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"The Shippers' Voice Since 1907"

State of the DOT Report

QualifiedCarriers.com

- Online services to Shippers who hire motor carriers:
 - Carrier qualification software
 - Daily USDOT Data Alerts on every motor carrier
 - Secure Document Management of critical documents
 - Messaging & e-Signatures
 - On-site carrier & provider audits



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Tucker Company Worldwide

- Oldest privately held freight broker
- Truckload van, flat, temp control, over-dimensional, etc.
- Co-Founded TIA
- Immediate past chair, TIA
- TIA Carrier Selection Framework Committee Chair
- Board NITL
- Past board TCA, other industry verticals

National Industrial Transportation League

- The Shipper's Voice
- Large shippers, hundreds of thousands of truckloads/year
- Advocacy & Policy Development
- Professional Networking
- Education & Information



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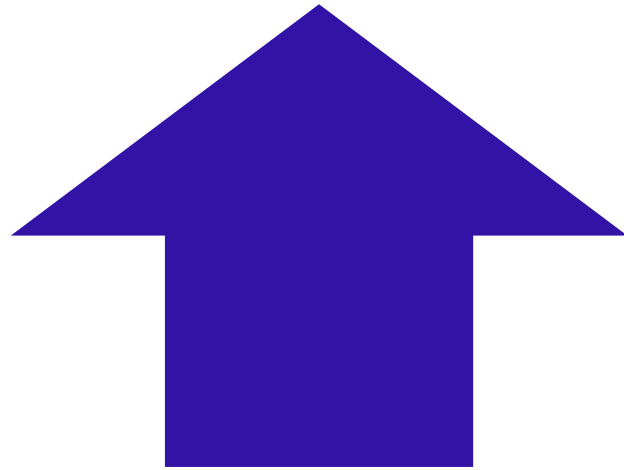
Transportation Collides with New Risks

- The trucking market: size, growth, safety
- ELD mandate
- Food Safety Modernization Act
- New compliance fees at retailers

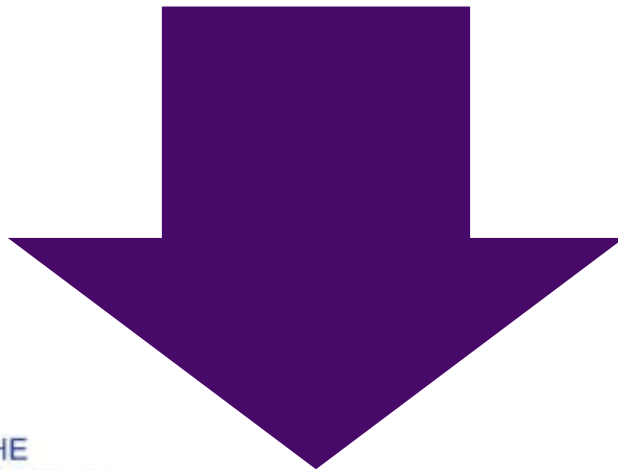


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Truck Safety at a Glance



84% of carriers are not rated
13% have Satisfactory Safety Rating



3.4% have Conditional Safety Rating
(7,166, up by 366 in one year)
0.04% have Unsatisfactory Rating
(78)



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Trucking Consolidations – Fact or Myth?

- Swift & Knight (numbers 6 & 29 on TT's top carriers)
- Google (on 6/5/2017)
 - “Truck Driver Shortage” shows *14 pages* of links in the past month
 - “Truck Driver Surplus“ shows: “*did not match any documents*”
- We believe there is no shortage of truck drivers, but tremendous churn from
 - one carrier to another carrier
 - from company driver to independent/owner-operator driver
 - from large carrier to smaller carrier or owner-operator



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Trucking is Very Fragmented

- Roughly 211,000 for hire carriers in the U.S.
- 99% have 100 trucks or fewer
- 93% have 20 or fewer trucks



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Trucking Industry Demographics 2017

