Tracking the Trucking Industry…
2004 and Beyond

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Presentation Outline

1. General Economics
2. Trucking Economics
3. Freight Comparisons
4. Strategic Issues
5. ATRI Research Overview
Today’s Trucking Economics...
Truck Freight Volumes
Freight Transportation Modal Share (2003 Revenue)

- Trucking 87% $610 Billion
- Rail 5%
- Pipeline 4%
- Water 1%
- Rail Intermodal 1%
- Air 2%

Source: U.S. Freight Transportation Forecast...To 2015
American Trucking Associations, 2004
Trucking’s Progress Since 1985

ATA’s Monthly Truck Tonnage Index
(1993 = 100)

6% Average Annual Growth Rate

Source: American Trucking Associations
Year-to-date, through September, truck tonnage is up 7.0% compared to the same period in 2003.

Source: American Trucking Associations
Truckload Loads
(1996=100; average length of haul basis)

Source: ATA’s Trucking Activity Report
U.S. Class 8 Truck Sales

Sources: Ward’s Communications & ATA
Higher Diesel Prices Lead To More Trucking Failures

Sources: A.G. Edwards & ATA
Insurance Cost per Truck

Data based on publicly held truckload carriers which disclose this information.
Truckload Driver Turnover
(Quarterly Annualized Rates)

Source: ATA’s Trucking Activity Report
Shippers Believe TL Capacity Is Tight (September Survey)

- Extremely Tight: 30%
- Tight: 42%
- Balanced: 15%
- Over Capacity: 13%

Source: Bear, Stearns & Co. Inc.
Freight Growth
Industry Snapshot: Truck Tonnage

- Total Tonnage Moved:
  - 2002 - 8.88 Billion Tons
  - 2008 - 10.1 Billion Tons

... A 13.7% increase in 6 years.

- Trucks carry 68.9% of total domestic tonnage in the U.S.

U.S. Freight Transportation Forecast...To 2014
Industry Snapshot: Truck Revenue

- Total Revenue:

  2002 - $585.3 Billion
  2008 - $745.0 Billion

  ... A 27.2% increase in 6 years.

- Trucking revenue represents 86.9% of all freight revenue
Trucking Industry Snapshot: Firms, Employment & Equipment

- 660,000 Interstate For-Hire Carriers
- Total Employment:
  - 10.1 million employees
  - 3.2 million truck drivers (CDL)
- 2.6 Million Class 8 Trucks; 4.9 Million Trailers
Non-Trucking Freight Growth

- Rail Trends…
  - 1.75 Billion Tons Moved in 2002
  - Estimated Annual Rail Car Tonnage Growth
    - 2003 – 2008: 2.2%
  - Rail Carload Revenue
    - 2002 - $34.7 Billion

- Key Issue: intermodal growth way up (9.1% in Q2, ’04); Rail capacity?
Non-Trucking Freight Growth

- Air Cargo Trends...
  - 17.4 Million tons moved in 2002
  - Estimated Annual Tonnage Growth
    2003 - 2008: 4.7%
  - Air Cargo Revenue
    2002 - $14.1 Billion

- Key Issue:
  - Air cargo “interline” service growing fast!
  - Airlines in crisis
Operating Ratios…

All Carriers (except HHG) 95.91%
Revenue over $25M 95.36%
Revenue $5M to $25M 98.29%
Revenue under $5M 99.47%
Strategic Issues

- Taxes and User Fees
  - 2003 Annual Taxes Paid on 5-Axle Semi:
    - State- $4,567
    - Federal - $6,139
    - TOTAL - $10,706

- SafeTea: New User Fees & Diversions?
Strategic Issues

- Insurance Costs
  - 20% - 50% increases for “good” carriers in 2003; 2004 high but stable

- New “Hours of Service” Regulations? Likely in 9/05…

- Fuel Cost Volatility
  - Jan. ’02 - $1.16/Gallon
  - June ’04 - $2.00/Gallon
  - Oct. ’04 - $2.16/Gallon
National On-Highway Average Diesel Fuel Price
($/Gallon)

Average Price 1994 to Present
($1.30/gallon)

Sources: Department of Energy & ATA
Strategic Issues

- Driver Issues
  - HOS
  - Heated Economy & Wage Increases
  - Looming Retirements
  - Turn-over vs. Churning

- Technology Utilization
  - Growing; Faster Among Large Carriers
Strategic Issues

● Congestion
  – Problematic but solutions may be worse
    ● Tolls (Kennedy’s FAST Lanes meet industry requirements)
    ● Truck Bans

● Security Costs??
  – US Patriot Act
  – Truck Tracking
  – Port Systems
  – Customs’ ACE
  – TWIC

● Shipper-Carrier Relationships
Strategic ATRI Research Projects

- New HOS: Safety & Productivity Impacts
  - Partners include UVA & FMCSA
- CMV Enforcement
  - Statistical research resulting in predictive model for driver accidents and violations
- Freight Information Highway
  - FHWA- & Industry-sponsored initiative to increase electronic supply chain data transactions
    - Includes data privacy recommendations
    - Web services architecture

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Additional ATRI Research Projects

- Onboard Safety Systems
  - FMCSA- & Truck OEM-sponsored

- Developing Real-Time Freight Performance Measures
  - FHWA-sponsored project utilizing satellite tracking

- National Hazmat Transport Security Field Test
  - US DOT & TSA
  - Results in early 1/05

- Food Transport Security Guidebook
  - USDA-sponsored

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Freight Performance Measures

- Research Priority from 2004-2005 Agenda
  - *Utilizing Truck Technologies to Maximize Transportation Planning and Efficiency*

- Original beta test utilized satellite vehicle tracking and new mapping technologies to determine average travel speeds and times for freight-significant corridors
Freight Performance Measures

- Phase Two nearing completion
  - 3-month data collection with enhanced processing and analysis tools in development stage
  - FPM Stakeholders Forum held in April
  - Initial Canadian Border Crossing Study to be complete by late-September
**Freight Performance Measures**

- Proposed Phase Three Activities:
  - Will finalize FPM concepts and ATRI-developed processing and analysis methods
  - Will continue work with technology provider, industry and state governments to determine value of FPM
  - Will expand corridors from 5 to 25
  - Continuation of Canadian Border Study
  - Analysis of Mexican Border Opportunities
Freight Information Highway

- Part of the US DOT EFM initiative...
- ATRI is developing a Concept of Operations for a Freight Information Highway
- Will allow defined users to access and use information to government services and support supply chain activity
- Tasks include:
  - Development of technical architecture for FIH
  - Formulation of institutional data privacy tools to enhance/protect data management and data sharing
- Research includes FIH Steering Committee of industry stakeholders
Typical Supply Chain Data Scenario

*Disparate Legacy Systems*
Each System Requiring Direct Connections to Support Data Collaboration between Supply Chain Partners
Thanks!
Questions?

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