



2011 Texas Trucking Industry Study

Mapping the Texas Trucking Industry



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Letter from TMTA

July 2011

Dear Trucking Industry Professional:

As you know, TMTA is a trade organization dedicated to enhancing the effectiveness of its members by advocating sound public policies, providing excellence in education, training and information, and promoting a safe, dependable and cost-effective motor transportation system to serve the people of Texas.

In our diligence to support and better serve our members and companies across the state, TMTA partnered with an alliance of private companies to conduct a comprehensive statewide telephone survey of the trucking industry in May 2011.

This benchmark study investigated what issues are important to Texas owners and top executives and the techniques they employ to remain successful in our industry. The information gathered was analyzed regarding employee size, fleet size, sales, location and carrier specialty. Using this data, we identified hot button issues and business tactics as well as set a base for future benchmarking.

As you will see, the results take a close look at how companies are coping with pressures in Human Resources, CSA, rates, physical operating costs, safety and risk management, fleet planning, and regulatory issues. I am confident that this state-specific insight and data, only available through TMTA, will be an asset to your company and will enable you to enhance your operations.

In closing, I want to thank The Bassett Firm, Business Financial Group, Lockton Companies LLC and Houston Freightliner-SelecTransportation Resources. Without the assistance and support of these companies, this trucking specific research would not have been made possible.

Regards,

John D. Esparza
President and CEO

Acknowledgments

This research study was a collaboration between the Texas Motor Transportation Association and four companies that have made a commitment to strengthening the Texas trucking industry. The topics of study were shaped by input from TMTA staffers Lance Shillingburg and Les Findeisen, research conducted by the American Transportation Research Institute and industry focus groups conducted by Galloway Research Service in February 2011 in San Antonio. We appreciate their advice and counsel in this process.

We want to thank the four companies that initiated this project and partnered with TMTA to fund the research:



The attorneys at **The Bassett Firm** have tried over 300 cases to verdict in counties throughout Texas and across the United States. The Dallas-based firm works with transportation companies and insurance companies around the State. They do an early, thorough investigation of every case. They provide a timely, honest evaluation of liability and damages. They are responsive. And, most importantly, they "give back" to their clients.



Business Financial Group provides individual financial consulting, employee benefits services, business insurance & risk management, and corporate retirement plan services. Since 1998, the San Antonio-based firm has helped thousands of business owners, retirees and executive clients across 22 states develop financial plans and steer a course to grow strong, profitable businesses; fulfill personal dreams; care for employees; and live a life filled with hope and significance.



The world's largest privately held insurance brokerage, **Lockton Companies, LLC** offers risk management services, commercial property/casualty insurance, surety bonds, merger and acquisition support, and employee benefit planning services. Initially targeting construction businesses, Lockton's expertise includes energy, health care, hospitality, manufacturing, retail, and transportation. The company operates from about 20 domestic offices and 30 international offices.



SelecTransportation Resources, LLC is a premier network of heavy and medium duty truck dealerships across the Gulf Coast area. For more than 14 years, the Houston-based company has fulfilled trucking needs from locations in Houston, Beaumont, and Corpus Christi. Its dealerships specialize in Freightliner, Sprinter Vans, Sterling, Thomas Built Buses and Western Star.

Researcher



Galloway Research Service is the oldest and largest full-service marketing and opinion research firm in South Texas. The company's San Antonio headquarters houses a state-of-the-art, 83-station telephone research call center, three of the nation's most comprehensively equipped focus group suites and a large central location testing facility and test kitchen. The headquarters is also home to over 100 of the nation's best opinion research personnel.

Galloway Research Service is a Texas HUB / DBE certified agency and has provided opinion and marketing research services to numerous business and government institutions over its 40-year history. The company provides complete research services from consulting and survey design to data collection, tabulation, analysis and reporting.

Methodology

The 2011 TMTA Texas Trucking Industry Study was commissioned by the Texas Motor Transportation Association and key corporate sponsors to provide a comprehensive profile of the Texas Trucking Industry, the views the truckers hold about the challenges they face today, and how they are responding to those challenges.

As part of this study, key issues were identified by two focus groups of owners, CEOs, and senior executives of trucking companies on February 24, 2011. A total sampling population of 15,912 companies was developed by reconciling TMTA's in-house list of Texas trucking companies with Dun & Bradstreet's database to identify only Texas-based companies that are involved in the truck transport services in the NAICS 484 category. Then random telephone surveys were conducted among a sample of those owners, CEOs, and senior executives of trucking companies headquartered in Texas during May 2011. They were presented a 15-minute questionnaire covering a wide range of company operational activities, characteristics, and attitudinal topics. Two hundred and sixty-six (266) completed surveys were collected with a +/- 5% margin of error at the 90% confidence level. Tabulated data have been weighted to match the proportions of large and small companies and their geographic distributions across Texas, according to the metro areas designated in the Dun & Bradstreet database record.

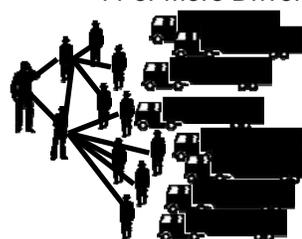
Large versus Small Companies

To determine how truckers' views and activities vary by size of company, definitions of "large" and "small" companies had to be created. Prior to this survey, an analysis of Dun & Bradstreet business records indicated that almost nine of 10 trucking companies consisted of a single owner/operator or a single owner and a handful of employees. Information obtained in focus group research among company owners suggested that 10 employees was the maximum number an owner could practically manage before needing to hire full-time help to oversee administrative roles. Since sales revenues and fleet size can vary widely between carrier types, Texas trucking companies have been categorized based on the number of drivers. Companies with 10 or fewer drivers were classified as "small," while those with 11 or more drivers were classified as "large."

Small Trucking Companies 1 to 10 Drivers



Large Trucking Companies 11 or More Drivers



Executive Summary and Introduction

This survey assessed the impact of, responses to, and opinions related to common business issues and challenges facing Texas trucking companies. It also looked at how the effects of those challenges and trucker attitudes differ by company size and other characteristics. The respondents were company owners, CEOs, principals, or key managers randomly selected from among the more than 15,000 Texas companies providing truck transport.

The key issues Texas truckers face fall into three general categories:

Economic - Challenges arising from the general business or economic environment, such as fuel and oil costs, fleet equipment repair or replacement costs, decline in demand for services, administrative expenses, and pricing pressures.

Safety - Issues related to new complex federal safety rules truckers face and that require changes in the ways they manage, track, and report on equipment and driver safety.

Human Resources - Business challenges presented in employee hiring and retention and the costs of wages and benefits.

Economic Issues

The business issue most negatively

affecting both small and large trucking firms is the *rising cost of oil and fuel*. Ninety-nine percent of all truckers surveyed say fuel costs have adversely affected their businesses, with 92% characterizing the impact as *very negative*. It is also a business burden falling on large and small companies equally.

The next four most serious challenges facing truckers are all related to the state of today's economy:

- *Administrative costs, such as insurance, legal services, fees, fines, permits, and tolls;*
- *The costs associated with replacing, adding, and maintaining equipment;*
- *Diminished demand for services; and*
- *Downward competitive and customer pressure on freight rates.*

Of these, *administrative costs and expense associated with insurance, legal services, fees, fines, and tolls* negatively affects more than 80% of small and large firms, while *rising equipment maintenance and replacement costs, decreased demand, and depressed rates*, are a significantly greater burden on small companies than large ones.

Safety Issues

Overall, the business challenges of meeting *2010 CSA safety rules and reporting requirements* have had less of

a negative impact on Texas truckers than those related to the economy. Safety rules are also perceived as a negative influence by significantly more small companies than large ones (78% vs. 47%).

More small companies are also feeling the burden of *CSA safety enforcement* than large firms. Two-thirds of small companies say that safety enforcement is having a negative effect on their businesses, compared to only 41% of large firms.

High numbers of both large and small companies report spending money in the past year related to CSA safety compliance (96% and 91% respectively), and their spending levels generally appear to be consistent with company size.

In the types of safety initiatives undertaken, however, large and small companies differ markedly. About a third of both small and large firms say they have *hired outside safety consultants or services to assist with CSA compliance* (39% and 36% respectively) and comparable numbers of each size firm say they have *added personnel just to handle safety matters* (34% and 41%). Yet, when it comes to *providing additional safety training* for their drivers, large companies are doing so at a rate three times that of small firms (72% vs. 23%). Large firms are also three times as likely as small firms to be among the few companies that have *installed automated driver monitoring devices*

(14% vs. 4%).

Human Resource Issues

Large trucking companies and small companies have different views about the impact of the human resource issues they face. For large firms, *finding, hiring, and retaining qualified drivers* is more of a burden than it is for small firms (61% vs. 40%), while the *costs of wages and benefits* is more of a burden for small firms than large ones (77% vs. 31%).

The difference in how large and small firms view the impact of human resource issues may be due in part to their differences in business outlook and how they hire drivers. Finding new drivers may have more of a negative impact on large companies because two thirds of them (68%) say they plan to hire additional drivers in the next 12 months while three-fourths of small firms (75%) are planning on hiring in the year ahead.

More small firms than large firms may view wage and benefit costs as a negative burden because 82% of their drivers are paid as employees, while half of all drivers in large firms (46%) are paid as contractors.

Equipment Purchase Plans

Three-fourths of all small trucking companies and two-thirds of large companies have fleets made up exclusively of trucks that have a Gross

Vehicle Weight Rating of more than 26,000 pounds.

The total number of replacement trucks that survey respondents anticipate purchasing in the next 12 months was 1,077 and they plan to make 1,416 new truck additions. More than 90% of all planned purchases in the next 12 months were reported by large companies with more than 10 drivers.

Freightliner and Peterbilt are more preferred by Texas truckers than other truck brands, with large companies preferring Freightliner slightly more than Peterbilt.

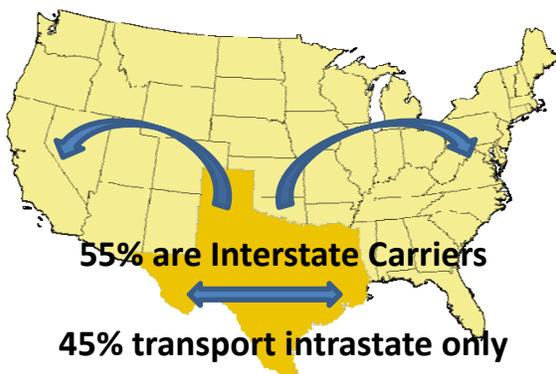
Future Business Outlook

The Texas trucking industry is composed of more than 15,000 large and small firms. Most trucking companies are small (88%), having 10 or fewer drivers, and many of these are single owner-operators. While large firms make up only 12% of all Texas truckers, they earned over 90% of all sales revenue reported for 2010 by survey respondents, and they have a decidedly more positive business outlook than small companies. Two-thirds of large companies (65%) expect their sales to increase in 2011 but an almost equal majority of small companies (57%) are expecting a sales decline.

Texas Trucking Industry Profile

Of the 15,912 Texas trucking companies, more than half (57%) are headquartered in Texas's three largest metro areas of Houston, Dallas-Ft. Worth, and San Antonio (Figure 2).

More than half are involved in the interstate transport of goods and materials.



In examining how companies are physically structured, the study showed most companies operate from a single physical location: Ninety-three percent have just one facility, while 7% have multiple locations.

Overall, 11% of Texas trucking companies hire only contract drivers, while 75% hire only drivers they classify as employees. The remaining 14% have mixed driver pools of both employees and independent contractors (Figure 1).

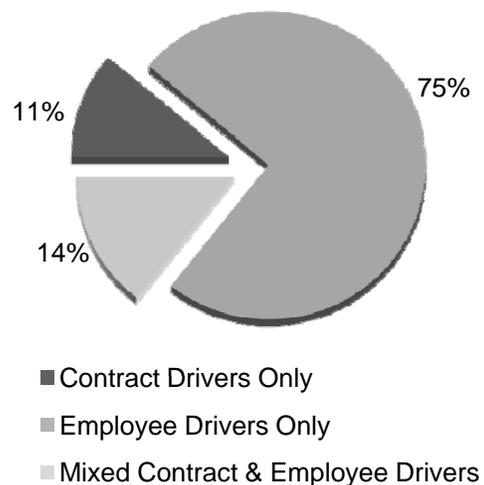


Figure 1. Types of Drivers Hired

Based on total drivers (employees and contractors), 88% of Texas trucking firms have 10 or fewer drivers and are considered "small." The remaining 12% are classified as "large."

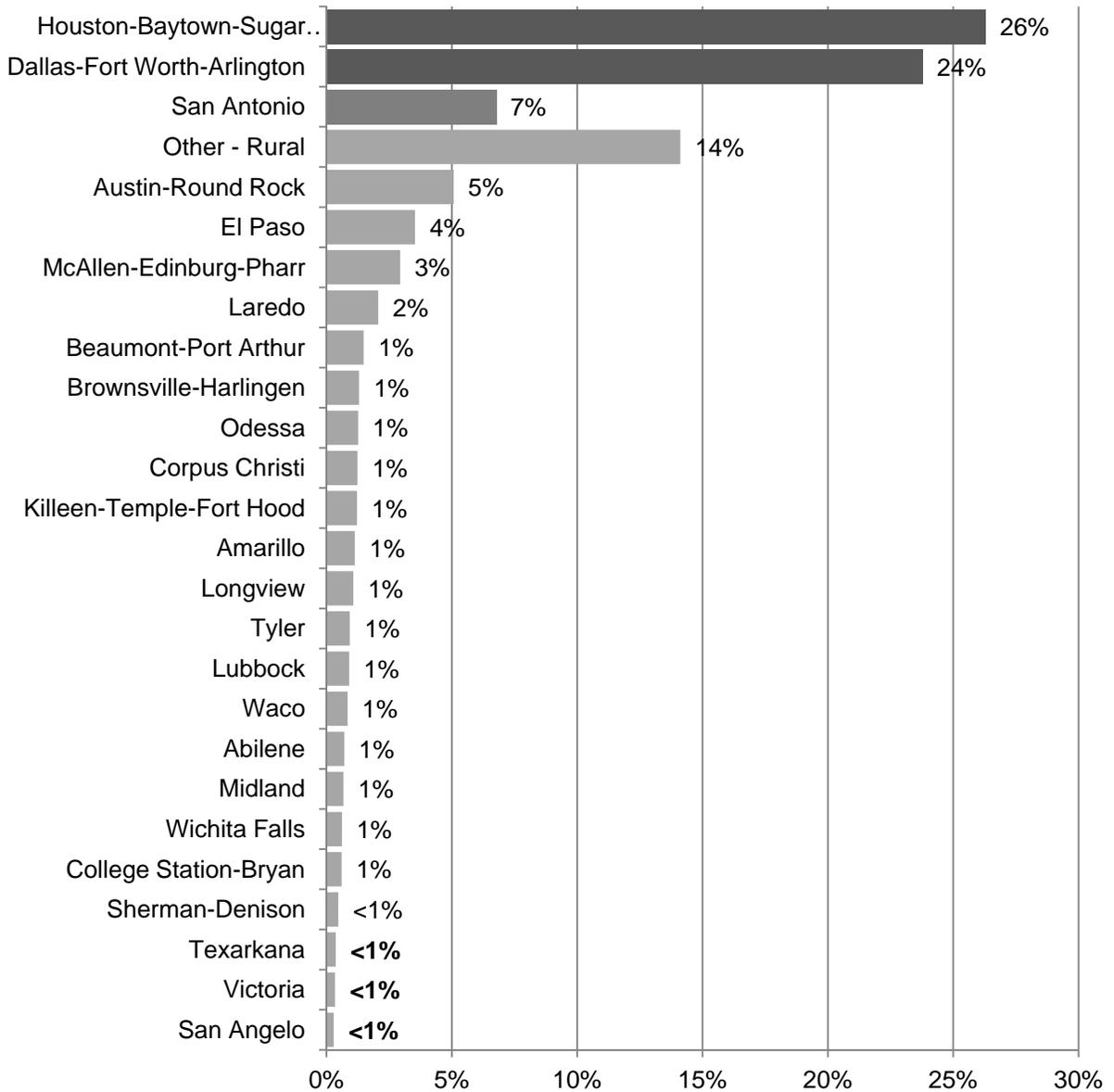


Figure 2. Distribution of Texas Trucking Companies by Metropolitan Statistical Area, February 2011

Texas truckers carry a wide variety of manufactured goods, materials, merchandise, food, and equipment. Many companies that provide special transport services also haul dry goods

and general commodities. To identify companies that offer the most common special transport services, respondents were asked if they provide any of four services which require specialized

equipment or special training.

