamism is Disappearing

- Fuel Cost Volatility
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Higher Diesel Prices Lead To More Trucking Failures
Congestion Issues

- Driving trucks to alternative routes
  - Safety
  - Pavement Damage
- Congestion Pricing: Driving trucks to other times??
  - Regressive & Inflationary since economy can’t handle it
- Impacts economic growth
- No new capacity: 70% growth in tonnage vs 3%-4% in infrastructure capacity
- Congestion is a calculated business cost… 50% of the time (non-recurring)
- Relatively level Playing Field within regions/MSAs
Last Word...

- Transportation economics all wrong: transportation is a social program, not consumable good
  - Transit/dependents
  - DOD
  - Emergency Vehicles
  - Disparate funding schemas
- Privatization
  - Square Peg: Objectives all wrong
    - Maximize profit; minimize business expense?
Solutions?

- Maximize existing transportation revenues
  - Gas tax vs. creative financing
  - Eliminate diversions
- Maximize transportation investments
- Truck Network?
MORE INFORMATION

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