CARRIERS	FLEET SIZE	% OF MARKET	5-YR CHANGE
210,779	ALL (Jan 2017)	100%	
173,510	1-6 TRUCKS	82%	93%
22,958	7-20	11%	31%
11,567	21-100	5%	24%
1,828	101-500	0.87%	13%
372	501+	0.18%	14%

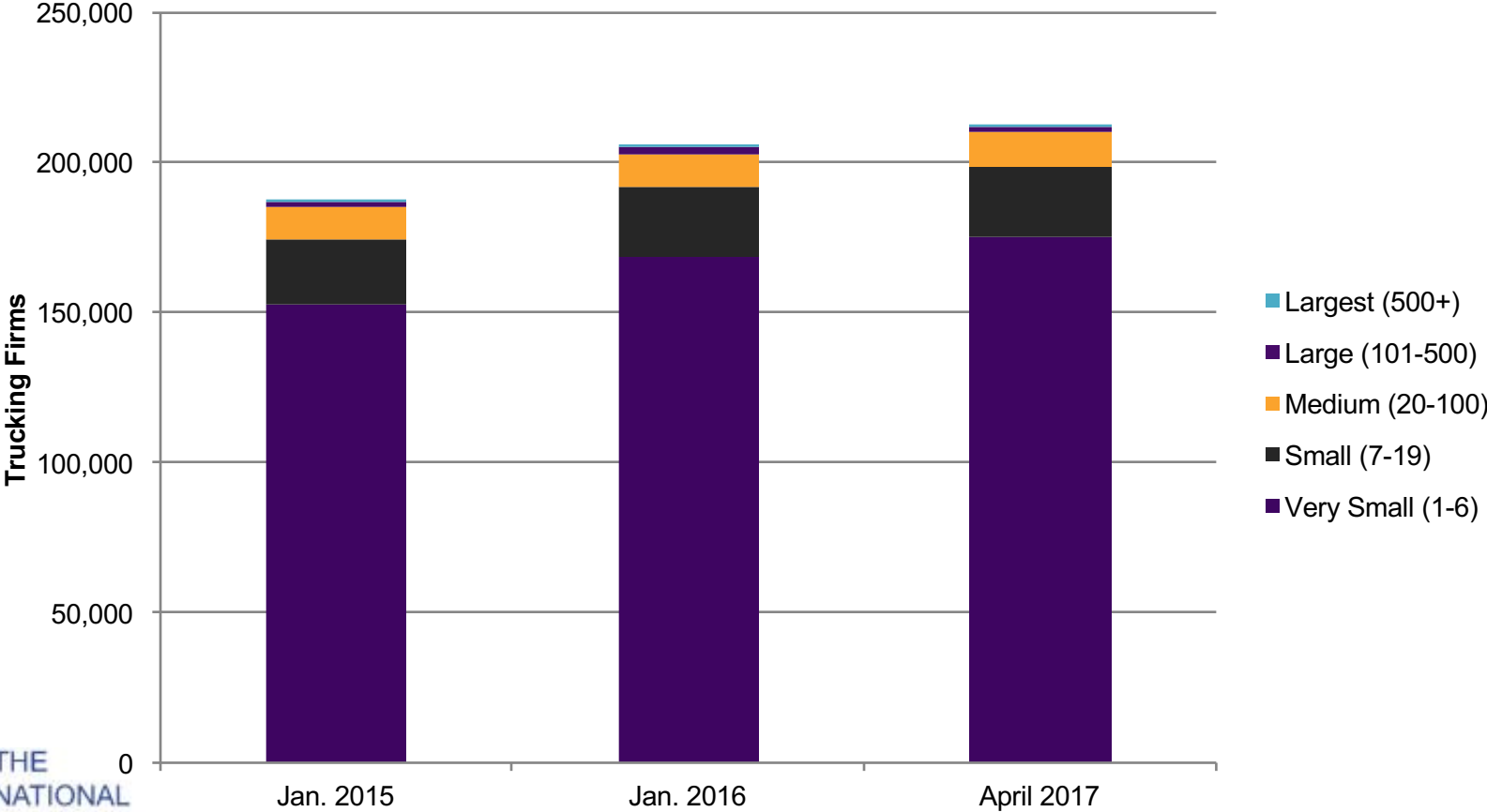


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SOURCE: FMCSA & QUALIFIEDCARRIERS.COM

