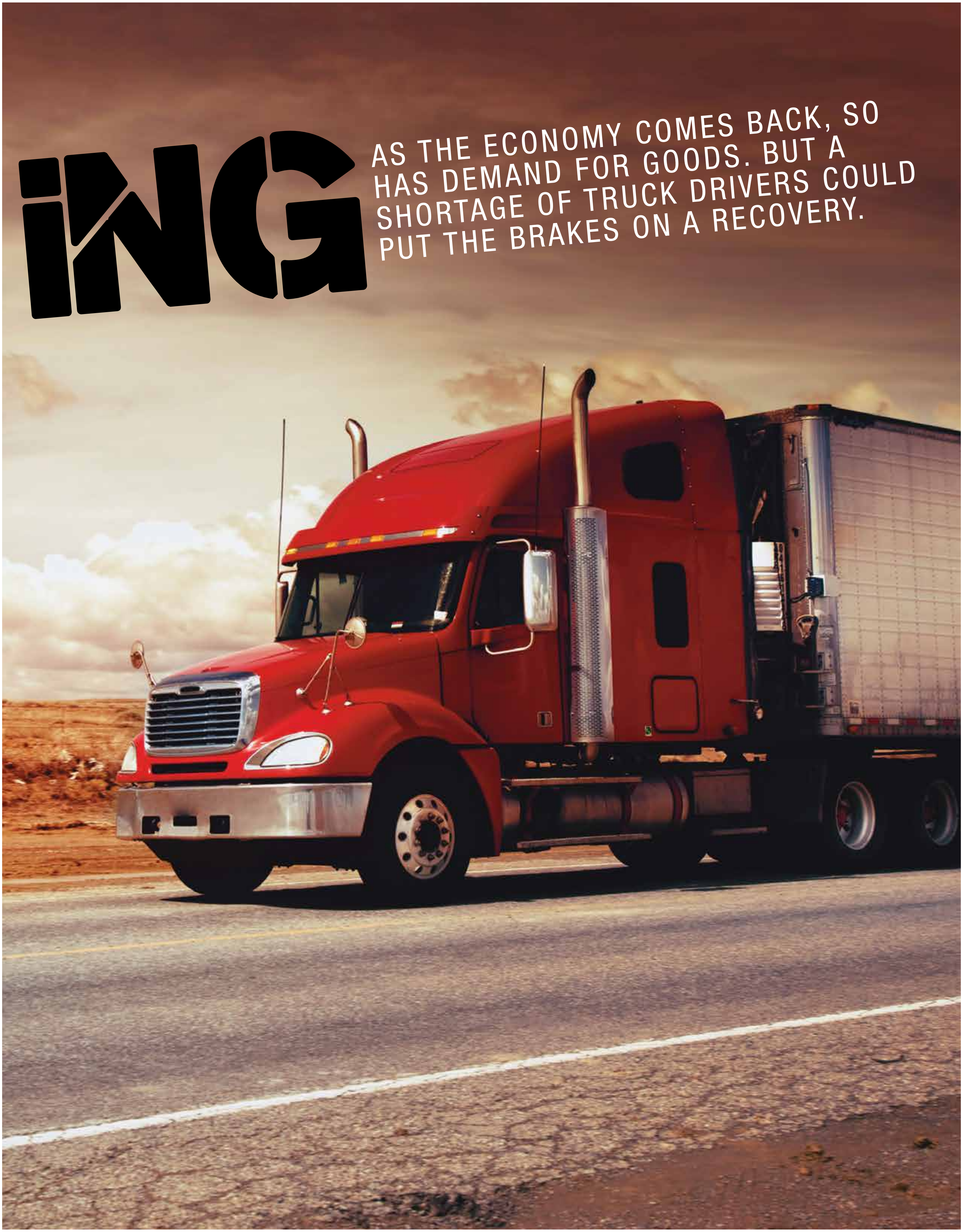
# A SCREECH HALT

BY MATT ALDERTON

FREIGHT CAN'T WAIT. That's what the auto industry learned after Sept. 11, according to a 2006 report from the American Trucking Associations (ATA). Every day, ATA points out, approximately 7,400 trucks use the border crossing between Windsor, Ont., and Detroit to carry $500 million worth of auto parts from Canadian factories to auto plants in Michigan. There, automakers save approximately $1 million in warehousing costs every year by receiving parts exactly when they need them.



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AS THE ECONOMY COMES BACK, SO HAS DEMAND FOR GOODS. BUT A SHORTAGE OF TRUCK DRIVERS COULD PUT THE BRAKES ON A RECOVERY.

