WHO WE ARE

Report paints picture of Texas trucking

Photo Illustration: Jon D. Kennedy

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Texas trucking companies' attitudes about the future depend partly upon the size of their companies, and their readiness for CSA depends partly on whether they are members of their state trucking association.

Those are two of the takeaways from the Texas Trucking Industry Study, a report commissioned by the Texas Motor Transportation Association (TMTA) and four companies associated with the industry: The Bassett Firm; Business Financial Group; Lockton Companies and SelecTransportation Resources.

Working with a database of 15,912 Texas-based trucking companies, researchers with San Antonio-based Galloway Research Service met with two focus groups of trucking company executives to help determine the scope of testing and then conducted 15-minute telephone surveys of 266 companies of all sizes in May. Owners and top executives were questioned.

Respondents were divided into two categories: "large" companies with 11 or more drivers and "small" ones with 10 or fewer. Focus group participants agreed that a company needs to hire a dedicated safety manager. The survey found that 88 percent of Texas trucking companies are composed of a single owner-operator or a single owner with a few employees.

The report found that while 65 percent of companies with 11 or more drivers expected sales to increase in 2011, only 22 percent of smaller companies were so optimistic, and 57 percent of smaller companies expected sales to decline. Moreover, 68 percent of larger companies planned to hire additional drivers in the next 12 months, while 75 percent of smaller companies planned no additional hires.

Why the difference in levels of optimism? TMTA President John Esparza theorized that smaller companies have a harder time adapting to regulatory

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changes, of which there lately have been many. Meanwhile, smaller companies also have a harder time affording the types of incentives that will be necessary during the expected driver shortage.

Attitudes about the future also depended on the type of loads a carrier hauls, with large companies hauling hazardous materials and specialized loads most likely to expect sales growth.

Esparza said the report is "fascinating" and raises many questions that will be explored in future reports. Next year, he hopes to further study why attitudes differ so widely among small and large companies.

Compliance with CSA rules and regulations cost 91 percent of Texas trucking firms money in the past 12 months, according to the survey. But when it came to the impact of CSA, a large difference developed between large and small firms. Seventy-eight percent of small firms said safety rules have had a negative effect, while only 47 percent of large firms said so. Also, two-thirds of small companies said safety enforcement was having a negative effect compared to 41 percent of large firms saying so.

And while similar numbers of both large and small companies have hired additional personnel (36 percent vs. 41 percent) or outside safety consultants (39 percent vs. 36 percent) to help with compliance, large companies are far more likely to have provided their drivers additional training. According to the survey, 72 percent of large firms have done so compared to 23 percent of small firms.

Todd Wright, president of Business Financial Group, Risk and Benefits Management, which helped fund the study, said one explanation would be that small companies don't have an existing infrastructure to deal with changes.

"More time is needed to educate, analyze and deploy required managerial techniques for smaller firms," he said. "So one potential explanation is that smaller firms have not yet adjusted their operations or executed on their managerial strategies related to CSA and expect to complete that in the next 12 months, while larger companies have already executed their strategies related to CSA."

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Esparza agreed smaller companies can have a harder time adapting to the Federal Motor Carrier Safety Administration's (FMCSA) new enforcement mechanism. "We get calls all the time on, 'OK, what is this CSA?' And nine times out of 10, it's a company that's got 10 or less drivers," he said.

Moreover, large firms are more likely to be TMTA members, and a clear difference in CSA readiness exists between members and nonmembers. In the last 12 months, 15 percent of TMTA members have hired additional safety personnel to help them comply with CSA, compared to 37 percent of nonmembers. Meanwhile, only 16 percent of TMTA members hired outside safety experts or consultants in the last year, compared to 40 percent of nonmembers. By contrast, 42 percent of TMTA members have added driver training in the last 12 months compared to 29 percent of nonmembers.

Those numbers suggest TMTA members began taking advantage of TMTA's educational opportunities on CSA several years ago and have already incurred their expenses and begun instituting training programs, while nonmembers are catching up on the subject.

"We saw that our members are more prepared," said Esparza. "This gave us some verification that we're doing what we need to be doing."

TMTA members have spent more money than non-TMTA members on CSA, reflecting that more large companies are members of TMTA than smaller ones. But TMTA members also expected their costs to decrease in the next year to comply with CSA, while non-members expected to pay more.