Overall, about *three-fourths of the companies* surveyed indicated that they hauled one or more of four specific

transport services: household goods, also referred to later as moving services; flammable and hazardous materials; refrigerated goods; and oversized loads or other specialty loads (Table 1).

Texas Truckers offering Specialized Transport Services

<p>40% of Texas truckers transport...</p> <p>Household goods and furnishings</p>	<p>9% of Texas truckers transport...</p> <p>Flammable or other hazardous materials</p>	<p>37% of Texas truckers transport...</p> <p>Refrigerated or perishable goods</p>	<p>14% of Texas truckers transport...</p> <p>Specialty hauling (Oversized loads, livestock)</p>
			
<p>Among companies providing transport of household goods...</p> <p>Most provide Interstate transport - 83%</p> <p>Few have more than 5 trucks - 8%</p> <p>Few had 2010 sales over \$1 million – 6%</p>	<p>Among companies transporting flammable or hazardous materials...</p> <p>Most provide interstate transport - 93%</p> <p>Most have more than 5 trucks - 70%</p> <p>Most had 2010 sales over \$1 million – 70%</p>	<p>Among refrigerated or perishable goods carriers...</p> <p>One in four provide interstate transport – 26%</p> <p>Few have more than 5 trucks - 14%</p> <p>Few had 2010 sales over \$1 million – 12%</p>	<p>Among specialty haulers...</p> <p>98% haul oversize loads 3% haul livestock</p> <p>Most provide interstate transport - 81%</p> <p>Two-thirds have more than 5 trucks - 65%</p> <p>About half had 2010 sales over \$1 million – 46%</p>

Table 1. Texas Truckers offering Specialized Transport Services, (excludes dry van goods)

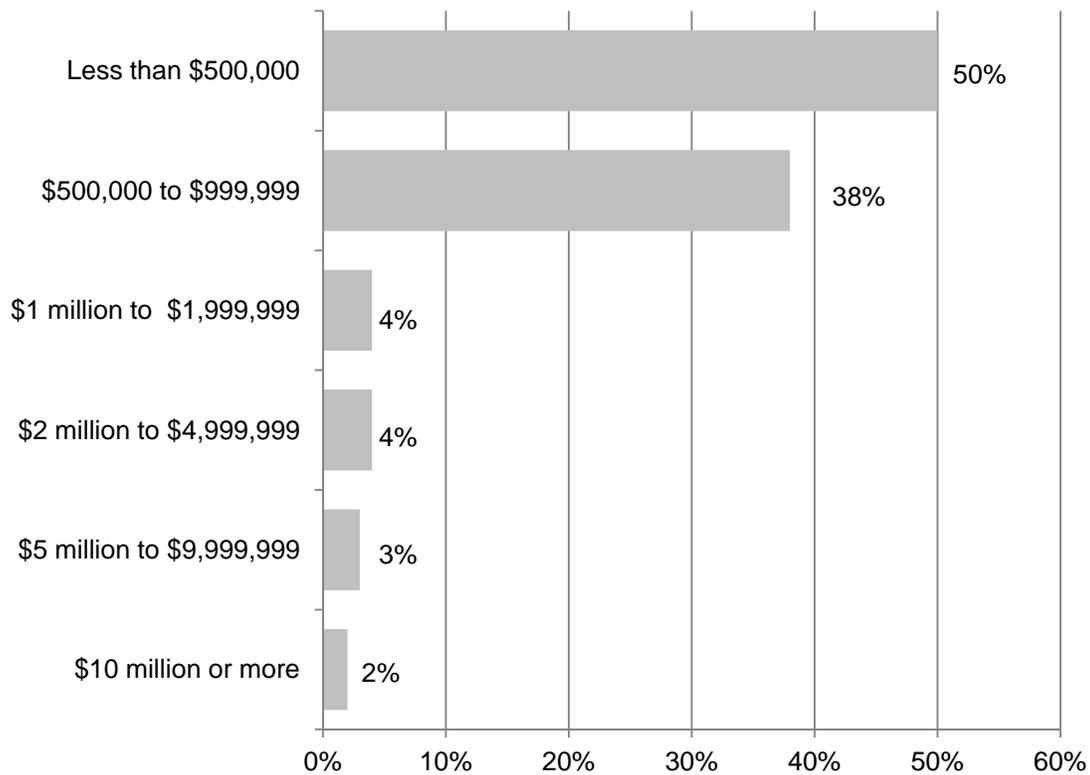


Figure 3. Texas Trucking Companies by 2010 Sales, (n=211)

Sales Comparisons

Nine out of 10 Texas trucking companies (88%) report sales for 2010 of less than \$1 million (Figure 3).

Small companies, those with 10 or fewer drivers, averaged \$522,000 in sales for 2010.

Large companies, those with 11 or more drivers, report 2010 sales averaging \$18.6 million.

Average 2010 sales also varied greatly by type of transport services offered, with specialty and hazmat haulers leading revenues (Table 2).

Services Offered:	Average 2010 Sales (000s)
Interstate carriers	\$3,340,306
Intrastate-only carriers	\$845,965
Household movers	\$686,841
Hazardous cargo haulers	\$7,693,341
Refrigerated carriers	\$2,253,662
Specialty haulers	\$9,326,801

Table 2. Sales by Transport Specialty, 2010

Future Business Outlook

Large and small companies hold nearly opposite views regarding their future business prospects. Two-thirds of large trucking firms (65%) say they expect their 2011 sales to increase, compared to one-fifth of smaller firms (22%). More

than half of small companies (57%) say they expect their 2011 sales to decline (Figure 4).

Household movers are three to four times more likely than other types of carriers to hold negative views about their future sales prospects.

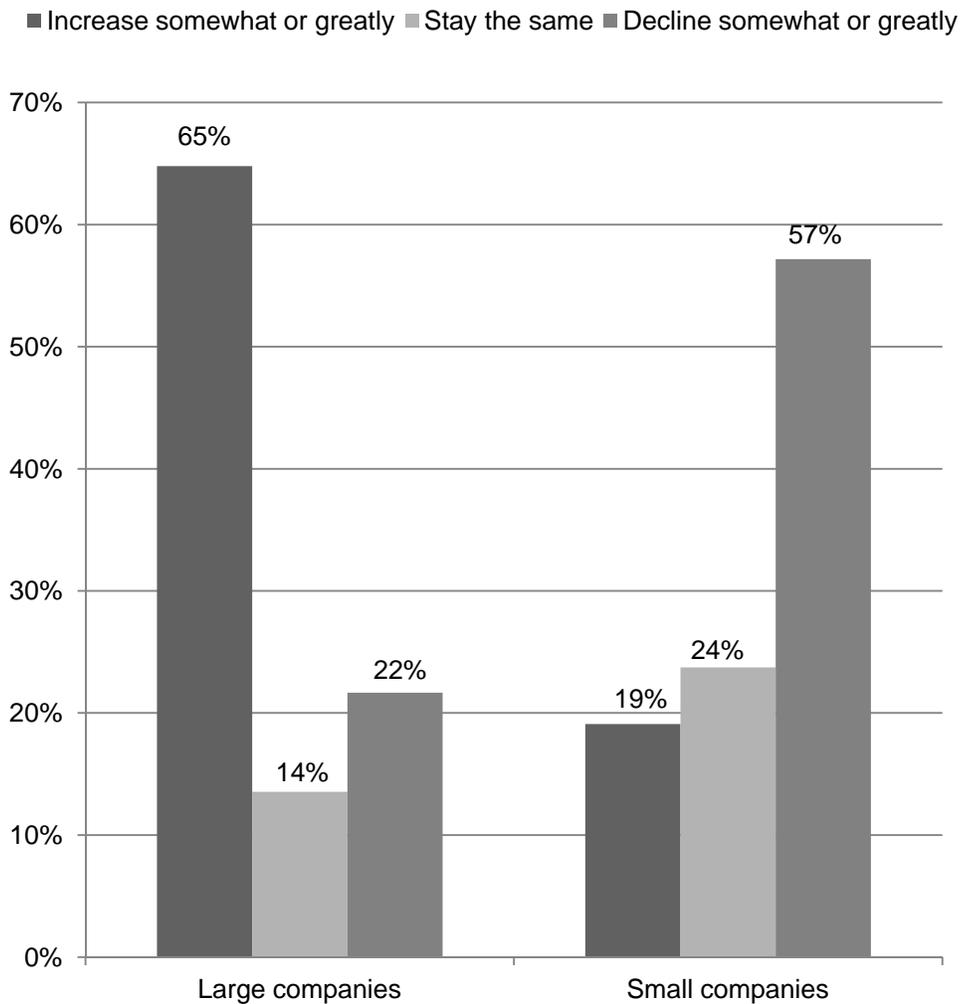


Figure 4. Sales Outlook for 2011 by Company Size, (n=196)

Economy

Trucking is a bellwether for the Texas economy. It accounts for 14% of all economic activity, according to the American Trucking Associations. As such, the trucking industry is the first to feel the winds of change as the national economy shifts.

In the last three years, the industry has seen a downturn in demand for transportation and warehousing services. Sectors dependent on consumer demand and homeowners, were especially hurt by the severely weakened housing market.

Much of the existing research on the impact of the economy gauged how positive company owners and executives were about the economy. This research study also looked at how Texas carriers have responded to the economic challenges. It shows that as the economy has begun to shift upward, carriers in some sectors are starting to see an uptick in demand. That's in line with a recent American Transportation Research Institute report showing a significant drop in the number of companies citing the economy as the No.1 issue – down from 52% in 2009 to 35% last year.¹



Despite that improvement, the economy remains the number one issue for trucking companies of all sizes nationwide and in Texas.

Hot Button Issues

To assess which business issues and challenges are most affecting Texas truckers, respondents were asked to rate on a 5-point positive-neutral-negative scale how common business problems and conditions had affected their business during the last year.

The issues each respondent rated are illustrated in Table 3.

¹ American Transportation Research Institute, *Critical Issues in the Trucking Industry -2010*, October 2010

Economic and Business Environment Issues	• The costs of oil and fuel
	• Changes in demand due to the general economy
	• The costs of new equipment and equipment maintenance
	• Administrative costs, such as insurance, legal services, fees, fines, permits or tolls
	• Inability to raise shipping rates to meet rising costs
Safety Related Issues	• CSA 2010 safety rules and safety reporting requirements
	• Enforcement of CSA safety regulations
	• Use of electronic onboard recorders
Human Resource Issues	• Finding, hiring or retaining qualified, experienced drivers
	• Wage and benefit costs for drivers and other employees

Table 3. Hot Button Issues as Ranked by Respondents

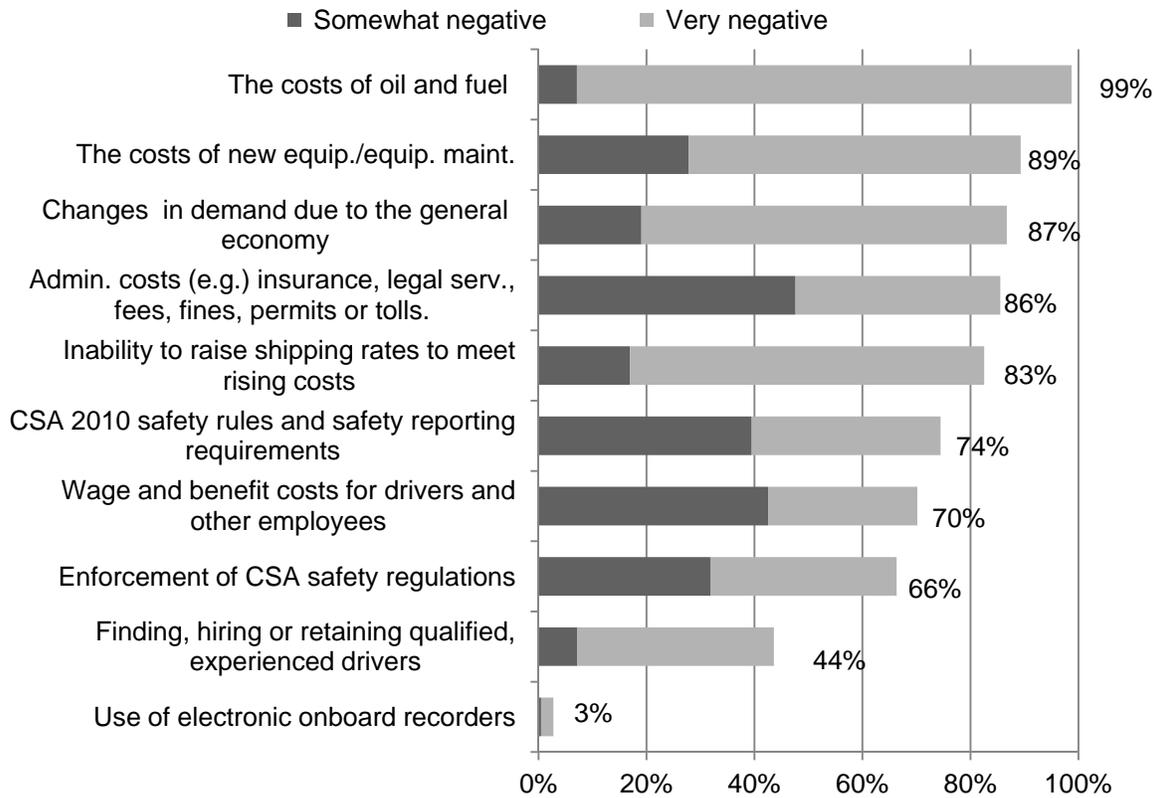


Figure 5. Degree of negative effect from each issue on Texas Trucking Companies

Fuel and oil costs are an issue negatively affecting 99% of all Texas truckers. Ninety-two percent say the impact is very negative (Figure 5).

More than 80% of companies surveyed also named equipment-related costs, diminished demand, rising administrative costs, and pressure to keep rates low among those issues negatively affecting their businesses.

Three-fourths of Texas truckers (74%) say they've been negatively affected by new federal CSA safety rules and reporting requirements, and two-thirds (66%) say their companies have been negatively impacted by the enforcement of CSA safety regulations. Only 3% of truckers say the use of onboard recorders has negatively affected them. Ninety-five percent say the use of such devices has not affected them at all.