Every Fleet Size Grew in 2016

Trucking Firms, by Segment

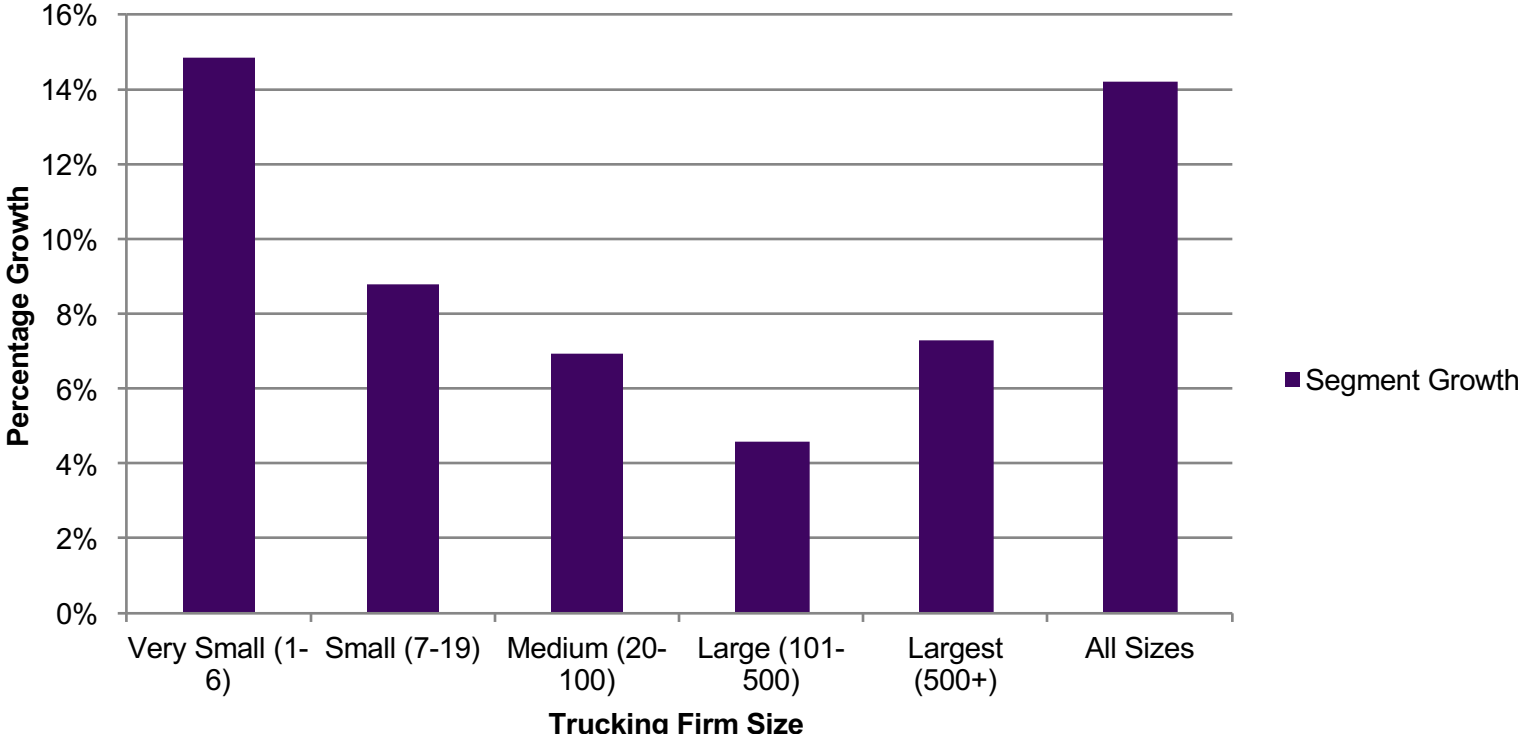


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SOURCE: FMCSA & QUALIFIEDCARRIERS.COM