In the days immediately after Sept. 11, security measures along the U.S.-Canadian border created delays of up to 36 hours at some checkpoints, including the aforementioned Detroit-Windsor crossing. Those delays forced temporary shutdowns at manufacturing plants that cost the auto industry an estimated $1.5 million per hour. In the first week of shutdowns, ATA reports, production at Ford and General Motors fell by 16,000 and 10,000 vehicles, respectively, due to component shortages.

If trucks were suddenly unable to deliver their cargo—due to a natural disaster, for instance, a terrorist attack or a pandemic—automakers wouldn't be the only ones left wanting. Within 24 hours of a nationwide truck stoppage, ATA forecasts, hospitals would begin running out of basic supplies, such as syringes and catheters. Within a day, gas stations would begin to run out of fuel and supermarkets out of food. Within three days, ATMs would run out of cash and retailers bottled water. Within a week, the lack of fuel would sideline cars and buses, making it impossible for citizens to get to work, shop for groceries or access medical care. Within a month, the country's clean water supply would be depleted, leading to increased illness, higher death rates and civil unrest.

It's an improbable scenario, but it proves a point just the same: Trucks matter—and so do their drivers.

"Trucking is a major component of the U.S. economy," says Jonathan Gold, vice president of supply chain and customs policy for the National Retail Federation (NRF), whose members sell—and therefore transport—trillions of dollars in goods every year. "If there aren't enough drivers and trucks out there to move your freight, you can't get your goods to market."

Although environmental and terrorist threats are real, some argue that truckers' absence from the U.S. economy is a far more likely catalyst for catastrophe. Especially now: With the economy on the upswing, consumer demand for goods is growing, and with it, demand for transportation. Simultaneously, high rates of retirement and turnover have created a labor crisis for trucking employers. If they don't find a way to fill it, the gap between driver supply and driver demand could incite an economic earthquake with far-reaching aftershocks.

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## LABOR SHORTAGE?

The U.S. Bureau of Labor Statistics (BLS) estimates that there are approximately 1.6 million long-haul truck drivers in the United States—which is 20,000 to 25,000 too few, according to ATA, the trucking industry's largest trade association. If something isn't done to address it, ATA says, that number could grow to 239,000 by 2022.

"There is absolutely a shortage [of truck drivers] right now," says ATA Research Assistant Rod Suarez. "If we don't recover that shortage before [the economy fully recovers], we're going to start seeing problems."

Make no mistake: The trucking industry has a labor problem. To say it has a labor shortage, however, isn't technically accurate, according to Michael Belzer, Ph.D., associate professor of economics at Wayne State University and author of *Sweatshops on Wheels: Winners and Losers in Trucking Deregulation*.

"You can't have a labor shortage in a semi-skilled occupation that anybody can do," he says. "What you can have, instead, is a mismatch between what you need, in terms of people, and what you can [attract]."

In other words, there are plenty of workers out there who could be truck drivers, but not enough who are.

Turnover is the main culprit. The trucking industry regularly reports turnover rates of over 100 percent, according to ATA, whose most recent data show that turnover at large truckload carriers averaged 98 percent in 2012—the highest since 2007, when turnover averaged 117 percent.

"If you're somebody who's recruiting and training drivers, whenever the turnover rate goes up, you're working harder," says Stephen Burks, Ph.D., associate professor of economics and management at the University of Minnesota, Morris. "To you, that feels like a shortage."

## 'IT'S A HARD LIFE'

Whether you call it a shortage or a snafu, the driver problem is real. And so are its causes, according to driver Jack McComb, owner and operator of Prairie Stone Ltd. in Littleton, Colo. Now 65 years old, he began driving trucks nearly 16 years ago when he retired from his job at the Federal Aviation Administration (FAA). Although he loves trucking, he admits he's the exception, not the rule.

"Over-the-road trucking is not a job. It's a lifestyle," explains McComb, whose children are grown and his house and truck are paid for. "The fact that I don't have a lot of obligations makes it easy for me. But I think about that young man out on the road—he's got two or three kids at home, a mortgage payment, a car payment, a truck payment—and I wonder, 'How can a guy like that make it?' The truth is, he can't."

According to McComb, drivers often spend up to two or more months at a time on the road. Plus, they work irregular hours—their day could start at 1 p.m. one day and 1 a.m. the next—get little exercise and receive low wages relative to their sacrifices. Although median driver pay is $37,770 per year, according to BLS, that wage is restricted by federal hours-of-service (HOS) regulations, which limit the time drivers can spend working, and by the fact that most drivers are paid by the mile instead of by the hour, which means they're not paid for time spent stuck in loading docks and traffic jams.

"It's a hard life," says Dawn Barry, operations manager at Dew Distribution Services Inc., a Chicago-area logistics company.