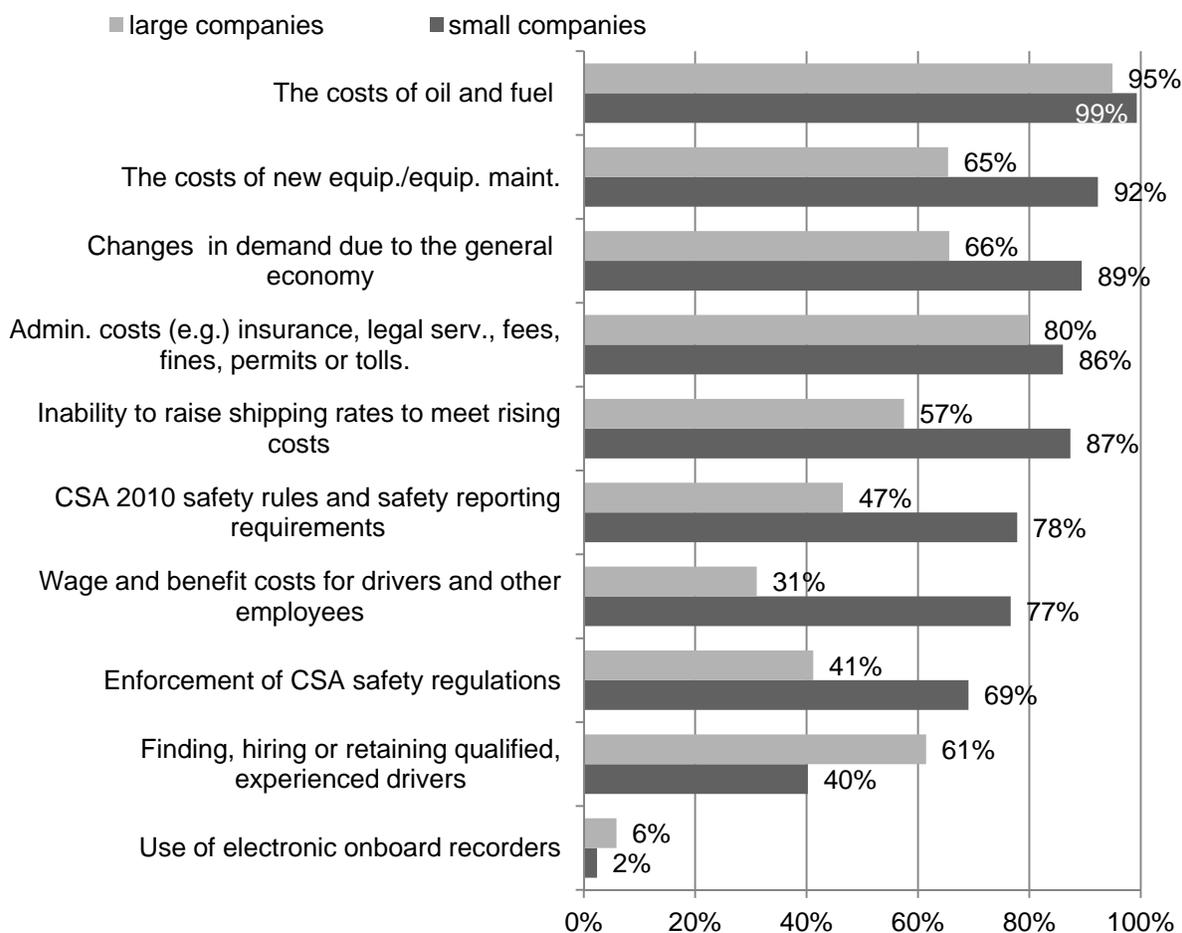


Figure 6. Percent of Texas Companies negatively affected by Leading Issues

Fuel costs and administrative expenses are business challenges affecting large and small firms equally, but the negative impact of many leading issues has been greater for smaller firms than large ones.

The issues adversely affecting small companies more than large ones include:

- Equipment and maintenance costs
- Decline in demand

- Low rates
- Safety regulations
- Driver wages
- Safety enforcement

Finding and retaining qualified drivers and the *use of onboard recorders* are issues impacting fewer truckers, but their effect is felt by more large companies than small ones (Figure 6).

Responses To Economic Issues

When asked about what actions they've taken in response to rising costs and economic conditions, more than half of all Texas truckers (54%) said they have raised their rates in the last 12 months (Figure 7).

About one in six say they've used brokers to try to help find clients or fill loads (17%).

Very few truckers have made changes in the types of freight services they offer (5%) or switched to larger trucks or tandem trailers (4%).

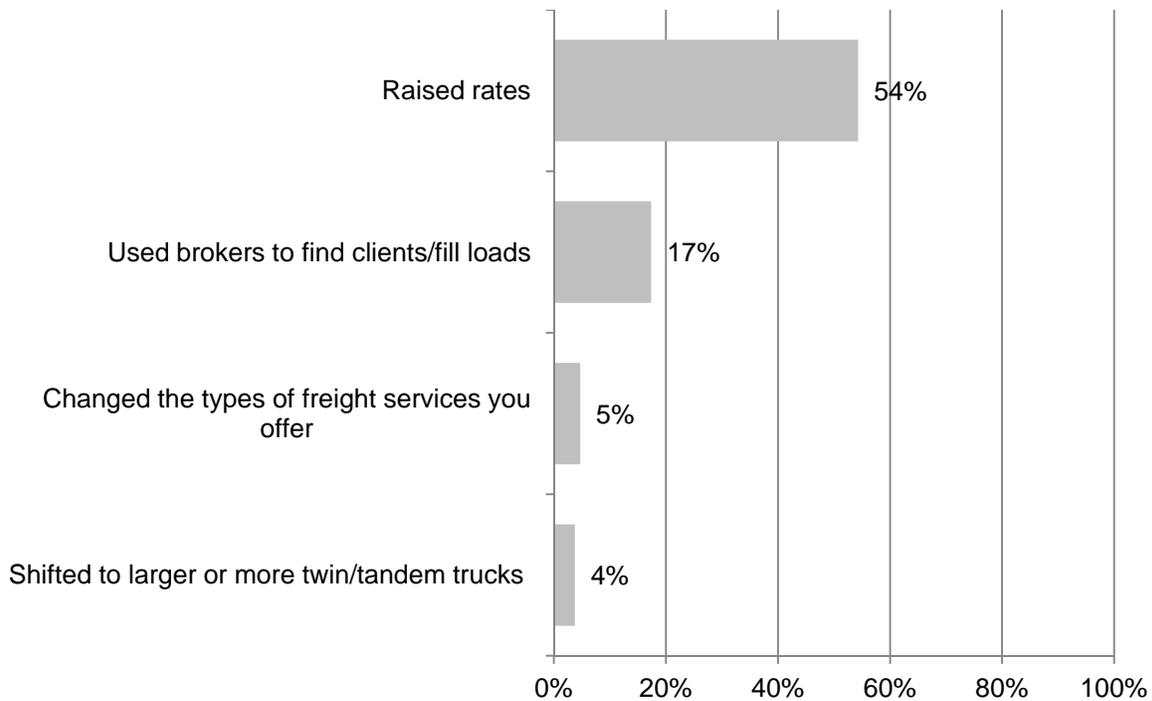


Figure 7. Percent of Texas trucking companies taking actions in last 12 months

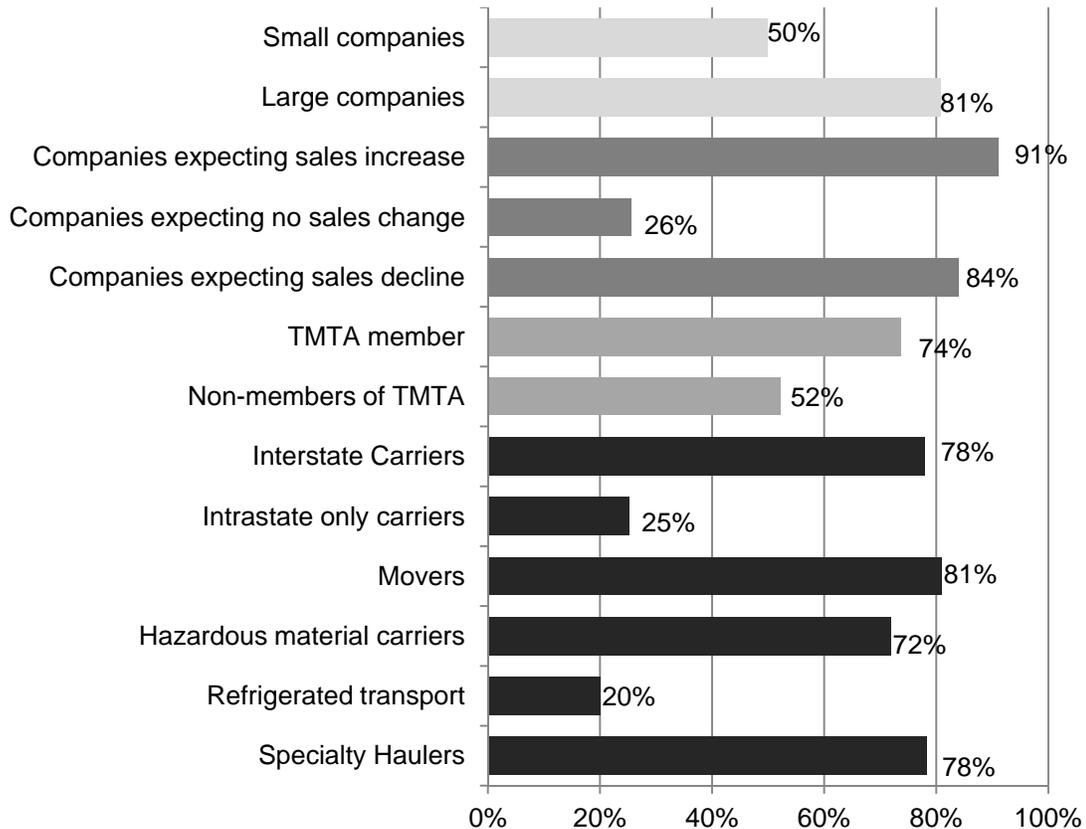


Figure 8. Percent of each group that has raised rates in the last 12 months

Rate Changes

Large trucking companies are much more likely than small ones to have raised their rates (81% vs. 50%) and those expecting sales increases or declines are at least three times more likely to have raised their rates than those who expect no change.

Companies least likely to have raised their rates are:

- Non-members of TMTA

- Intrastate carriers
- Refrigerated transporters

Last year rate increases are most common among:

- TMTA members
- Interstate carriers
- Household movers
- Hazardous material carriers
- Specialty haulers

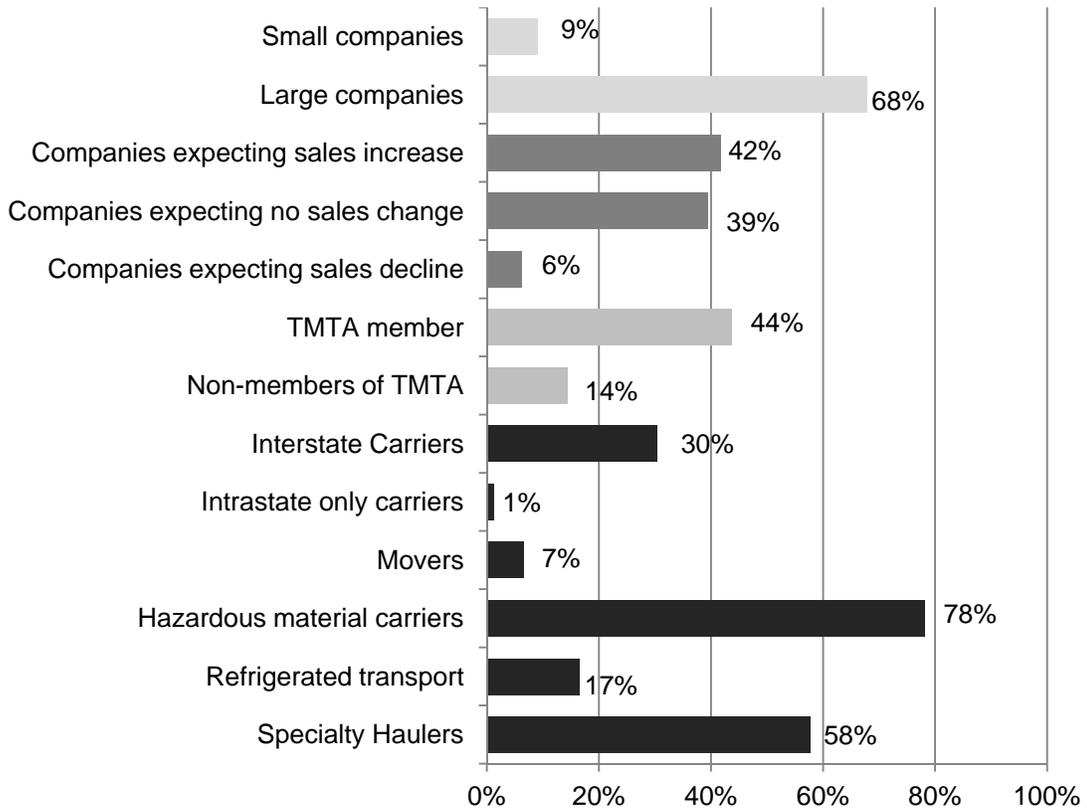


Figure 9. Percent of each group that has used brokers to find clients/loads in the last 12 months

Use Of Brokers

Overall, only about one in six trucking companies (17%) have used brokers to find freight clients. Moreover, the use of brokers varies widely by carrier type (Figure 9).

Companies most likely to use brokers include:

- Large companies
- Companies expecting a sales increase or no change

- TMTA members
- Interstate carriers
- Hazardous material carriers
- Specialty haulers

Those least likely to use brokers are:

- Small companies
- Companies expecting sales declines
- Non-members of TMTA
- Intrastate only carriers
- Household movers

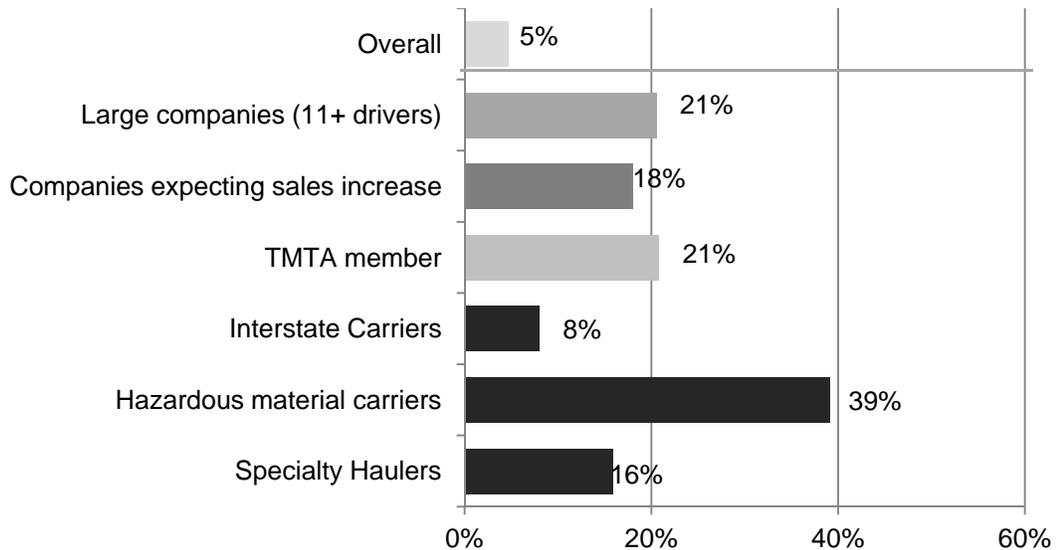


Figure 10. Percent of each group that has made changes in the services they offer in the last 12 months

Service Changes

Although only 5% of all Texas truckers say they've made changes in the types of freight services they offer, certain groups of truckers are more likely than others to have taken this initiative in response to the challenges they face (Figure 10).

Those most likely to have made changes to the types of freight services offered include:

- Large companies
- Companies expecting a sales increase
- TMTA members
- Interstate carriers
- Hazardous material carriers
- Specialty haulers

Load Changes

Overall, only 4% of Texas trucking companies have shifted to *using larger trucks or tandem trailers* in the last 12 months as a way of maximizing fuel use or load size per trip (Figure 11).

