



Trucking Industry Update

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Kentucky Trucking Association

Advocacy: For more than 55 years, the Kentucky Trucking Association has been a respected leader for advocacy, industry outreach and highway safety education for the trucking industry in Kentucky and across the nation.

Business Bottom Line: Trucking companies, allied businesses and government entities throughout the state turn to KTA for advice with regulatory issues, safety training, industry standards, and networking opportunities.

Safety Resources: Working with the Kentucky State Police and its CVE Unit, the Kentucky Division of the Federal Motor Carrier Safety Administration, and the Kentucky Transportation Cabinet, KTA offers its members the best resources for trucking safety and compliance issues:

- On-going Safety Training & Education Classes
- Certifications for Safety & Maintenance Personnel
- Protection Against Shipper Negligence
- Cargo & Equipment Theft Protection

KTA's Mission:

"To promote the trucking industry by educating government entities, the general public, customers and related industry groups through advocacy, career development, and the support of value-added programs that enhance industry safety and productivity."



Trucks Drive the Economy

National Numbers: In 2015

- Freight moved: 10.5 Billion tons. 70% of all goods moved
- Gross freight revenue generated: \$726 Billion or 81% of the nations freight bill.
- Total Employment: 7.3 Million people, 3.5 Million truck drivers, 1 in 16
- Taxes Paid: \$40 Billion in State & Federal user taxes in 2014
- 12 % of all registered vehicles & 14% of all Vehicle Miles Traveled
- Class 8 trucks:
 - 3.6 Million registered traveling more than 279 Billion miles
 - 11.7 Million commercial trailers



Trucks Drive the Economy

Kentucky Numbers: 2015

- Freight moved: 220,275 Tons per day or more than 80 Million tons annually. This represents 69% of all manufactured tonnage
- 89% of Kentucky communities depend *exclusively* on trucks for delivery
- 100% of all finished goods arrive at their final destination point by truck
- Number of companies operating trucks: More than 10,000 and most are small & locally owned
- Employment: 113,000 people including 28,000 drivers of large & heavy duty trucks. Commercial Driver is the states #1 job category and job need.
- 1 of 14 jobs in the State and \$5 Billion in total wages



Kentucky's Strategic Advantage

- Kentucky's network of interstates and parkways coupled with its South-Central location makes the state within one day's drive of two-thirds of the nation's population, personal income and manufacturing business establishments.
- Kentucky is located at the center of a 34-state distribution area in the eastern United States and this location advantage facilitates the distribution of goods and materials to a massive industrial and consumer market.
- Kentucky's ideal location and attributes make it one of the best places in the country to base a trucking company.



More Kentucky Numbers

- Kentucky has approx. 80,000 miles of public road.
- All vehicle types traveled approx. 48 billion miles in 2014.
- 5.6 billion of these miles were by trucks.
- Taxes paid: In 2014, the trucking industry paid \$692 Million in state & federal highway taxes.
- This represents 42% of all highway taxes and user fees collected in KY yet trucks travel only 12% of all vehicle miles.
- It costs trucking companies more than \$19,000 annually ***per 5 axle truck-trailer combination*** to operate on KY hwys..\$8900 in Federal and \$10,500 in State taxes & licensing fees.



Trucking Drives Safety

- Since 1975, the first year the US DOT began keeping these records, the large truck fatal crash rate has dropped by 73%.
- The fatal crash rate in 2014 for all vehicles stood at 1.23 fatalities per 100 million miles
- While in Kentucky, that rate is almost 9% lower at 1.12
- Truck drivers are found to be **not at fault** in more than 70% of all car-truck related crashes nationwide.
- Trucks have an overall crash rate 28% lower than that of other vehicles



Trucking Drives Safety

Why?

- Commercial Drivers License
- Advanced Driver Screening and Background Checks
- Drug & Alcohol Testing
- Ban on hand held devices
- Electronic Logs
- Truck Anti-lock Braking & Stability Control
- Lane Departure Warning Systems



Trucking Drives Safety

In Kentucky:

Commercial Vehicle Enforcement

- **Dedicated officers enforcing the Federal Motor Carrier Safety Regulations and specific Kentucky standards for all commercial trucks in the state.**
- **Increases safety presence on state routes and interstates**
- **Staffing for more than a dozen scale houses throughout the state**
- **Enhanced revenue collection for Kentucky weight/distance tax on CMV's registered at 60,000 lbs. and above**
- **Check points for oversize & overweight permitted loads**
- **Insures compliance with maximum weight and size for all other CMV's**



Trucking Drives Safety

What's Next For the Industry?

- Speed Limiters
- Video Event Recorders
- New Hire Training Criteria
- Sleep Apnea Testing
- Vehicle Platooning
- Driver-Assisted Technology

The Safest Trucking Companies are also the Most Profitable.

Investing in the best drivers and the latest technology allows these companies to thrive in a very competitive market.



Top 3 Trucking Critical Issues

- **Driver Shortage: #1 in KY....#7 in Nation**
 - Nationally, there are approx. 800,000 *drivers of heavy and tractor-trailer sized trucks. 28,000 are in KY*
 - But 40,000 or more additional CDL drivers are needed, ***just this year.*** Commercial drivers continues to be the #1 or #2 most needed skilled labor job in many states. It is #1 in Kentucky.
 - By 2024, up to 100K additional CDL drivers *will be needed annually to keep up with anticipated freight deliveries.*
 - In Kentucky, and around the country, trucking companies, private driving schools, technical and community colleges are training truck drivers to fill these positions but there is still a shortage.



