

Office of Management & Budget Meeting  
Washington DC  
November 28, 2011



# Summary of Impact to Carriers and Customers

THE PROPOSED CHANGES WILL HAVE AN IMPACT ON PRODUCTIVITY, CONSENSUS SEEMS TO BE 5-9%. FOR PURPOSES OF THIS PRESENTATION, I MODELED 5%.

THE IMPACT FOR TRANSPORT AMERICA OF A 5% REDUCTION IN PRODUCTIVITY IS OVER \$20M, WHICH IS ALSO ABOUT 5% OF TOTAL REVENUE.

THE IMPACT FOR THE INDUSTRY OF A 5% PRODUCTIVITY DECLINE IS WELL OVER \$ 10 B, WHICH IS ABOUT A TENTH OF WHAT FMCSA HAS ESTIMATED.

THAT IS CONSISTENT WITH HOW BADLY THEY MISSED THE COST OF THE 2003 HOS CHANGES.

IF THE LOSS OF PRODUCTIVITY CREATES A SHORTAGE OF DRIVERS, PRICES WILL GO UP GREATER THAN THE PRODUCTIVITY LOSS, AS CARRIERS NOT ONLY RECOVER COSTS BUT IMPROVE MARGINS. IT IS THE LAW OF SUPPLY AND DEMAND.

ULTIMATELY, THE COST IMPACT SHOULD TAKE INTO ACCOUNT THE TOTAL COST INCREASE TO THE CONSUMER, WHICH IS HOW MUCH PRICES GO UP, BASED ON CARRIER COSTS, ADDITIONAL COSTS FOR SHIPPERS, LIKE INVENTORY INCREASES, ETC.

ADDING MORE TRUCKS DURING CONGESTED DAYLIGHT HOURS WILL CREATE MORE ACCIDENTS AND MORE NON FATIGUE RELATED ACCIDENTS, MITIGATING MOST IF NOT ALL OF THE BENEFITS FMCSA HOPES TO GET. YOU CANT RUN 120K MORE TRUCKS AND NOT HAVE MORE ACCIDENTS.

**BOTTOM LINE:** CARRIER COSTS GO UP BY MORE THAN \$10B, CUSTOMER COSTS GO UP SIGNIFICANTLY, A DRIVER SHORTAGE GETS WORSE, PRICES GO UP EVEN MORE THAN THE COSTS AND MORE ACCIDENTS HAPPEN, WITH MORE NON FATIGUE RELATED DEATHS THAT MITIGATE MOST IF NOT ALL OF THE BENEFITS FMCSA IS ATTEMPTING TO CREATE AT A TIME WHEN THE INDUSTRY IS SAFER THAN ITS EVER BEEN.



# Transport America Introduction

- Founded in 1984
- Employ 2,100 drivers
- 2011 projected revenues \$400M
- 15<sup>th</sup> largest van truckload carrier
- Ranking 57<sup>th</sup> in for hire carriers
- Will run 183M miles in 2011, about 87K per driver

# Productivity – Summary of Impact to Transport America

Item	Productivity Loss Impact	Why
11 to 10	1.5 – 2.0%	Use 11 <sup>th</sup> hour approximately 20% of time
34 Hour Restart	2 – 3%	Average restart at 43 hours, could be as much as 54 hours. Only factored 2 hours of lost productivity
Mandatory Rest Break	1.0%	1 hour rest break, average drive time 9 hours plus time lost moving to break area
Total Productivity Lost	4.5 – 6%	

Conclusion: 183M miles – 5% productivity (lose 4,200 miles/driver/year) = 114 more drivers needed on fleet of 2,100.



# Summary of Costs – Transport America

Item	Cost	Explanation
Driver Pay – existing	\$6.3M	\$3,000 per driver x 2,100 drivers 5% increase to keep drivers whole
Hire and Infrastructure for New Drivers	\$13.5M	Cost necessary to haul same amount of freight, adding 114 new drivers and support for those drivers
Total Cost Increase	\$19.8M	
Assumes drivers come in at the same cost and quality which is not likely because a huge shortage gets created. Pay increases of 10% may be more likely. IT cost of \$100K, training costs \$250K not factored in.		

This change adds a 5% increase to our cost structure.



# Industry Costs

## Facts 2010 – State of the Industry

99.2B miles

2.3 M trucks

43,000 miles/truck

5% productivity loss = 2,000 miles/truck in lost productivity

Total Additional Trucks Required – 120,000

### A. Raise Existing Driver Pay

- \$6.9B

### B. Add 120,000 New Drivers

- \$7.1B

### C. Other Impacts Not Costed

- Already a shortage
- Will 120K new drivers be as safe, more expensive to source
- More congestion, more trucks = more accidents, more fatalities
- Shipper related costs for greater inventory, service degradation, not factored in
- IT and training costs

Total Cost Increase Estimate: \$14B

**NOTE: LIKE IN 2003, FMCSA HAS GREATLY UNDERESTIMATED INDUSTRY COSTS.**



# How Does FMCSA Justify These Changes?



Category	2008 Rule	2010 Rule
Percent of Fatigue-Related Fatal Crashes	8.15% (Based on FARS)	13% ( Based on LTCCS “Associated Factors” )
Operational and Administrative Costs	\$2.5 billion (based on 10 hour driving and no restart)	\$1.03 billion (based on 10 hour driving, 2 night restart, 13 hour duty limit)
Crash Reduction Benefits	\$300 million	\$720 million
Health-Related Benefits	0	\$690 million (from change in mortality risk due to additional sleep)
Net	\$2.2 billion in COSTS	\$400 million in BENEFITS*