The types of companies most likely to have started using larger trucks or tandem trailers in the last year are:

- Large companies
- Companies expecting a sales increase or no change in sales
- Non-members of TMTA
- Specialty haulers

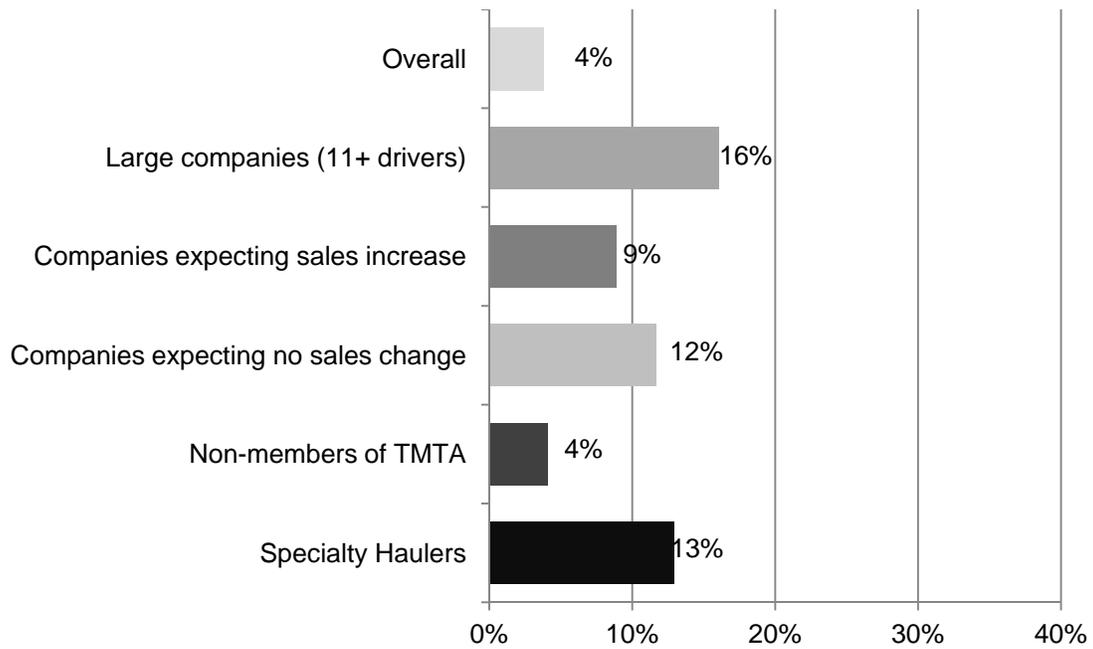


Figure 11. Percent of each group that has started using larger trucks or tandem trailers in the last 12 months

Safety

One of the biggest factors in how well a carrier can respond to economic changes is its ability to manage one of the primary drivers of administrative costs: safety. To reveal the factors that affect driver safety, several previous research studies looked at the type of driver behaviors that are strongly correlated to future crashes by a driver. Those studies focused on past crash history, improper signaling, erratic lane changing, speeding, past convictions and Hours of Service (HOS). Other studies have looked at the carriers' roles in encouraging safe loading and driving practices. The carrier-centric studies also have focused on fatigue management tactics, drug and alcohol screening, simulator-based training and technologies that kick in to compensate for the driver when a vehicle may be in a potentially dangerous situation, such as speed limiters.

Based on the findings in many of these research studies, the Federal Motor Carrier Safety Administration (FMCSA), has promoted various regulations to

reduce crashes. The newest regulations pertain to the Compliance Safety Accountability (CSA) scoring system. These regulations have led to new questions about the costs and impact of safety enforcement and practices.

This research study showed that carriers are responding in a myriad of ways to safety issues and CSA.

Responses To Safety Regulations

While three of four large companies (72%) have *added safety training for their drivers*, only one in four small companies have done so (Figure 15).

More than a third of large and small trucking companies alike have *added personnel to oversee safety matters or hired outside help to assist in safety-related matters*.

Large companies are three times more likely than small companies to have installed *equipment to automate*

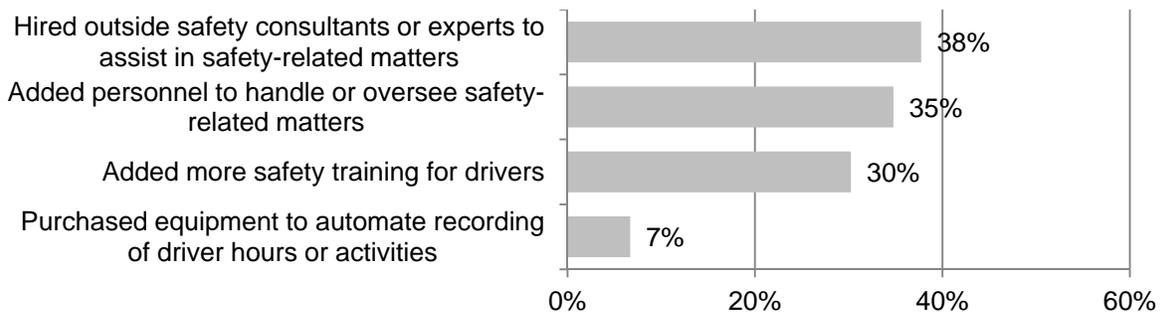


Figure 12. Percent of Texas trucking companies that has taken each initiative in the last 12 months

monitoring of driver hours and one in seven large firms (14%) say they have done so.

Outside Safety Experts

More than one-third of both large and small firms say they have hired outside safety experts or consultants in the past 12 months (39% & 36%) (Figure 13). Truckers expecting their sales to increase or decrease are more than twice as likely

to have hired outside experts as those who expect no change (21% & 25% vs. 10%).

Forty percent of non-members of TMTA have sought outside safety help, compared to 16% of TMTA members.

Other company groups with high utilization of outside help include intrastate only carriers (63%) and refrigerated transporters (75%).

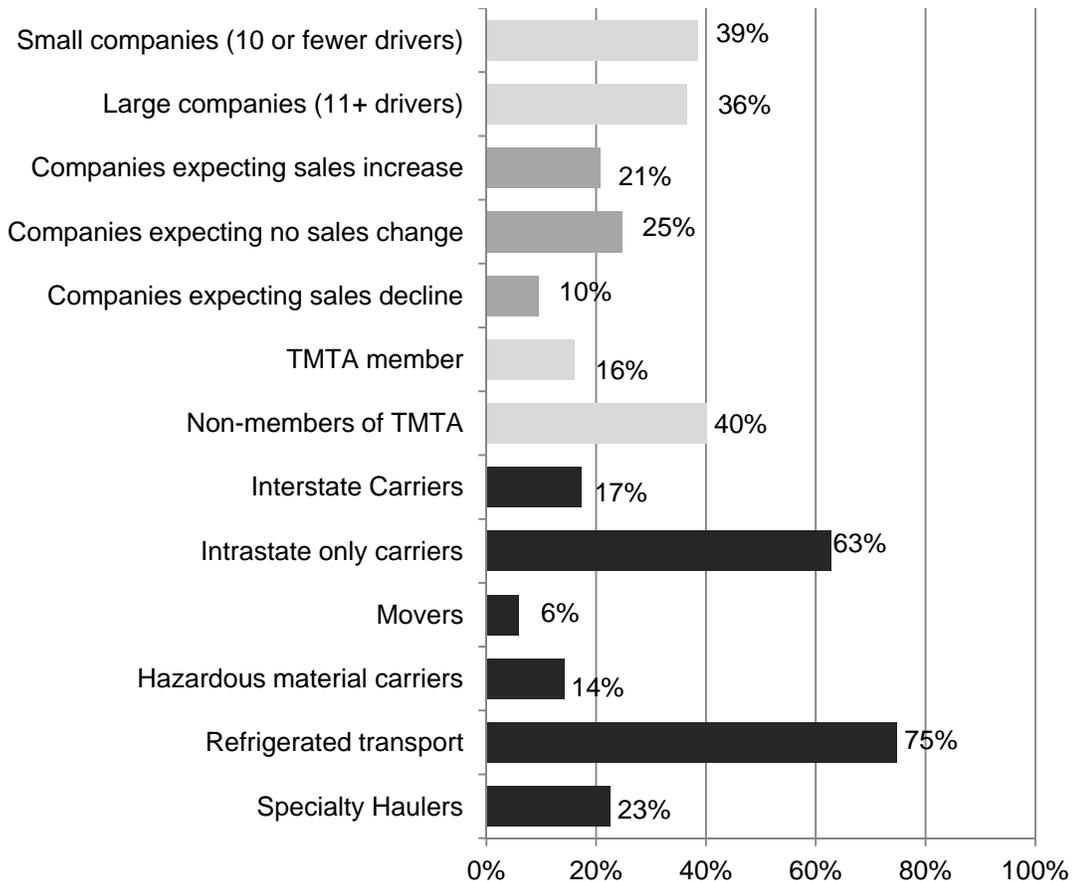


Figure 13. Percent of Each group that has hired safety Experts in the last 12 months

Additional Safety Personnel

Thirty-four percent of small firms and 41% of large firms say they have added personnel in the past 12 months to handle safety-reporting and safety-matters (Figure 14).

Those companies expecting sales declines are three to four times as likely as others to

have added safety personnel. Among non-members of TMTA, 37% have added safety personnel, compared to 15% of members.

Those company group types most likely to have hired additional safety staff include interstate carriers (59%), movers (71%) and specialty haulers (33%).

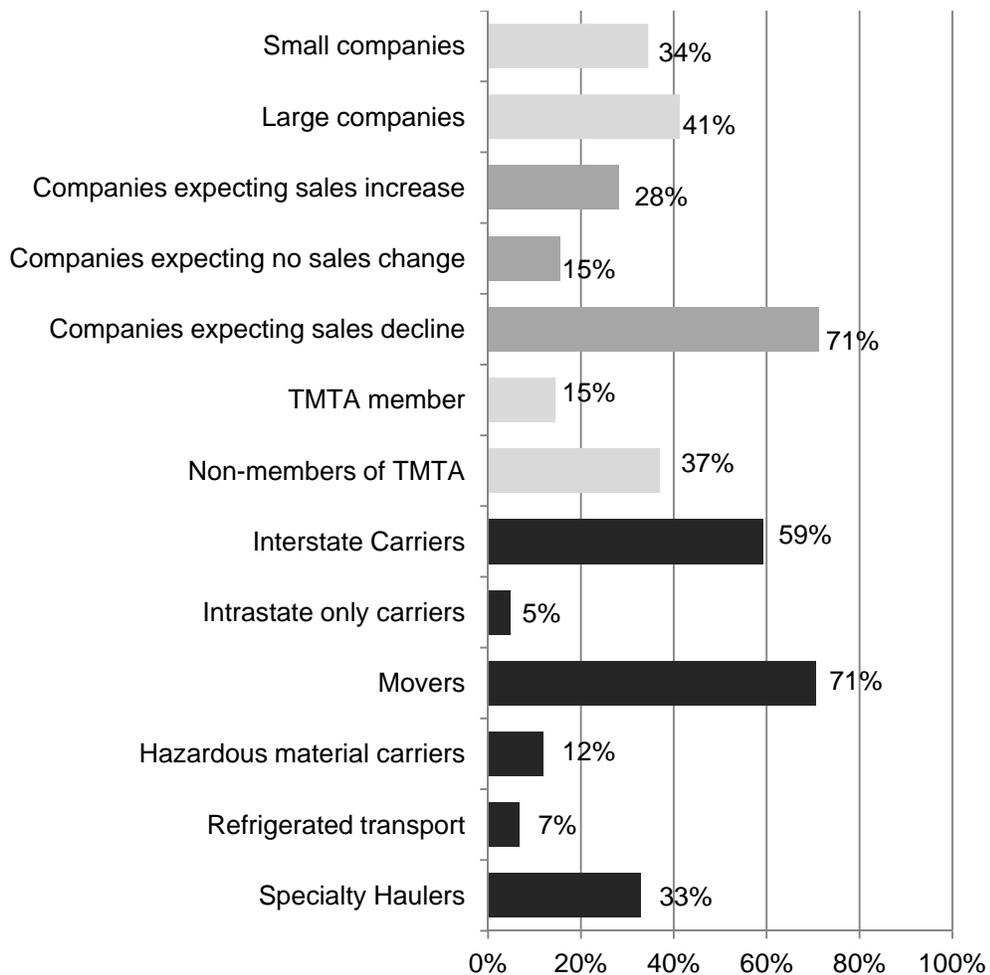


Figure 14. Percent of each group that has added personnel to handle safety-related matters in the last 12 months

Additional Driver Training

Providing additional driver safety training is one of the simplest safety initiatives that a company can take and 72% of large Texas trucking companies say they have done so, compared to 23% of small firms (Figure 15).

Companies anticipating positive or no changes in sales are five to six times more likely to be offering driver safety

instruction than those firms expecting sales declines.

Forty-two percent of TMTA members have added more driver training in the last 12 months compared to 29% of non-members and those company group types with the highest rates of additional safety instruction include hazardous material carriers (56%) and specialty haulers (69%).

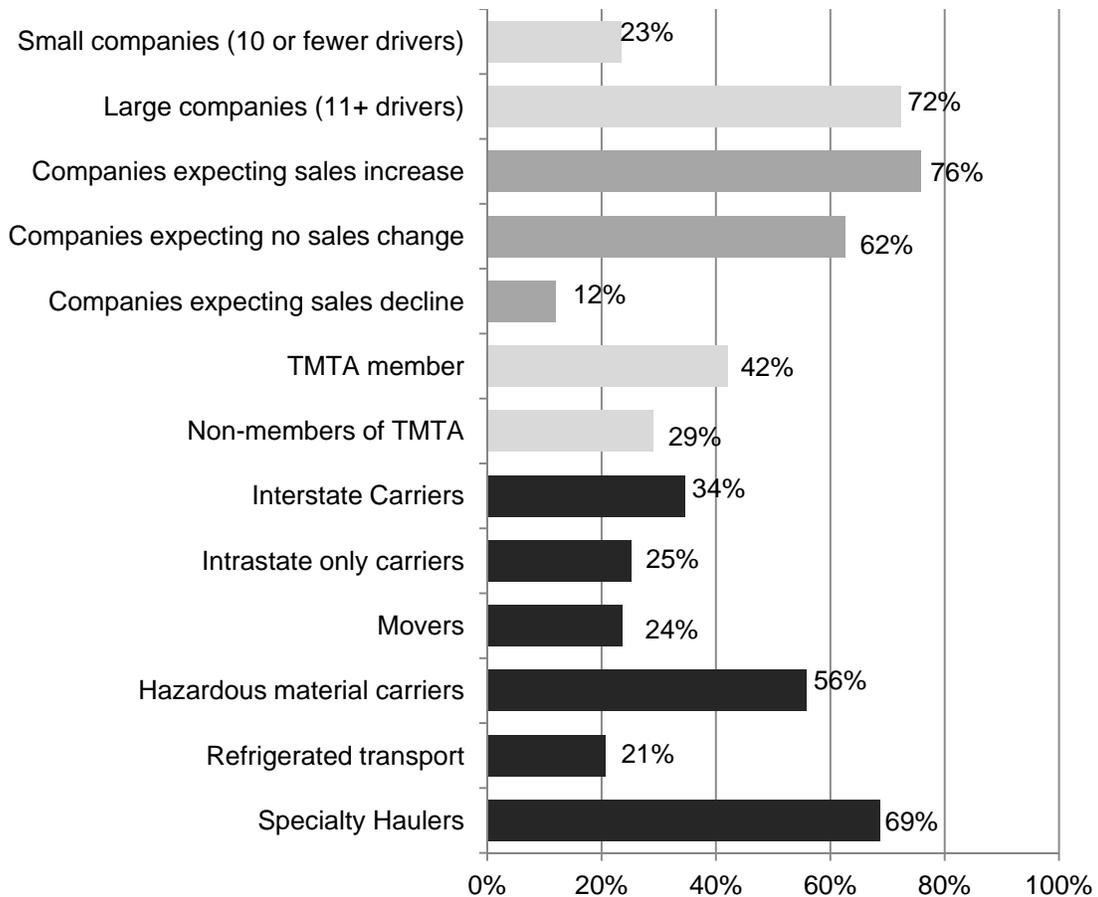


Figure 15. Percent of each group that has provided additional safety training for their drivers in the last 12 months

Additional Driver Monitoring

While only 7% of Texas truckers, overall, have installed automated driver monitors, 14% of large companies have done so compared to 4% of small firms (Figure 16).