Other human resource issues also largely depended on the size of the company. Among large firms, 61 percent were more likely to say finding and retaining qualified drivers is a problem, compared to 40 percent of smaller firms. Meanwhile, the numbers were reversed regarding the costs of wages and benefits, with 77 percent of small firms citing it as a problem compared to 31 percent of large firms. Among small firms, 82 percent of drivers are paid employees, while half of drivers in the larger firms are independent contractors.

Among companies planning to hire, loading and unloading pay was the most-cited benefit, with 53 percent of respondents saying they offered it. Another 42 percent offered commissions on sales, and 40 percent offered bonuses for performance. Twenty percent offered signing bonuses.

Large firms and small firms disagreed about the impact of higher wages, with 58 percent of small companies believing they would help reduce the driver shortage and 59 percent of large companies believing they would not. Both agree the quality of driver applicants is worse than 10 years ago, though by different margins (53 percent of large companies versus 86 percent of smaller ones).

The survey found trucking companies of all sizes are concerned about issues related to the economy. The price of fuel, not surprisingly, was of greatest concern, with 99 percent of truckers saying it had negatively affected their business and 92 percent of those characterizing the effect as "very negative." Another 89 percent cited the cost of buying and maintaining equipment as having at least a somewhat negative effect, and 87 percent said the same about changes in demand caused by the general economy. Administrative costs and the inability to raise shipping rates to meet costs were cited by large numbers of respondents as well.

Still, 54 percent of respondents said they have raised rates, with large companies (81 percent) far more likely than smaller ones (50 percent) to have done so. Companies expecting sales increases or declines were three times more likely to have raised rates than companies expecting no changes in their situations. Non-TMTA members, intrastate carriers and refrigerated transporters were the least likely to have raised rates.

About 17 percent of trucking companies have used brokers to help generate income, with large companies six times as likely as small ones and interstate carriers more likely than intrastate carriers to take advantage of that avenue. Only five percent have changed the services they provide.

Only four percent began using larger trucks or tandem trailers in the last 12 months, but a difference of opinion exists on those as well, with 70 percent of large firms saying that larger trucks will be as safe as smaller ones and 80 percent of small firms saying they will be less safe. Majorities of both small and large companies agreed larger trucks won't relieve congestion or help the environment.

Of the nearly 16,000 Texas-based trucking companies, about 1,000 are members of TMTA. The report found 35 percent of larger companies are members of TMTA, while only five percent of smaller companies are involved. Esparza said he has been trying for years to get a handle on the percentage of trucking companies that are members. "That actually resonated with us," he said. "We're a bigger percentage of the industry than we thought we were. And that's the good news."

According to Esparza, those numbers demonstrate that while TMTA consists of

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active members who are companies larger than ten drivers, there are opportunities for the association to grow. Esparza said trucking executives in companies with 10 or less drivers have trouble breaking away from their day-to-day duties to attend training seminars and networking opportunities. Moreover, many trucking companies know TMTA will provide legislative and regulatory advocacy for the industry whether they pay dues or not. But TMTA can offer other advantages, such as discounts and training opportunities, which make membership worth the cost. This report, Esparza said, can help TMTA appeal to those prospective members by showing

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them how the association has helped haulers in areas such as CSA preparation.

"As an association, it's our responsibility to catch the one-man show, the owner-operator, all the way up to the guy that's running 2,500 trucks across the country and find ways where we can assist them, or else they're going to leave," he said. "And I'd hate to lose the small company as much as I'd hate to lose the large company."

Rick Maddox, immediate past chairman of TMTA and president of Houston-based Canal Cartage, praised the report, but said he would like future reports to reflect a longer time frame than the 12 months used throughout the report. That's because his industry segment, intermodal port containers, saw a positive uptick in the business climate about a year ago that was not reflective of the previous year. "Typically I would say 12 months is fine, but with the uncertainty of our economy the past 24 to 36 months, I would like to see a wider window there," he said.

The report was a collaboration of TMTA and four companies that do business with the industry and equally funded the study: The Bassett Firm, whose attorneys defend transportation and insurance companies; Business Financial Group, which provides individual financial consulting, employee benefits services, business insurance and risk management, and corporate retirement plan services; Lockton, which offers risk management services, commercial property/casualty insurance, surety bonds, merger and acquisition support, and employee benefit planning services; and SelecTransportation Resources, a network of heavy and medium-duty truck dealerships across the Gulf Coast area.

Wright of Business Financial Group, Risk and Benefits Management, said the four companies funded the research because they want to know more about the industry they serve and because they want to provide meaningful information to the industry in Texas. He said the study lays the foundation for further in-depth research and that his company plans to be involved.