Impact of COVID on Virginia’s Trucking Industry

Dale Bennett
President and CEO
Virginia Trucking Association
TRUCKING DRIVES THE ECONOMY

TRANSPORTING THE ESSENTIALS

Percent of manufactured tonnage transported by trucks in Virginia.
190,120 tons per day
(2017)

94.1%

86.4% of Virginia communities depend exclusively on trucks to move their goods.
In the United States, there are:

- 892,078 For-Hire carriers
- 772,011 Private carriers
- 97.4% operate fewer than 20 trucks
- 91.3% operate 6 trucks or less.
Competitive Wages

Total trucking industry wages paid in Virginia in 2020 exceeded $10 billion, with an average annual trucking industry salary of $54,854.

Heavy and tractor-trailer truck drivers held 42,120 jobs with an average annual salary of $46,430.

Virginia Trucking Fast Facts

Trucking Pays the Freight

Roadway Use

75,527 Miles of public roads in Virginia (2020)

Miles driven on public roads:

- All Motorists: 76.1 billion
- Trucks: 5.4 billion
The trucking industry in Virginia paid approximately $1.1 billion in federal and state roadway taxes (2020).

The industry paid 35% of all taxes owed by Virginia motorists.

... despite trucks representing only 7% of vehicle miles traveled in the state.
INDIVIDUAL COMPANIES

As of January 2022, a typical five-axle tractor-semitrailer combination paid:

$9,800 state highway user fees and taxes

$8,906 federal highway use fees and taxes

These taxes were over and above the typical taxes paid by businesses in Virginia.
The trucking industry continues to improve energy and environmental efficiency even while increasing the number of miles driven. In 2020:

- Combination trucks accounted for just 18% of the total highway transportation fuel consumed.
- Combination trucks consumed nearly 113 billion fewer gallons of fuel than passenger vehicles in the U.S.
EMISSIONS

✓ 49% of U.S. commercial trucks are now powered by the newest-generation, near-zero emissions diesel technology.

✓ Medium- and heavy-duty trucks contribute just 24.5% of all transportation-related greenhouse gas (GHG) emissions in the U.S. and represent only 7% of total U.S. GHG emissions.
Over the last 20 years, emissions from new heavy-duty diesel trucks & buses, were reduced by 95% for nitrogen oxides (NOx) and 90% for particulate emissions.

The newest generation of advanced diesel vehicles have near zero emissions of NOx and particulate matter.
Early Pandemic Challenges for Trucking & Truck Drivers

- Travel Restrictions
- Rest Areas Closed
- Operating & Dining Restrictions on Truck Stops and Restaurants
- Lack of Safe Parking and Facilities for Rest and Personal Hygiene
- Restrictions at Loading & Unloading Facilities
- Safety in the Workplace & Home
Early Pandemic Challenges for Trucking & Truck Drivers

• Trucking and truck drivers answered the call because it is our job and the right thing to do

• Continued to deliver medicine, food, fuel, water, and other basic necessities

• As the pandemic progressed, we delivered critical PPE, test kits and vaccines
MANUFACTURING
Factory output in Asia remains at around 50% of pre-pandemic levels because of the Delta variant.
An acute microchip shortage is crippling the production of cars, appliances and a wide range of electronics.

SHIPPING
There is a global shortage of containers as crates pile up at coastal and inland ports around the world because of surging demand and a lack of labor.
Today, an estimated 90% of the world's goods are transported by sea, with 60% of that packed in large steel containers.

PORTS
In order for efficient drayage, truckers need access to three things: information, equipment, and space. Right now there is a lack of all three.
Information sharing is disjointed, chassis are unavailable; and there's no physical space—both in warehouses and portside—for truckers to deliver loads and return empty containers.

WAREHOUSES
Warehouses near seaports are at full capacity because of a lack of workers and equipment to move the goods further down the supply chain.
Containers can't move out of the ports if there is nowhere to offload the goods.

TRUCKING
A chronic shortage of truck drivers, exacerbated by the pandemic, coupled with a shortage of trucks, caused by a lack of semiconductors.
It's hard to move more freight with fewer drivers and fewer trucks.