Only 1% of companies expecting sales declines have invested in driver monitoring, while one in eight companies with positive sales outlooks and one-fourth of those expecting flat

sales (23%) have done so.

One in four TMTA members (25%) say they've added driver monitors in the last 12 months, while only one in 20 non-members have done so.

The types of companies with the highest rates of adding driver monitors are hazardous material carriers (24%) and specialty haulers (16%).

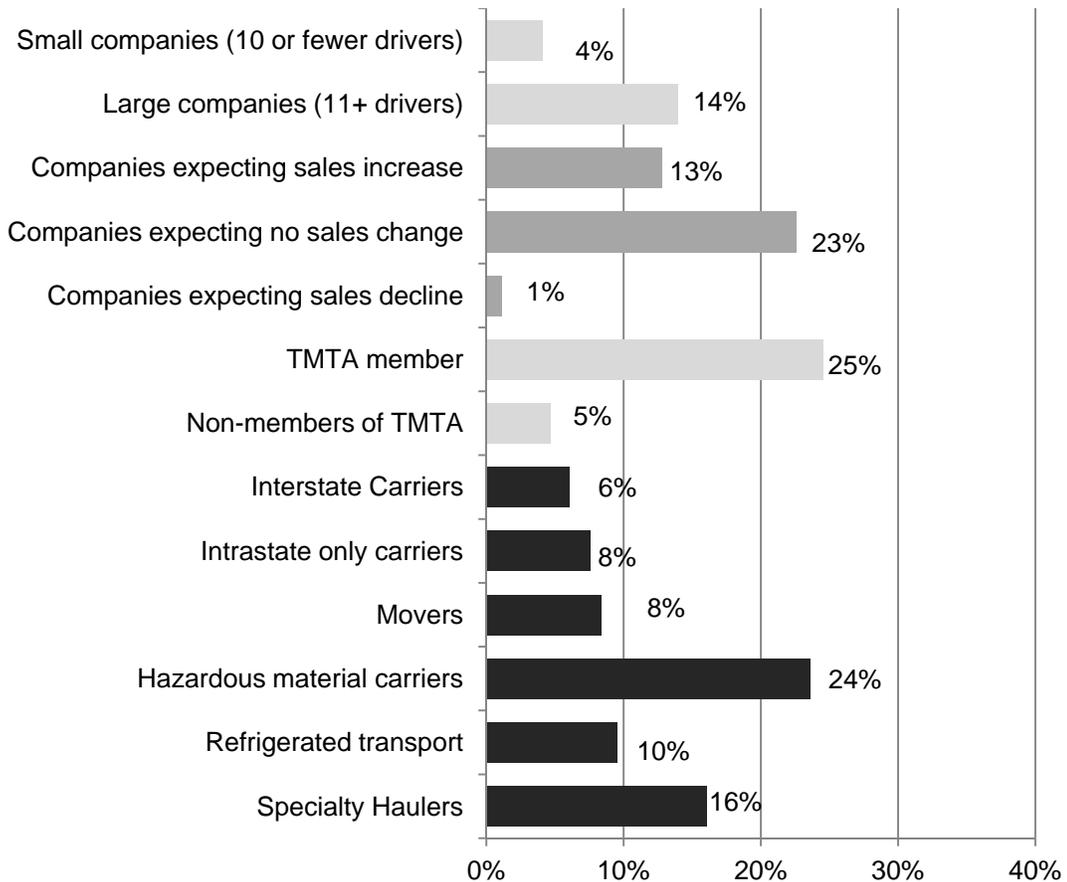


Figure 16. Percent of each group that has installed automated devices for monitoring driver hours and activities in the last 12 months

Safety-Related Expenditures

Overall, nine of ten Texas trucking companies (91%) incurred expenses over the last year related to 2010 CSA compliance and the participation rates between large and small firms are similar (96% and 91% respectively).

About half of all truckers (48%) say they've spent more than \$5,000 on safety compliance and reporting, with many companies (41%) reporting expenditures of between \$5,000 and \$15,000 (Figure 17).

Large firms, on average, have spent more on CSA safety compliance than small companies, and TMTA members have spent more than non-members.

Average safety-related expenditures also varied greatly between other sub-groups as displayed in Table 4.

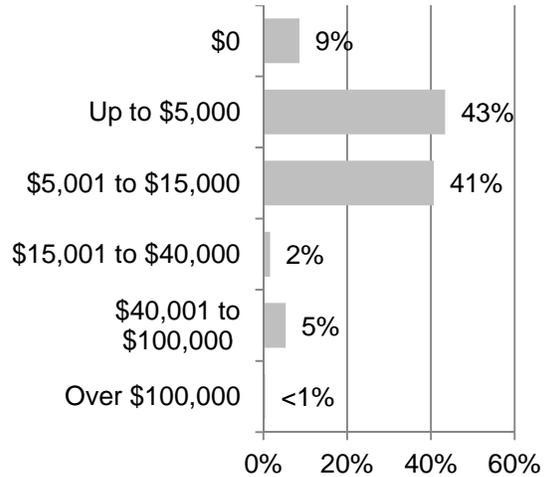


Figure 17. Percent of companies that spent at each level during the last 12 months to comply with CSA safety rules

Group	Avg. Safety Expense Last 12 Months	Group	Avg. Safety Expense Last 12 Months
Small companies (10 or fewer drivers)	\$9,478	Companies expecting sales increase	\$14,093
Large Companies (11+ drivers)	\$49,806	Companies expecting sales decrease	\$8,811
TMTA Members	\$42,620	Household movers	\$9,681
Non-Members	\$11,213	Hazardous cargo carriers	\$49,871
Interstate Carriers	\$20,644	Refrigerated carriers	\$5,712
Intrastate only carriers	\$4,442	Specialty haulers	\$15,974

Table 4. Safety Expenses by Transport Type for last 12 months

Overall, two-thirds of Texas truckers (63%) say they expect to make no CSA safety-related expenditures in the year ahead. More than one-fifth of all Texas companies (23%), however, plan to spend \$5,000 to \$15,000 on safety matters in the next 12 months, and the rest expect to spend more (Figure 18).

Generally, safety-related expenses are expected to vary by company size, with smaller companies expecting to pay less than larger ones (Table 5). On average, small trucking companies say they will spend significantly more on safety in

the next 12 months than they did in the previous 12 months, while larger firms plan to spend less.

Specifically, among large trucking companies, one-third (32%) expect to spend \$5,000 to \$15,000 in the next year to comply with safety rules, and a third (33%) expect to pay more. Expected safety-related expenses are far less among small companies, with almost three-fourths (70%) saying they plan to spend nothing on safety in the next twelve months (Figure 19).

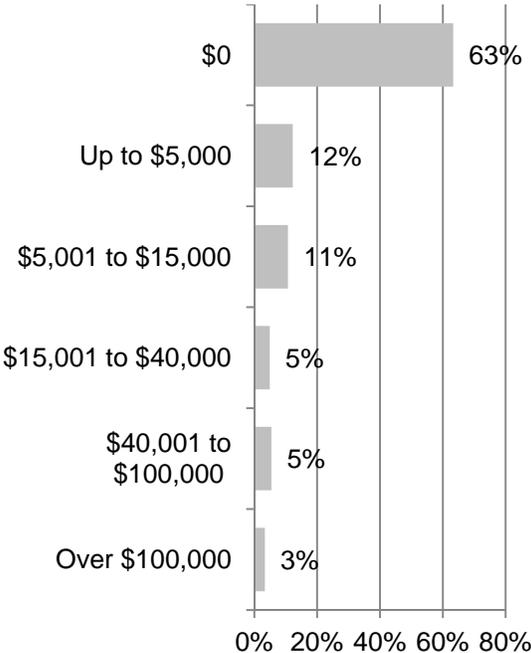


Figure 18. Percent of Texas companies that plan to spend at each level during the next 12 months to comply with CSA safety rules

Group	Average Safety Expense Expected in Next 12 Months	Average Safety Expense Last 12 months
Small companies	\$20,168	\$9,478
Large Companies	\$30,730	\$49,806
TMTA Members	\$17,668	\$42,620
Non-Members	\$22,045	\$11,213

Table 5. Comparison of Safety Expenses

Group	Average Expected Safety Expense Next 12 Months	Group	Average Expected Safety Expense Next 12 Months
Companies expecting sales increase	\$82,815	Household movers	\$19,298
Companies expecting sales decrease	\$4,496	Hazardous cargo carriers	\$21,981
Interstate Carriers	\$54,422	Refrigerated carriers	\$4,036
Intrastate only carriers	\$3,923	Specialty haulers	\$105,934

Table 6. Average Expected Safety Expense during Next 12 months by Transport Type

TMTA members, who spent more on safety than non-members in the last year, also say they expect to pay less in the year ahead, while non-members expect to pay more than they did last year (Table 5). This suggests that those companies

which spent heavily on safety in the last year are able to reduce their CSA compliance expense in the year ahead. The average CSA-safety related expense companies expect to make in the next 12 months also vary by carrier types (Table 6).

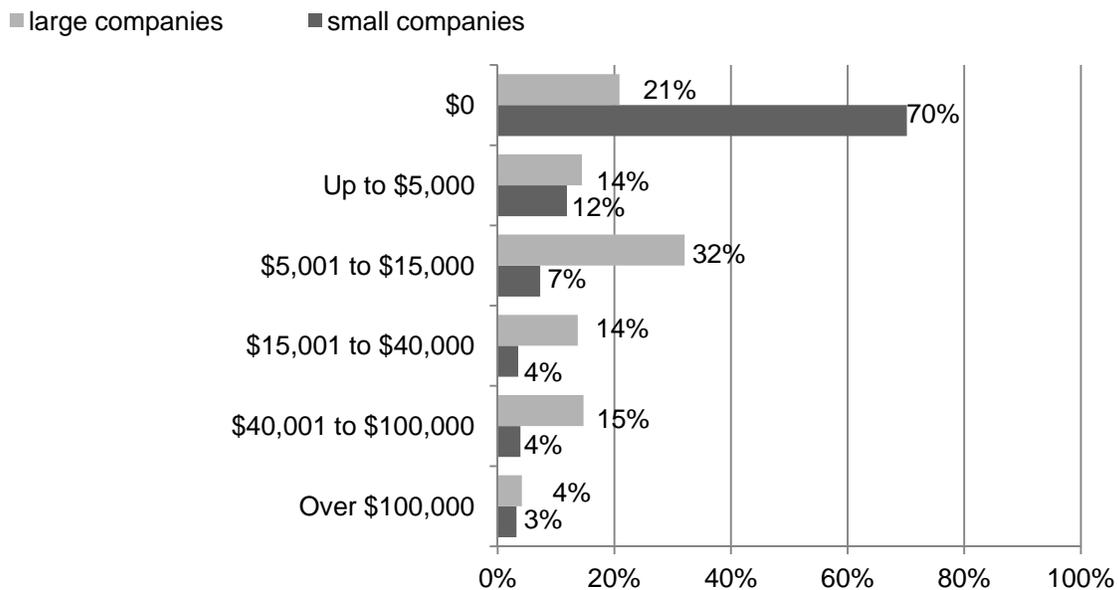


Figure 19. What companies plan to spend during the next 12 months to comply with CSA safety rules by company size

Human Resources

The past few tough economic years allowed companies to focus less on hiring and training of drivers due to decreased demand. However, as new safety regulations take effect driver attraction and retention are becoming more of an issue for operations managers. That trend may continue since good economic times tend to make it especially difficult to keep safe, qualified drivers due to the increased competition for labor. In fact, the state estimates Texas will need roughly 67,000 new drivers for trucks and tractor-trailers through 2018 to keep up with demand.² About one-third of that need will be to replace existing drivers who retire or leave the industry.

To fill their labor voids, trucking companies appear to use several tactics centered on pay and benefits. The focus groups revealed that sometimes slightly higher pay or more at home time are sufficient incentives. Many companies also offer a range of bonuses. In terms of benefits nationwide, only large trucking

companies tend to offer medical benefits or retirement plans to drivers.² Among those offering the benefits, health care and retirement plans are a substantial portion of total driver compensation. For instance, companies in the transportation and warehousing industry were spending an average of \$3.96 per hour worked per employee on life insurance and health benefits in the first quarter of 2011. That amounted to 11.9% of the average employee's total compensation.⁴ Trucking companies contributed an additional 4.8% of pay on average into retirement accounts for employees.⁵ Overall, one study showed that average driver pay accounted for about one-fourth of all costs per mile, while benefits accounted for an average 10% of total costs per mile for fleets.

This research study shows the mix of benefits and pay vary widely. Moreover, it is still up in the air as to which incentives are most effective in recruitment and retention.⁶

2 Projections Central - State Occupational Projections, *LongTerm Projections thru 2018*, projectionscentral.com, July 11, 2011 data extraction

3 Judy Diamond, Pensions in Texas, judydiamond.com, May 25, 2011 data extraction

4 U.S. Bureau of Labor Statistics, "Employer Costs for Employee Compensation: Insurance plans, Transportation and Warehousing, Private Industry," bls.gov, July 11, 2011 data extraction

5 U.S. Bureau of Labor Statistics, "Employer Costs for Employee Compensation: Retirement and Savings, Transportation and Warehousing, Private Industry," bls.gov, July 11, 2011 data extraction

6 ATRI, *An Analysis of the Operational Costs of Trucking: 2011 Update*, 2011

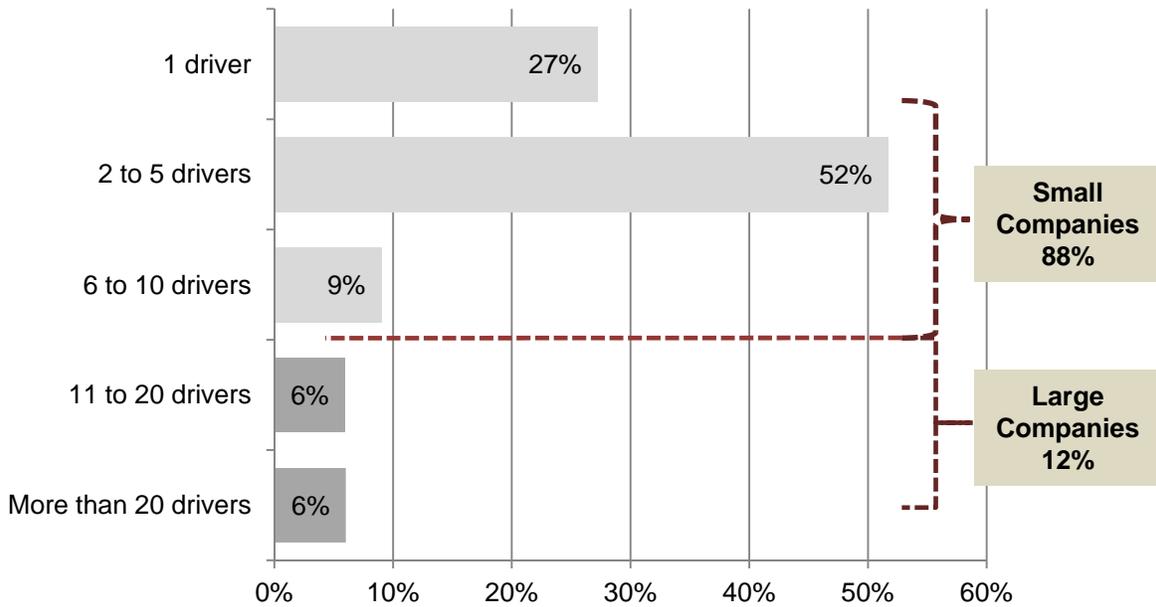


Figure 20. Texas Trucking Companies by Total Drivers, (n=262)

Large and small trucking firms differ significantly in how they classify the drivers they hire.