Although lifestyle and wages are two of the main causes of driver turnover, a number of other factors exacerbate the problem further:

- **Regulations** – The Federal Motor Carrier Safety Administration (FMCSA) in 2010 launched the Compliance Safety Accountability (CSA) program, which analyzes inspection and crash data to determine a commercial motor carrier's on-road safety performance. According to ATA, CSA means otherwise qualified drivers may be pre-screened out of the industry by employers for even minor infractions, further reducing driver supply.
- **Competition** – Between 2007 and 2010, more than 5,000 trucking companies with nearly 400,000 trucks went out of business as a result of the economic downturn, logistics company Trinity Logistics reported in a 2012 white paper. And with housing starts on the rise, it's unlikely that drivers who left the industry will return. "We have plenty of evidence that suggests people go in and out of construction and trucking," explains Belzer, who says construction offers more competitive wages and a more

## WHAT YOU CAN DO

In order to keep their costs down and their cargo safe, companies that ship and receive freight must collaborate with trucking-industry partners to address driver turnover. The following are a few things your company can do:

- **Improve planning –** Because drivers aren't paid for time spent in loading docks and traffic jams, shippers can improve driver satisfaction by utilizing technology to plan better, more accurate routes and schedules.
- **Utilize rail –** Driver turnover is most problematic in long-haul trucking. Shipping more cargo by rail shifts demand from long- to short-haul driving, allowing companies to simultaneously reduce transportation costs and improve driver satisfaction.
- **Buy in bulk –** Long-term freight contracts ensure steady business, which creates stability—regularized routes, schedules and cargo—that in turn improves driver satisfaction. Plus, it allows shippers to negotiate better rates based on volume.
- **Be nice –** One oft-cited source of driver turnover is poor treatment by shippers and receivers at their ports. Therefore, even small gestures—for instance, allowing drivers to use the restroom—could go a long way toward improving driver satisfaction.

stable lifestyle. "When construction comes back, which it's on the verge of doing, it's going to be a major problem."

- **Retirement –** A 2011 survey by the Owner-Operator Independent Drivers Association (OOIDA) found that the average age of an independent truck driver is 53 years old. Many drivers, therefore, are at or near retirement age.
- **Costs –** For independent drivers especially, the costs of doing business are prohibitive, says David Heller, director of safety and policy for the Truckload Carriers Association (TCA), who cites rising fuel and equipment costs, the latter of which have gone up 20 percent since 2007. What's more, drivers typically must pay up to $6,000 out of pocket to get their commercial driver's license (CDL).

## SUPPLY-CHAIN PAIN

Like the causes of the driver shortage, the effects on shippers and receivers are manifold. The most obvious among them is the cost of transportation, which, according to the U.S. Freight Rate Index, grew nearly 20 percent between January 2007 and April 2013, driven in large part by labor costs.

"It's supply and demand," McComb says. "When you have a lot of freight and not many trucks, the trucks can charge what they want."

The cost of not having transportation can be just as high, according to Harold Cooper, CEO of Premier Ag, a trucking company that delivers supplies, equipment and fuel to Indiana farmers, who typically have a very small window to get their crops in the ground each spring. "If they miss even just a few hours of planting, it costs [farmers] quite a bit of money," he says. "So supplying a dependable, quick source of labor and trucking is critical."

Safety also is a concern. "If you can't pay enough to attract the right people, you attract the wrong people," Belzer says. "That's when you have crashes and [your freight] ends up on the side of the road."

Yet another cost to shippers is opportunity cost. When they transport their goods, drivers interact with the receivers. Companies that lack a consistent driver are therefore neglecting an important customer service touch point.

"Driver supply is vital to the success of whatever your company ships," explains Brian Fielkow, president of Jetco Delivery, a Houston-based trucking company. "When you have a stable pool of drivers, your drivers know where they're delivering. Not just the address, but the people they're delivering to. If you look at the driver as an extension of your customer service, how that driver shows up, his professionalism, how he handles setbacks—it all reflects on you as the shipper."

## SHIFTING GEARS

In order to squelch its labor shortage, the trucking industry must add nearly 100,000 new drivers each year for the next 10 years, according to ATA.

Given the profession's long-standing challenges, it's a tall order, to be sure. Fortunately—for drivers and shippers alike—employers already are working on solutions. To attract a new generation of drivers, for instance, many companies are opening their own driver training schools, experimenting with new benefits and incentives, and establishing partnerships with high schools to promote trucking to teenagers. Meanwhile, the industry is planning a public relations campaign to combat negative stereotypes about the profession.

"If this trend were to continue—if nothing were to be done—it would be catastrophic," Suarez says. "But that's not going to happen. We're already starting to see carriers go the extra mile."

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