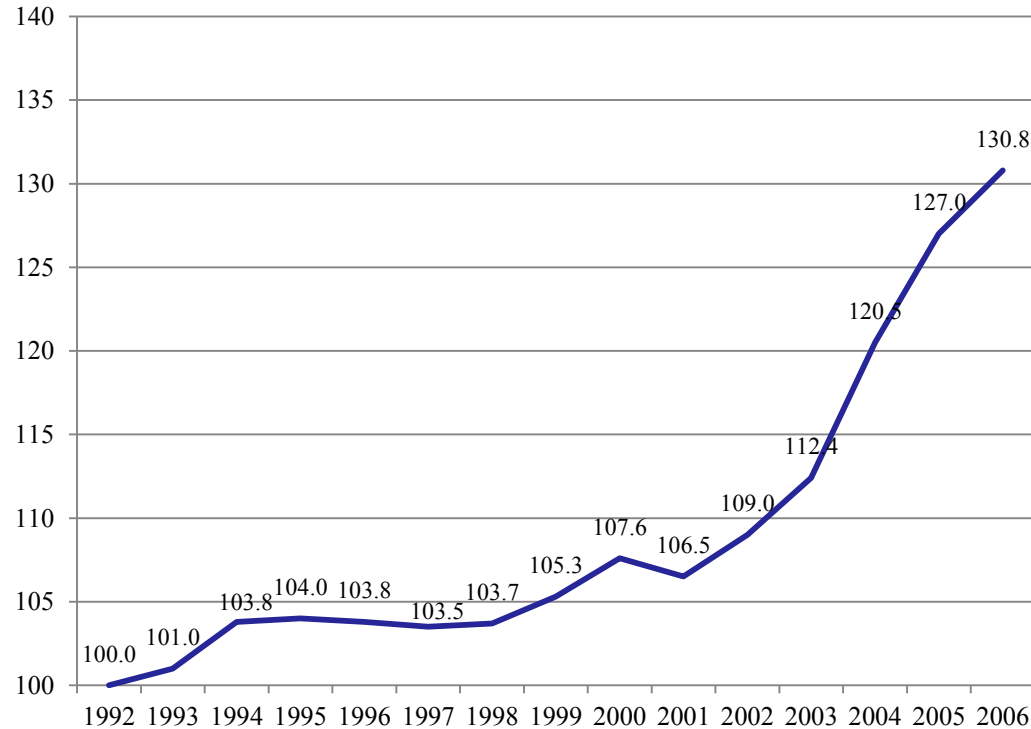
\*\* The range in annual net benefits is -\$410 million (i.e., annual cost of \$410 million) to \$1.1 billion



# Impact of Pricing in 2004-2006, HOS 1 Implemented January 2004

Price Increase of 18%  
in 3 years, fueled by  
driver shortage, made  
worse by HOS1

## Rate per Loaded Mile



Sources: Data from 11 public companies; Bureau of Labor Statistics; and selected ATA data. Index began in 1992 at 100.0 and converts loaded rate per mile figures into an index; index excludes fuel surcharges.

THOM ALBRECHT, BB&T Capital Markets





# FMCSA Analysis – Record Setting Results

- In 2009, 3,215 large trucks were involved in fatal crashes, a 21% decrease from 2008 and the largest annual decline since records have been kept. Combined with the 12% decline from 2007 to 2008 (the 2<sup>nd</sup> largest decline), the number of large trucks involved in fatal crashes declined by 31% from 2007 to 2009. The number of passenger vehicles involved in fatal crashes declined by 19% over the same period.
- Over the past 10 years (1999 to 2009) the number of large trucks involved in:
  - Fatal crashes decreased from 4,920 to 3,215 – a drop of 35%
  - Injury crashes decreased from 101,000 to 53,000, a drop of 48%
  - Property damage only crashes decreased from 369,000 to 239,000, a drop of 35%
- Over the past 2 years (2007 to 2009) the number of large trucks involved in:
  - Fatal crashes declined by 31%, from 4,633 to 3,215, and the vehicle involvement rate (vehicles involved in fatal crashes per 100 million miles traveled by large trucks) for large trucks in fatal crashes declined 27%
  - Injury crashes decreased 30%, from 76,000 to 53,000, and the vehicle involvement rate for large trucks in injury crashes declined by 26%
  - Property damage only crashes decreased by 28%, from 333,000 to 239,000, and the vehicle involvement rate for large trucks in property damage only crashes declined by 24%

# Impact of 120K More Trucks on Safety

Assume these trucks perform with the same crash and fatality rates as the industry.

- 1.04 Fatal crashes / 100M Miles Traveled = 52 More Fatalities
- 17.8 Injury Crashes / 100M Miles Traveled = 882 More Injury Crashes
- 80.6 Property Damage / 100M Miles Traveled = 3,997 More Property Damage Crashes

The additional trucks necessary to move the same amount of freight create more accidents and property damage and the fatalities created by additional drivers mitigate most of the savings FMCSA hoped to create.

Source of Accident Information , ATA – Dave Osiecki



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