Almost half of large companies (46%) say they hired only contract drivers, while 82% of small firms' have only employed drivers.

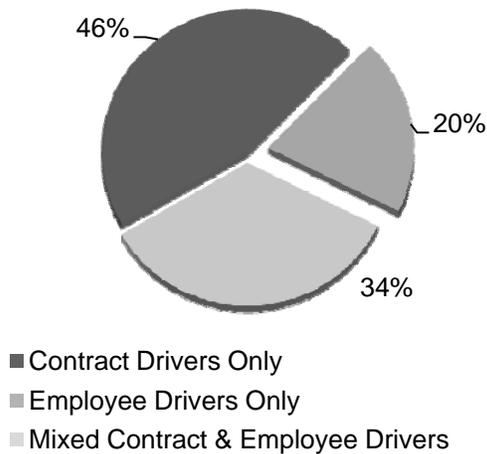


Figure 21. Types of Drivers Hired by Large Companies

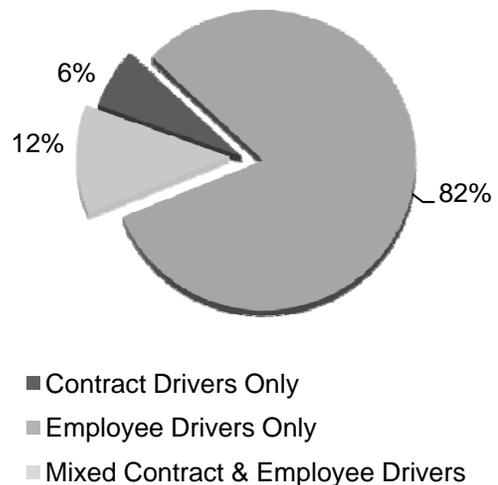


Figure 22. Types of Drivers Hired by Small Companies

Hiring Initiatives

Large and small trucking companies hold nearly opposite opinions about whether *higher wages will help reduce the shortage of drivers*.

A majority of small companies (58%) believe higher wages would reduce the shortage, while an almost identical

majority of large companies (59%) say higher wages would not reduce the shortage (Figure 23).

Majorities of both large and small firms agree that *driver applicants today are worse than they were ten years ago* (53% and 86% respectively) (Figure 24).

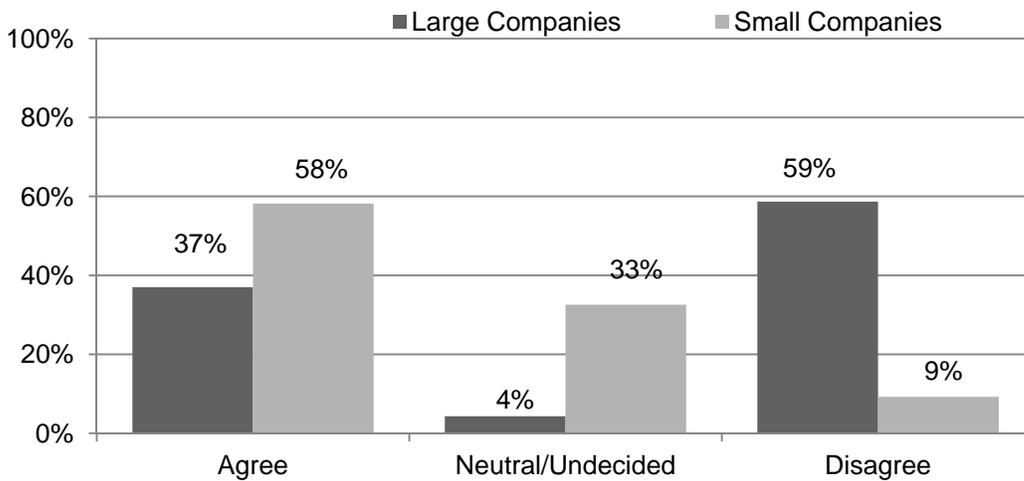


Figure 23. Views on whether Higher Wages will help reduce Driver Shortage

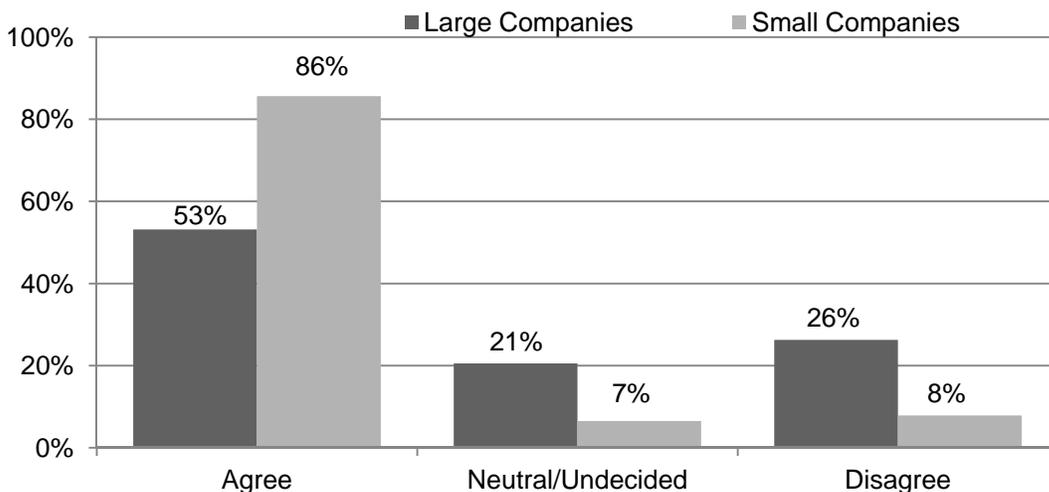


Figure 24. Views on whether Quality of Driver Applicants is Worse than 10 Years Ago

Three-fourths (75%) of small trucking companies say they do not expect to add any new driver positions in the next twelve months, compared to a third of large companies (32%) (Figure 25).

Large companies appear likely to be the source of most new driver hiring in the months ahead as 58% say they anticipate hiring four or more additional drivers.

Driver Recruitment

While many small firms did no

advertising for drivers in the past year, those who did relied primarily on newspaper ads (39%), with very little use of online or vehicle signage (8% and 4%). Large companies make far greater use of online advertising (50%) than small firms but the ad medium they rely on most is still newspaper (55%) (Figure 26).

Among the 38 companies who said they used online advertising to recruit drivers, only one respondent said his company had used the TMTA job

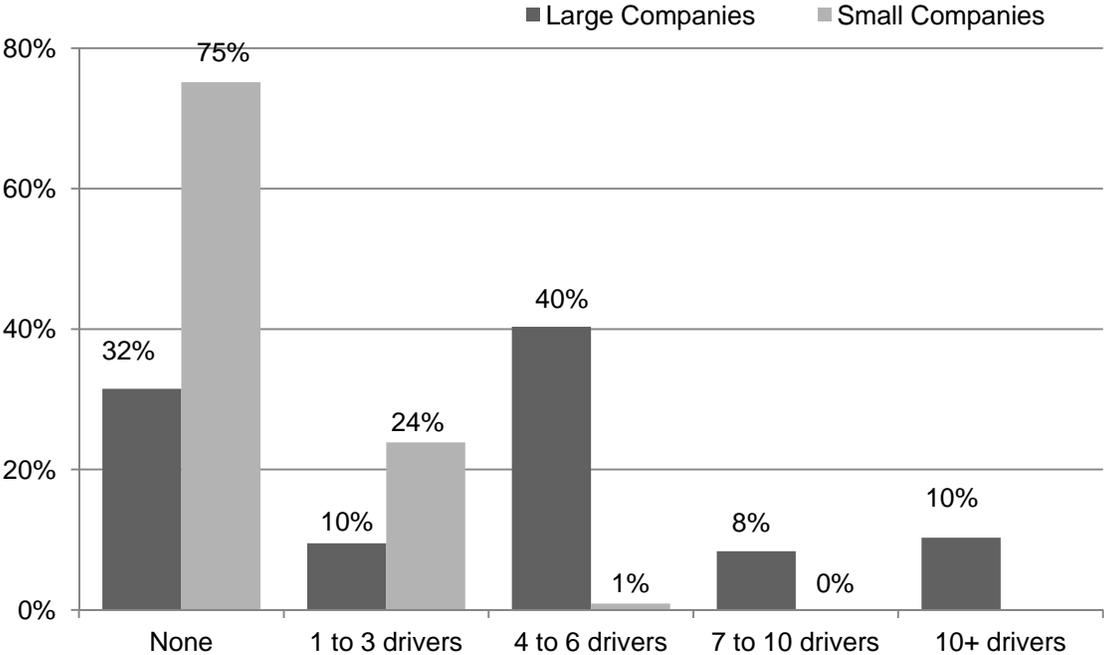


Figure 25. Number of Additional Drivers Texas Companies expect to Hire in Next 12 Months

search clearinghouse online site, *TexasTruckJobs.com*.

Guaranteed “home time” is the most common driver benefit, with more than two-thirds of large and small firms saying they provide it (Figure 27).

Almost half of large and small firms say they provide vacation, sick pay, or paid leave to their drivers. Similar numbers say they offer bonus pay based on mileage, safety, or other performance.

Small companies are three times as likely as large to provide revenue sharing with their drivers, but large companies are significantly more likely than small ones to offer all other types of driver compensation.

The most common types of driver benefits and pay are not offered across

all types of trucking companies and vary significantly by the type of hauling a company does. Most refrigerated carriers, for example, give their drivers *guaranteed home time*, *paid vacations*, *bonus pay based on performance*, and *revenue sharing*, while half or fewer truckers who haul hazardous materials compensate drivers in any of these ways. In addition, while *loading/unloading pay* and *fuel surcharge pay* are among the less common types of driver compensation overall, two-thirds of companies hauling hazardous materials say they pay their drivers in this way (Figure 28).

The number of companies paying other less common types of driver compensation also varies notably by carrier type (Figure 29).

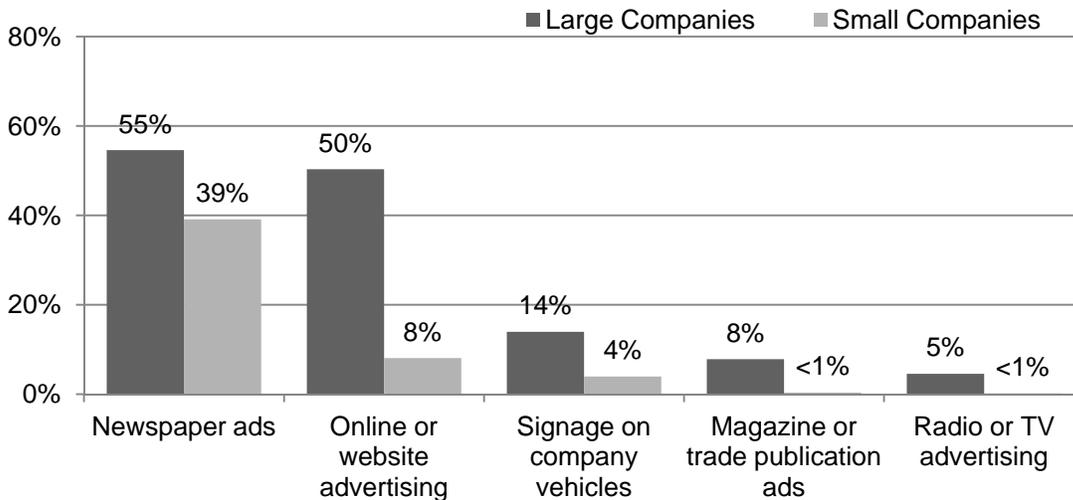


Figure 26. Percent using each Method to Advertise for Drivers

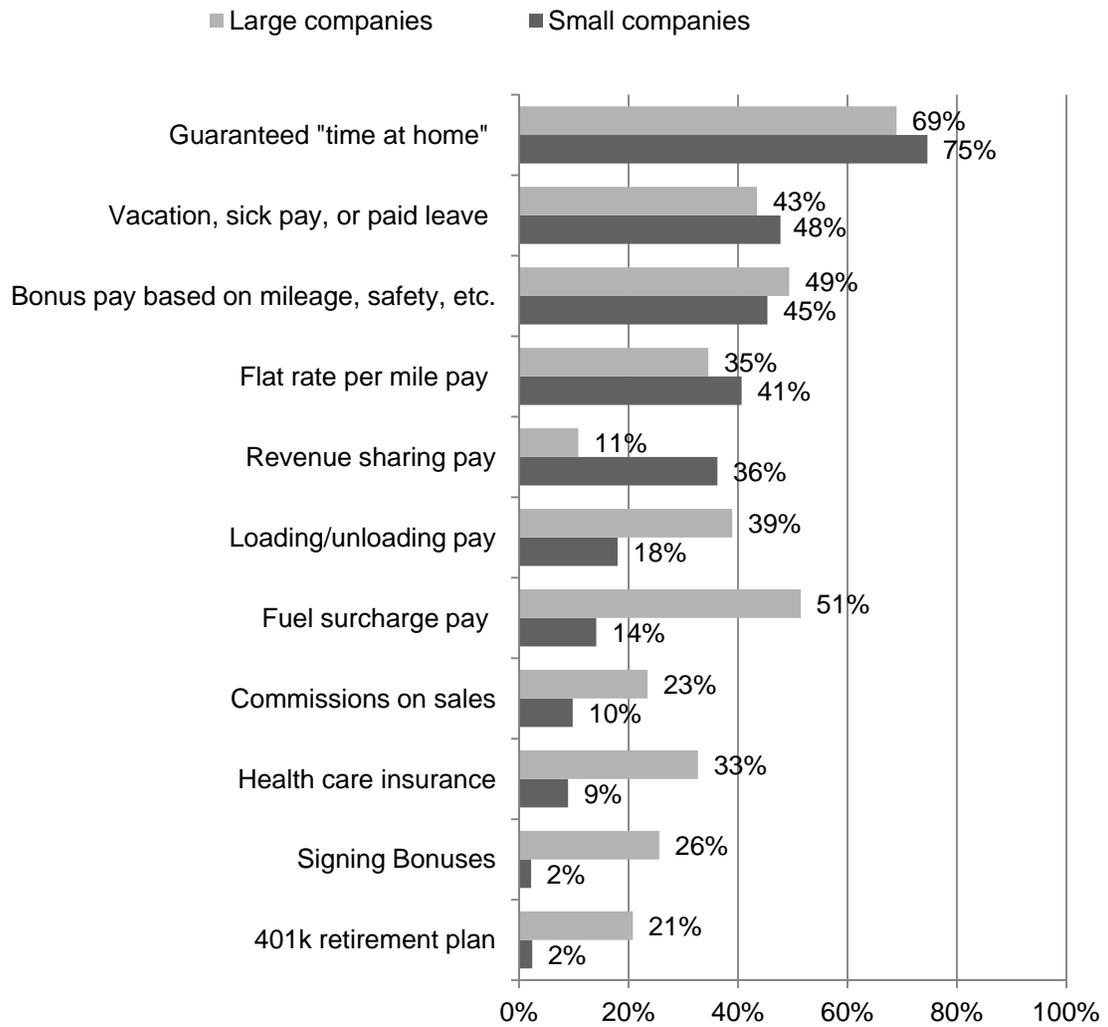


Figure 27. Percent providing Each Type of Driver Benefit or Pay, (n=266)

