A PREFACE
FROM OUR CEO

Greg Brown, CEO

I have traveled some in the last year to national meetings discussing various transportation and economic content. As a result, I have become increasingly focused on what is developing in the supply chain and trucking industry, across the nation.

Personally, I have been in trucking for some 34 years. Entering into the industry shortly after it was deregulated in 1980, I saw dramatic change in the following five years. Since then, three monumental events have taken place, in 1994, 2003, and most recently in 2014.

To veterans in the industry, conditions are forming today that feel very similar to 1994. This write up will address these conditions and implications.
TRUCK DRIVER SHORTAGE

2015
Driver shortage skyrocketed. 45,000 drivers needed in the truckload sector

2016
Freight volumes softened. 36,000 truck drivers needed.

TODAY
Driver shortages expected to increase to an unprecedented 50,000 drivers needed.
FACTORS AFFECTING DRIVER SHORTAGE

Demographics
Lifestyles
Job Alternatives
Technology
Laws & Regulations
High Turnover Rates
DEMOGRAPHICS

Age

- Median age of over-the-road (OTR) driver is 49
- Average American worker age is 42
- Current driving force aging and retiring is higher than that of incoming drivers
- Minimum age is 21

Gender

- Women make up 47% of workforce
- Only 6% of drivers are women, which restricts job growth
### FACTORS AFFECTING DRIVER SHORTAGE

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<td>Older drivers slow down and retire. Young, often newly married, drivers assigned to longer less popular routes. Young career makers move to regional or local driving positions once they gain experience.</td>
<td>As recession ended and unemployment rate decreased, other job opportunities opened for people, such as construction, which is more local, has less responsibility, and fewer regulatory guidelines.</td>
<td>Future technology that will help industry will not be available for a number of years. Truck “Platooning” and Smart or Autonomous Trucks are currently in development and testing phases.</td>
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ELD Mandate

The ELD mandate is a regulation effective December 18, 2017, that requires all for-hire and private trucking fleets to have switched from paper logs to “ELDs” (Electronic Logging Devices).

The American Trucking Association estimates that there are 3.5 million truck drivers in the U.S. and upwards of 1 million trucks without the required devices.
Turnover rates in the for-hire truckload sector have soared since the economic recovery of 2008, experiencing at least 90% turnover between 2012 and 2015.

While the turnover rate dropped to 81% in 2016, as freight volumes softened, current 2017 data indicates the turnover rate for this year will again exceed 90% due to industry churn.
CURRENT INDUSTRY TRENDS

As a result of these and other factors, *truck capacity* is becoming increasingly difficult to source, spot market rates are sky-rocketing, service failures are mounting and shippers are feeling the pinch.

Some shippers with dedicated capacity and contract rates are protected from this instability. However, contract rates, in the long term, tend to follow spot market rates.
Capacity utilization has increased from 90% in 2000 to approximately 98% in 2017. Truck tonnage can increase or decrease rapidly, but it takes time for trucks, trailers and drivers to be added to the market to accommodate increases in demand.

Without the “spare” capacity represented in capacity under-utilization, any significant increase in demand will cause trucking company shortages.

Capacity Utilization and the ELD Mandate

Capacity is a truck, trailer, and a driver with legal hours to drive and the ELD has effectively removed capacity from the marketplace.

The reduced capacity increases pressure on trucking company rates, the carrier loses driver productivity, and the drivers take home less money. The carriers must then reciprocate the drivers’ lost wages, as well as their own lost productivity yield.
FUTURE OF THE INDUSTRY

With the large number retiring drivers and slow growth of entry-level candidates in search of a trucking company job, the driver shortage is expected to increase again in 2018 to over 63,000 needed drivers.

If the trucking industry experiences no change or new regulation, the trend line is expected to continue at the same pace, resulting in a shortfall of 175,000 drivers in 2026 or before.
CONCLUSION

Here are a few recommendations when preparing for 2018:

• Find ways to provide more advance notice.
• Avoid expedites like the plague.
• Ask how your 3PL sources capacity and the characteristics of their typical carrier.
• Lock in capacity and contract rates for 2018 with a preference for asset-based carriers.

While a transitional market period is painful for the entire shipping community, shippers have a dedicated friend and partner in BR Williams, a logistics and trucking company. For help better managing a supply chain, dependable information about the trucking industry, or assistance, reach out to BR Williams.