Industry Response

- **Attracting New & Retaining Current Employees**
(Benefits, Pay, Family Support, Additional Training)
- **Finding Better Ways to Attract 25-34 year old**
(Image campaigns, internet, social media, job fairs)
- **Ways to Encourage Vocational Training Focused on Trucking**
(FastTrack, Hiring Our Hero's, Troops to Trucks, Community Colleges)
- **Bridge Gap Between High School and Trucking Minimum Age**
(Graduated CDL? Apprenticeship Programs? On-the-Job Training)



Driving Excellence.

Top 3 Trucking Critical Issues

Hours of Service: #2 in KY and in the Nation

- From 1938 until 2003, rules governing the maximum driving and on-duty time for commercial drivers went virtually unchanged.
- In 2003 FMCSA issued new rules that are, for the most part, still in place today. These new regulations were based on years of study by various sleep research authorities, driver testing and evaluation, and input from trucking industry and safety advocacy groups. These changes were favorably received by almost all in the industry and truck crash rates continued to decline as a result.
- However, in 2013, under continued pressure from advocacy groups, FMCSA changed the rest breaks required for drivers again. And for the next year and a half, more than 80% of the industry experienced productivity issues, additional training and retraining costs and turnover rates spiked. Congress intervened and suspended the change in Dec. 2014, pending the results of yet more data on rest and sleep studies for commercial drivers.

Hours of Service

- Then, in Dec. of 2015, the original regulation was put back into place, only to be pulled again in early 2016 due to a last minute oversight in the wording of the bill designed to fix the issue.
- So, for more than a few years. lack of clarity from FMCSA and continued pressure from advocacy groups, coupled with Congressional gridlock, truck drivers hours of service was in policy and political limbo. That is why it remains near the top of critical issues for our nations motor carriers. The continued uncertainty makes it more difficult for companies to budget for wages, manpower needs, and to set rates and delivery schedules for shippers and customers.
- The restart issue was finally resolved in a Dec. 2016 Continuing Resolution to keep the Federal government running through April of 2017.

Top 3 Trucking Critical Issues

- **Electronic Logging (ELD) Mandate #3 in KY...#1 in Nation**
 - FMCSA's final rule, published in Dec. 2015, requires almost all commercial trucks to be equipped and all drivers to use ELD's to track hours of service by Dec. 2017.
 - Most large carriers have implemented electronic logs or are moving to them now.
 - However trucking company executives are still concerned whether these new regulations will apply to all motor carriers
 - Privacy protection and the potential for inappropriate use of the information tracked and collected
 - Industry productivity losses, driver retention, and costs associated with these devices
 - And whether the implementation date or any of the details and exemptions will be changed (again) by FMCSA. This issue has been in the works at FMCSA for almost 20 years.

A Few Predictions

- **E-commerce will continue to reshape the trucking and logistics world**
 - Next & same day deliveries
 - Additional warehousing
 - Shorter runs
 - Drones?
- **Nationally, infrastructure will remain under-invested**
 - No increase in the Federal fuel tax in 20+ years
 - Continued postponement of long term bill in Congress
 - **But maybe not now**; Donald Trump has pledged more than \$1 Trillion over 10 yrs.
- **Intermodal volumes will continue to increase**
 - Expanding port infrastructure for larger ships
 - Inland port facilities linking rail to highway
- **Continued industry mergers & acquisitions activity, particularly in the 3PL markets as companies continue to expand to meet customer expectations**
 - UPS & Coyote Logistics, 2015
 - XPO Logistics & Con-way, 2015
 - TransForce & Con-way Truckload, 2016
 - Maverick & Marine Transport, 2016
 - Central Freight Lines & Wilson Trucking, 2017
 - Swift Transportation & Knight Transportation, 2017

Summary

- During the recession, motor carriers took a significant amount of capacity offline and retired aging equipment.
- Demand for truck services grew in 2014 and 2015, and only began to slow in mid-2016. Predictions for the next few years show moderate but steady growth for the industry.
- Medium & heavy duty truck orders, usually driven by the equipment replacement cycle, were strong in 2014 and 2015 but declined in 2016. Like freight demand, truck and trailer sales are cyclical and will recover as consumer confidence, factory orders and freight demand increases.
- Diesel fuel prices, the 2nd largest expense for trucking companies, continues to be at price levels not seen since early 2009. These should remain stable for the foreseeable future.
- Look for truck freight rates and driver pay to continue to increase in 2017 & 2018.



Final Thoughts

We are a society of convenience. Most of us never have to travel far to find almost commodity we need or want. And despite locality convenience, more and more Americans are turning to the internet for shopping. We log-on, find a website, point, click, and order from our computers and smart phones.

However both these systems, traditional storefront or cyber shopping, depend entirely on massive amounts of resources...manpower, fuel, equipment, and warehouses filled with goods and supplies. And almost everyone of those orders will be shipped and delivered by a truck.

There is simply no better nor more practical way to deliver mass quantities of goods across this country in the order and timeliness that the American consumer has come to expect. Empty shelves and back orders are not acceptable.

That is why our highways are filled, both night and day, with trucks driven by professional truck drivers.

Trucks Deliver Everything and Everywhere

In Kentucky and across the Nation.....Trucking Moves America Forward