- Household movers
- Hazardous cargo carriers
- Refrigerated carriers
- Specialty haulers

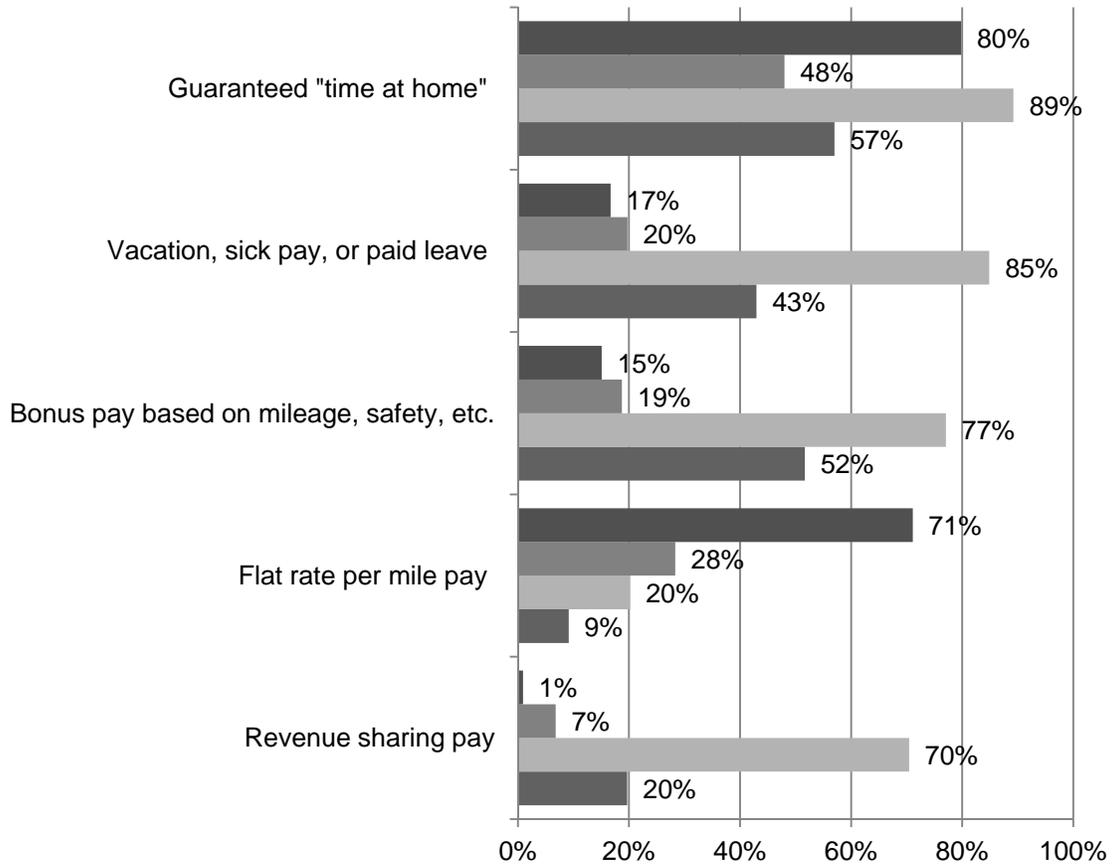


Figure 28. Percent providing Each Type of Driver Benefit or Pay by Transport Type

- Household movers
- Hazardous cargo carriers
- Refrigerated carriers
- Specialty haulers

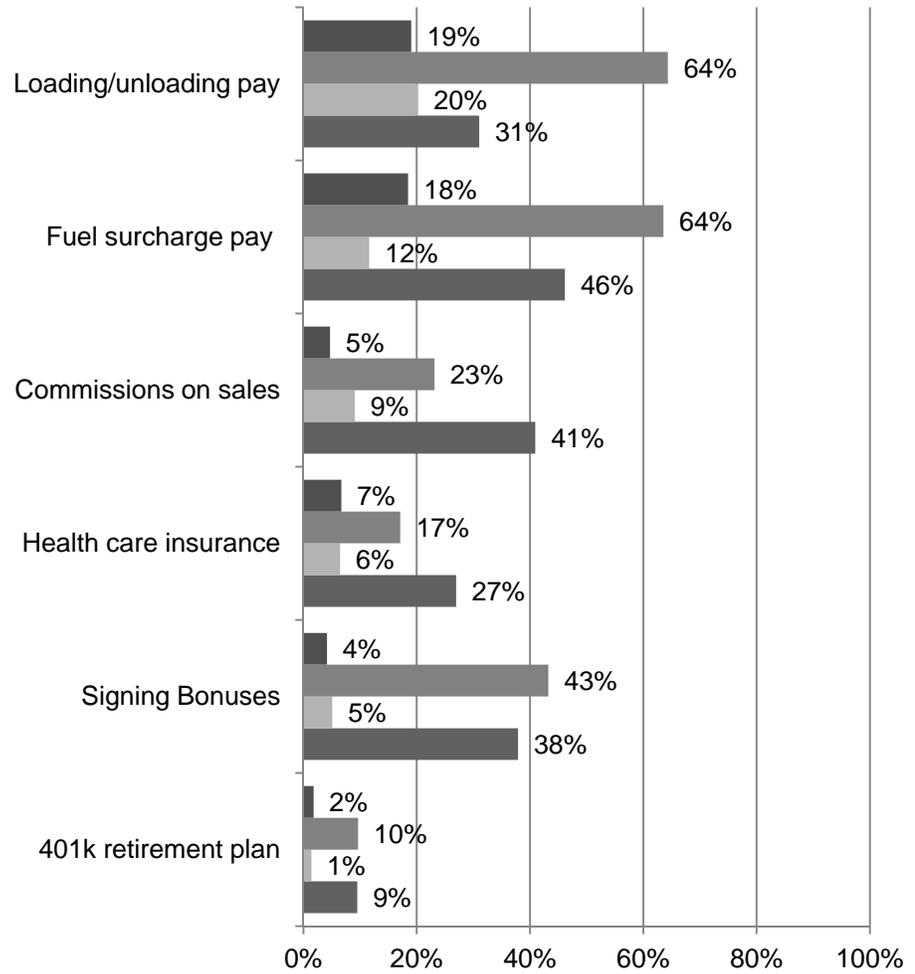


Figure 29. Percent providing Each Type of Driver benefit or Pay by Transport Type, continued

Fleet Management

In recent years, several factors have converged to push carriers to focus closely on the components of their fleets. One of the largest factors is that fleet costs comprise the largest expense for most carriers. Direct fleet expenses – generated by the leasing or purchasing of trucks and trailers, repairs and maintenance, and tires - accounted for 26% of the average total costs per mile for a fleet last year. That was an increase from 22% in 2008.⁷ In addition, average fuel prices have more than doubled in the last three years, making it harder to plan for fuel expenses. Moreover, the nation is looking to reduce particulate emissions from vehicles, while also identifying ways to reduce the growing highway congestion. Last, there is an ongoing focus on reducing the numbers of truck accidents.

Previous research studies have looked at various technologies to see how they might address these fleet issues. Some studies have examined various fleet configurations and technical components to determine their impact on fuel efficiency. Several recent studies have focused on the roles that mayday systems, proximity warnings, roll-over stability and lane departure technology can play in making trucks safer.

Federal regulators, industry officials and environmentalists also are debating whether shifting to larger trucks might help mitigate highway congestion in interstate transportation.

This research study begins to examine the perspectives of Texas executives on these fleet issues.

Three-fourths (75%) of all companies surveyed said they had only trucks of 26,001 GVWR or larger in their fleets, while 11% had only smaller trucks and 14% had mixed fleets (Figure 30).

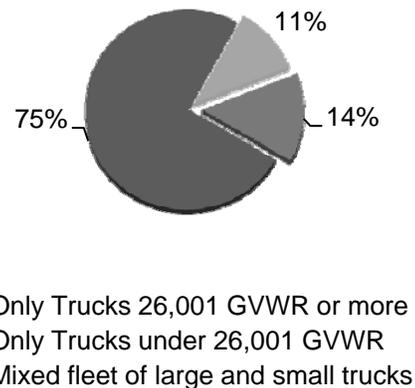


Figure 30. Types of Trucks in Fleets, (n=262)

⁷ ATRI, *An Analysis of the Operational Costs of Trucking: 2011 Update*, 2011

Small and large companies are similar in the types of fleets they maintain, with small firms being somewhat more likely than large ones to have fleets of only trucks under 26,001 GVWR and large companies being more likely to have

mixed fleets (Figure 31).

Overall, 79% of all Texas trucking firms have fleets of 5 trucks or fewer (Table 7).

Texas Trucking Companies by Total Fleet Size				
1 to 5 trucks	6 to 10 trucks	11 to 25 trucks	26 to 50 trucks	51+ trucks
79%	9%	7%	3%	1%

Table 7. Percentage of companies in each fleet range

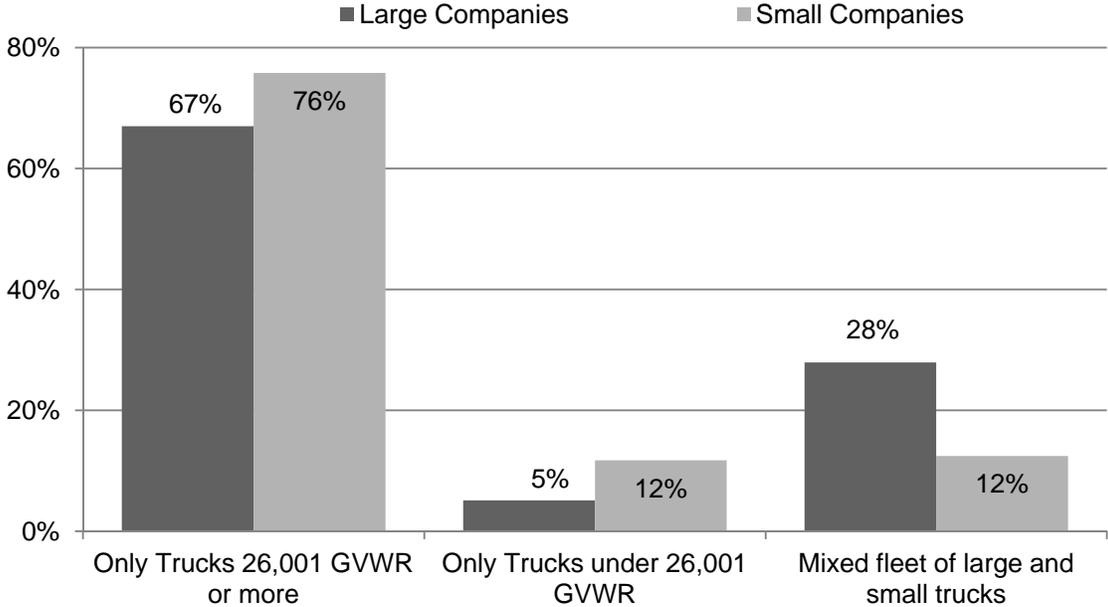


Figure 31. Sizes of Truck Fleets by Company Size

Views of Larger Trucks

The view that *larger trucks will help reduce environmental impact and road congestion* is one held by only 23% of large companies and 9% of small ones. Clear majorities of large and small firms disagree that larger trucks will provide

these benefits (Figure 32).

In regard to the safety of larger trucks, large and small firms hold nearly opposite views, with 70% of large firms agreeing that *larger trucks will be as safe as smaller ones* and 80% of small firms saying they will not be as safe (Figure 33).

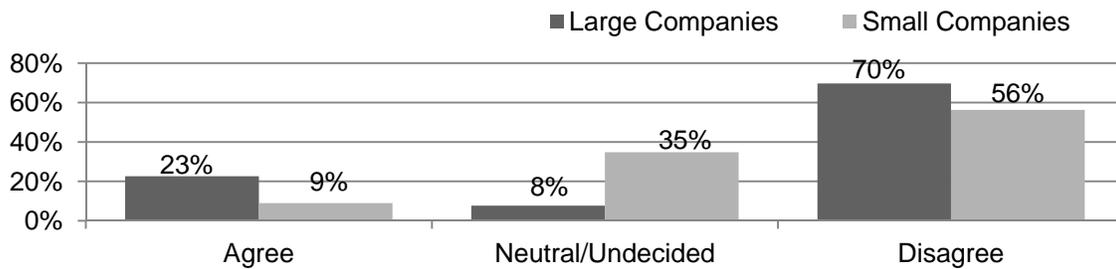


Figure 32. Views on whether Larger Trucks will reduce Environmental Impact and Road Congestion

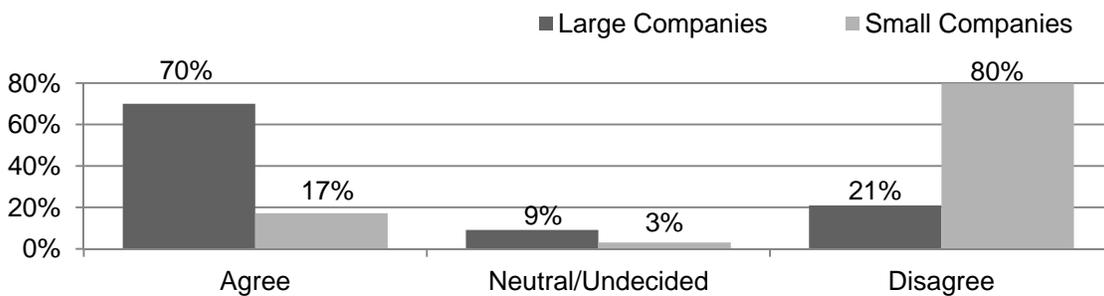


Figure 33. Views on whether Larger Trucks will be as Safe as Smaller Trucks

Expansion Plans

Almost three-fourths of large trucking companies say they expect to replace one or more of their trucks in the next 12 months, compared to only one in seven smaller firms who expect to do so (Figure

34).

Three out of four large firms say they expect to increase their fleets by one or more trucks in the next year, while only one in five small truckers are planning to add equipment (Figure 35).