Percentage Growth of each Fleet Size

Segment Growth over 28 Months



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SOURCE: FMCSA & QUALIFIEDCARRIERS.COM

Top Reasons Drivers Leave

1. Money
2. Want more home time
3. Don't like supervisor
4. Not happy the way I'm dispatched
5. I was set up for failure (HOS, pay, regulations)
6. Recruiter lied
7. Problems with equipment/maintenance
8. No advancement opportunities
9. Company doesn't communicate with me
10. I'm not appreciated



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SOURCE: STRATEGIC PROGRAMS, INC.

Top Reasons Drivers Leave - Respect

1. Money
2. Want more home time
3. Don't like supervisor
4. Not happy the way I'm dispatched
5. I was set up for failure (HOS, pay, regulations)
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SOURCE: STRATEGIC PROGRAMS, INC.

Big vs. Small vs. Medium

- Big Carriers:
 - Every large shipper has them on speed-dial
 - Driver turnover will “forever” be an issue
 - Stand to use technology to drive record ROI, until the time technology begins to commoditize the market
 - Developing sophisticated tools to “fire” shippers and receivers whose practices (pay, terms, delay at origin/destination, driver friendliness) harm ROI



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Big vs. Small vs. Medium

- Small Carriers:
 - Most exist without primary customers—using load boards exclusively (e.g., brokers)
 - Have gained significant market share in recent years, driven by:
 - Improving software tools & apps
 - Better knowledge of pricing
 - Big brokers are prolific users of owner-operators
 - Trade association leverages their ability to buy products
 - Fits the Stereotype of the driver—be independent
 - Likely to suffer short-term with ELD mandate



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Big vs. Small vs. Medium

- Medium Carriers: The “Goldilocks Zone”
 - Sparing use of load boards
 - Typically one or two national accounts
 - Several mid-size accounts
 - Some spot-market exposure
 - Lower driver turnover
 - Growth in fleets & sizes
 - Motivated to serve
 - Provide many drivers with enough individuality and respect
 - Drivers often report feeling “like family”



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ELD Mandate

- Electronic Logging Devices Dec 2017
 - Possible *Truckmageddon*
 - **Signs of shortage exist today, during growing season**
 - 50% of today's trucks not compliant, 6 months from mandate
 - Fleets losing 10-20% of total miles after conversion to ELDs
 - **If 50% lose 10% miles, it's as if 5% of truck capacity evaporates**
 - **If 50% lose 20% miles, 10% of truck capacity evaporates**



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Food Safety Modernization Act

- Temp control only ~5% of US truck market*
- FSMA is **effective now**
 - Owner-operators being eased out—spiking demand
 - Food shippers scrambling to lock higher technology capacity & demanding one-sided liability
- Organic, whole, gluten-free foods
- OTC racing to 100% temp control



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* SOURCE: ATA 2016

One Amazon Effect: New Retailer Compliance Fees Demand Near Perfection



- On heels of FSMA, and eve of ELD mandate
- Up to 3% off invoice for below 90% on-time for quarter
- Walgreens, Target and others deduct \$ amount per shipment



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Summary

- Data demonstrates consolidation is only a headline, but news is missing the real story—driver shortage isn't a shortage—unless you're a big carrier
- Regulatory impacts clamp capacity
- Major retailers clamp capacity, at precisely the time flexibility is required
- 100% ELD – where will the line for responsibility shift? Will shippers & brokers be expected to have visibility? Liability?



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QUESTIONS?

Jeff Tucker, CTB

CEO

Tucker Company Worldwide, Inc.

800 229-7780

Jeff.Tucker@tuckerco.com



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