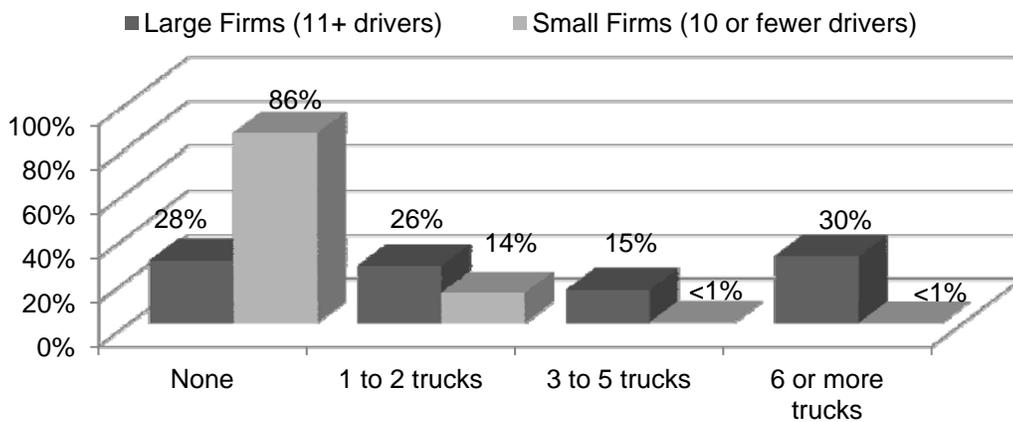


Figure 34. Planned Truck Replacements in 2011

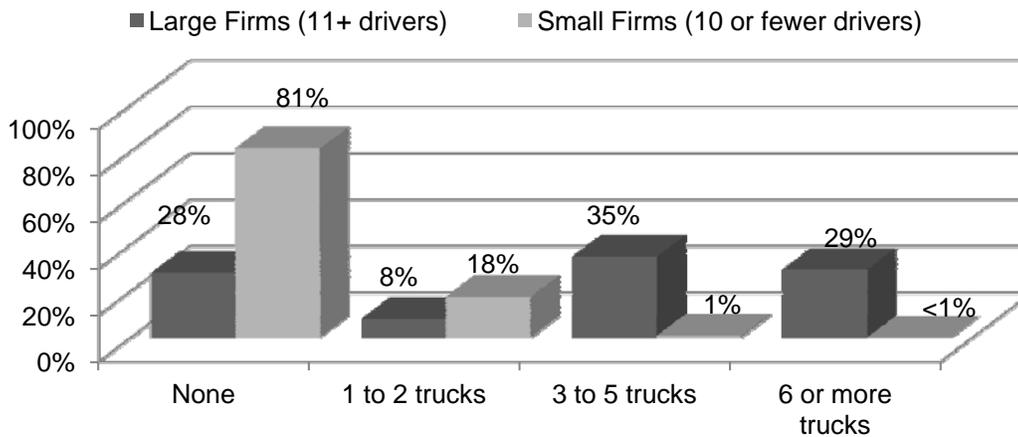


Figure 35. Planned Fleet Expansions in 2011

Truck Brand Perceptions

When asked to name the brands of trucks they were most likely to consider purchasing or leasing next, more trucking executives named Peterbilt, Freightliner, or Kenworth than all other brands combined (Figure 36).

Among *large companies* which are most likely to add or replace equipment in the next 12 months, the leading brands mentioned are shown on Table 8.

Freightliner	55%
Peterbilt	52%
Kenworth	31%
Navistar (International)	24%
Volvo	17%

Table 8. Top 5 Truck Brands among Large Companies

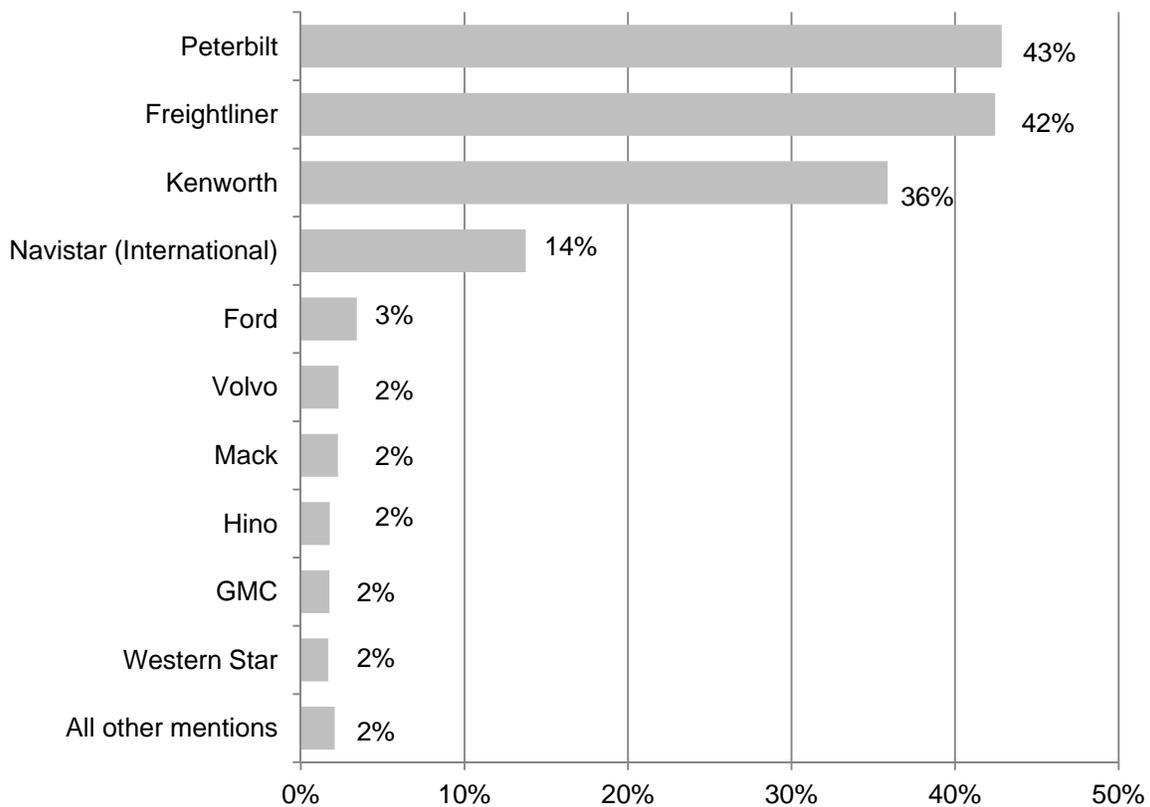


Figure 36. Truck Brands Most likely to Consider When Buying or Leasing Next Vehicles

Industry Involvement

The research study also looked at trade association involvement for four key industry associations: TMTA, Owner Operator Independent Driver Association (OOIDA), Southwest Movers Association, and National Tank Truck Carriers.

Overall, roughly one in 10 Texas trucking companies are members of TMTA. Large trucking firms with more than 10 drivers

are seven times more likely than smaller companies to be involved in their industry through TMTA. Large companies are also more than 3.5 times more likely to be involved in TMTA than in any other trucking organization.

Small companies with ten or fewer drivers are twice as likely to be involved with OOIDA as with TMTA.

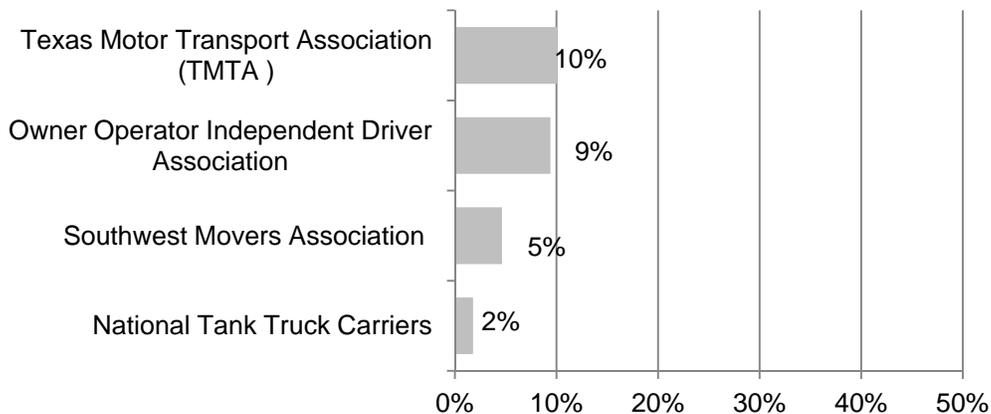


Figure 37. Membership in select Trucking Organizations, (n=266)

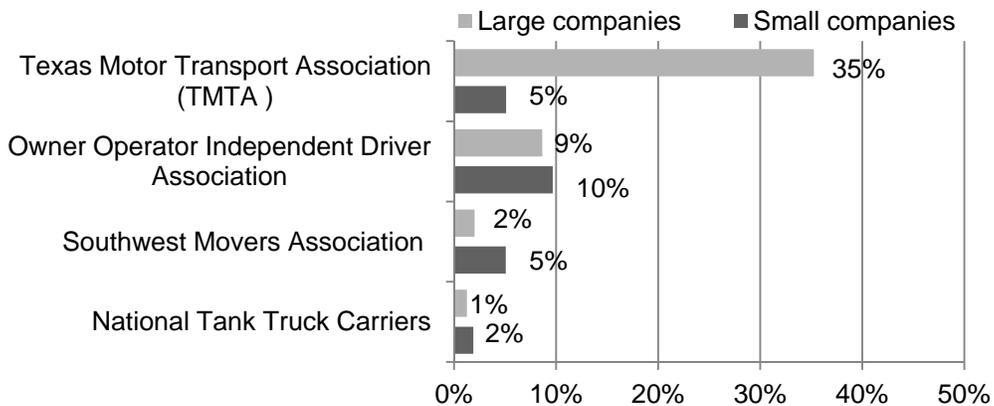


Figure 38. Membership in select Trucking Organizations by Company Size, (n=266)

Conclusion

This research study has identified three broad categories of leading issues for Texas trucking companies: **economic factors, safety enforcement and HR issues**. The study attempted to begin to benchmark industry executive's attitudes on these issues, sales projections, safety expenditures, and current employee benefits, as well as responses to challenges in each of those areas. The study uncovered some clear distinctions by employee size and transportation specialty. Generally companies with fewer than 10 drivers and those in the moving industry were hit hardest by economic forces and tended to be experiencing sales declines. Once the housing market begins to improve, that sector could begin to strengthen. However, most economic forecasts project continued weakening of the housing market driven by foreclosures and a generally flat labor market through the end of 2012.

On the other hand, there were clear signs of growth among companies with more than 10 drivers and those transportation services that require extra training and certifications. The research shows large companies that handle hazardous and flammable materials, oversized loads or other specialty loads tend to expect sales growth in 2011. In addition, those companies are much more optimistic about the economy and are looking to hire more drivers and replace or add new vehicles to prepare for expected rising

demand. Since larger companies tend to hire more contract workers than smaller companies, there appears to be demand mostly for employees willing to work on call. That has implications for the types of benefits these companies offer.

Among the carriers that specialize in hazardous materials, oversized loads and livestock, signing bonuses, fuel surcharges, loading/unloading pay and commissions on sales were the most common benefits offered to drivers. From this research, it is unclear how those benefits align with the expectations and desires of existing drivers and potential new hires. Larger companies did express significantly more concern about finding, hiring and retaining qualified, experienced drivers than smaller companies.

This study was the initial project to begin tracking key indicators for the various Texas trucking industry sub-segments. It lays the foundation for future benchmarking of these indicators and the practices companies are employing to manage business issues. The research also points to other areas that may be worth incorporating into future studies, including looking at what types of advertising attracts the most qualified, experienced job applicants. It may be worthwhile to isolate owner-operators from owners who strictly manage employees and company operations to reveal the distinct needs of those two

owner groups. Lastly, our overall understanding of the state's trucking industry also could be enhanced by collecting data on fleet tonnage, communication technologies and communication methods in use by Texas-based carriers.

Appendix: Survey Questionnaire

- 1 To ensure we represent companies of all types and sizes, can you please tell me... **How many physical offices or separate locations does your company operate in Texas?** #_____

- 2 **Is your location your company's primary or headquarters location for Texas or is it a secondary or branch location?**
Headquarters
Branch

- 3 **Which of the following types of transport operations does your company provide?** Yes or No
 - a. Interstate transport of goods and materials
 - b. Transport of home furnishings and personal household goods
 - c. Transport of flammable or other hazardous materials
 - d. Transport of refrigerated or perishable goods
 - e. Transport of oversized or extra heavy loads
 - f. Transport of livestock

- 4 **How many drivers does your company employ in total (all locations) who are classified as employees?** #_____

- 5 **How many drivers does your company hire who are classified as independent contractors?** #_____

- 6 **And can you please tell me approximately how many of each of the following types of trucks your company owns or operates?**
Trucks or power units with a hauling capacity of less than 26,000 lbs?# _____
Trucks or power units with a hauling capacity of 26,000 lbs. or more?# _____

- 7 **What were your company's total trucking and transport sales for 2010?**
\$_____

- 8 **Compared to 2010 do you expect your company's sales revenue in 2011 to....**
 Increase greatly
 Increase somewhat
 Stay the same
 Decline somewhat
 Decline a lot
 Don't know/Not sure/Refused
- 9 **Over the past 12 months, would you say that ___[topic below]___ has Very negatively, Somewhat negatively, Somewhat positively, or Very positively affected your business, or had no effect at all.**
 a. The costs of oil and fuel
 b. Wage and benefit costs for drivers and other employees
 c. The costs of new equipment and equipment maintenance
 d. Administrative costs, such as insurance, legal services, fees, fines, permits or tolls
 e. Finding, hiring or retaining qualified, experienced drivers
 f. CSA 2010 safety rules and safety reporting requirements
 g. Enforcement of CSA safety regulations
 h. Changes in demand due to the general economy
 i. Inability to raise shipping rates to meet rising costs
 j. Use of electronic onboard recorders
- 10 **Which of the following actions has your company taken in response to increased safety regulations? Yes or No**
 a. Added more safety training for drivers
 b. Added personnel to handle or oversee safety-related matters
 c. Hired outside safety consultants or experts to assist in safety-related matters
 d. Purchased equipment to automate recording of driver hours or activities
- 11 **How much would you estimate your company has spent in the past 12 months to comply with new CSA safety regulations? \$_____**
- 12 **How much would you estimate your company will spend in the next 12 months to comply with new CSA safety regulations? _____**
- 13 **How many additional new driver positions do you think your company will add in the next 12 month? #_____**

- 14 **Which of the following types of wages and benefits does your company offer to attract and retain drivers? Yes or No**
- a. Paid vacation, sick, pay or other paid leave
 - b. Health care insurance
 - c. Bonus pay based on mileage, safety, or other performance measures
 - d. 401k retirement plan
 - e. Guaranteed “time at home”
 - f. Signing Bonuses
 - g. Flat rate per mile pay
 - h. Fuel surcharge pay
 - i. Loading/unloading pay
 - j. Revenue sharing pay
 - k. Commissions on sales
- 15 **In the past year, which, if any, of these methods has your company used attract new drivers:? Yes or No**
- a. Magazine or trade publication ads
 - b. Radio or TV advertising
 - c. Newspaper ads
 - d. Online or website advertising
 - e. Signage on company vehicles
- 16* **Have you ever visited or used the TMTA’s job search clearinghouse website, TexasTruckJobs.com?**
- Yes
 - No
 - Don’t know
- 17 **How many trucks do you think your company will have to replace in the next 12 months? #_____**
- 18 **How many trucks do you think your company will add to increase your fleet in the next 12 months? #_____**
- 19 **In the past year has your company done any of the following?**
- a. Raised rates
 - b. Changed the types of freight services you offer
 - c. Used brokers to find clients/fill loads
 - d. Shifted to larger trucks or more twin/tandem trucks to reduce the number of trucks you use

- 20 **For each statement I read please tell me if you Strongly agree, Agree, Neither agree nor disagree, Disagree, or Strongly disagree:**
- a. The quality of driver applicants today is worse than it was 10 years ago.
 - b. Higher wages would reduce the driver shortage.
 - c. Larger trucks will reduce environmental and congestion problems on roads.
 - d. Larger trucks will be as safe as smaller trucks.
 - e. More employee benefits would reduce the driver shortage.
- 21 **Thinking about manufacturers of new trucks, what makes or brands of trucks are you most likely to consider the next time you buy or lease equipment?**
- Freightliner
 - Kenworth
 - Peterbilt
 - Hino
 - Navistar (International)
 - Volvo
 - Mack
 - Ford
 - Other _____(specify)_____
 - Other _____(specify)_____
- 22 **Is your company a member of any of the following organizations?**
- a. Texas Motor Transport Association (TMTA)
 - b. Owner Operator Independent Driver Association
 - c. Southwest Movers Association
 - d. National Tank Truck Carriers
- 23* **On a scale of 1 to 10, with 1 being poor and 10 being excellent, how would you rate the TMTA on each of the following activities? Can include Don't Know**
- a. Representing truckers' views and interests to government policy makers
 - b. Supporting political candidates who support the trucking industry
 - c. Providing education and research projects for the trucking industry through the TMTA Foundation

* This question is proprietary so the responses have not been included in this report.

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