CHASSIS
Recent tariffs imposed on Chinese-made chassis have led to a shortage of this crucial equipment, and systemic issues within the chassis market have hindered the efficient movement of freight for years.
Households are Transitioning Back to Services

Annual Percent Change of Real Spending

- 2020: Goods -6.6%, Services -10%
- 2021: Goods 5.4%, Services 6.3%
- 2022: Goods 12.5%, Services 4.3%
- 2023: Goods -0.8%, Services -1.3%

Sources: BEA & ATA
Personal Consumption Expenditures of Goods (Inflation Adjusted)

Level of Consumption (Billions of $)

Sources: BEA & ATA
Driver Shortage

The Driver Shortage is Not Unique to the United States
Examples from Around the World

- Argentina: 45,000 unfilled truck driver jobs
- China: 1.8 million unfilled truck driver jobs
- Germany: 57,000 – 80,000 unfilled truck driver jobs
- Italy: Up to 20,000 drivers short
- Mexico: 54,000 unfilled truck driver jobs
- Romania: 71,000 unfilled truck driver jobs
- Spain: Up to 20,000 unfilled truck driver jobs
- Turkey: 82,000 unfilled truck driver jobs
- United States: Roughly 80,000 drivers short

Note: unfilled jobs numbers will be higher than an actual shortage number
Source: ATA & IRU
Driver Shortage

Source: ATA
Driver Shortage

Total New Drivers Needed from 2021 through 2030 by Reason

- Drivers Leaving Before Retirement
- Drivers Pushed Out of the Industry
- Industry Growth
- Retirements
Driver Shortage

While all sectors in the industry struggle with finding enough drivers, the driver shortage is most acute in the longer-haul (i.e., non-local) for-hire truckload market.

There is no single cause of the driver shortage, but some of the primary factors include:

- High average age of current drivers, which leads to a high number of retirements;
- Women making up only 7% of all drivers, well below their representation in the total workforce;
- Inability of some would-be and current drivers to pass a drug test, exacerbated by an increasing number of states legalizing marijuana;
Driver Shortage

Driver Shortage Factors (cont.)

➢ The federally mandated minimum age of 21 to drive commercially across state lines poses a significant challenge to recruiting new drivers;

➢ The pandemic caused some drivers to retire early or leave the industry

➢ Truck driver training schools trained far fewer drivers than normal in 2020;
  - 40% fewer drivers trained in 2020 vs. 2019

➢ Lifestyle issues, notably time away from home, especially in the longer-haul market;
Driver Shortage Factors (cont.)

- Infrastructure and other issues, like a lack of truck parking spots, which causes drivers to stop driving earlier than they need to so they can get a spot for the night, and congestion which limits drivers’ ability to safely and efficiently make deliveries;

- Other barriers to entry like inability of potential candidates to meet carriers’ hiring standards for driving record or criminal histories.
Driver Pay Increases

Index of Average Weekly Earnings for Production & Nonsupervisory Occupations in Long-Distance General Freight Truckload (January 2000 = 100)

Note: This includes more than drivers, but majority of index data comes from driver earnings.

Sources: Department of Labor & ATA
Driver Pay Increases

Average Weekly Earnings for Production & Non-Supervisory Workers by Industry

Total increase end of 2019 through August 2022

- Construction: 13.6%
- Manufacturing: 10.9%
- Warehousing: 9.9%
- Moving & Storage: 6.5%
- Long-Haul Freight TL: 20.5%
- General Local Trucking (TL & LTL): 24.6%

Sources: DOL & ATA
**Driver Pay Increases**

**Annual Employee Driver Compensation**

2021 Median Pay Including Incentives and Bonuses (thousands)

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<tr>
<th>Type</th>
<th>Median Pay</th>
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<tbody>
<tr>
<td>LTL Local</td>
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<td>National Van Irregular Route</td>
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<td>Van Dedicated</td>
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<tr>
<td>Refrigerated</td>
<td>$75.0</td>
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<tr>
<td>Private</td>
<td>$85.0</td>
</tr>
</tbody>
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*Solo Drivers Only*
Diesel Prices

On-Highway Diesel

Year | Price
--- | ---
2015 | $2.71
2016 | $2.31
2017 | $2.65
2018 | $3.18
2019 | $3.06
2020 | $2.56
2021 | $3.29
2022 | $4.97
2023 | $4.29
Additional Trucking Trends

➢ Return of Independent Contractors to Employee Drivers
➢ Smaller Carriers Parking Trucks in 4th Quarter
➢ Parts Supply Costs & Equipment Replacement Issues
➢ E-Commerce Expectations leading to movement of distribution centers closer to population centers
➢ Reducing length of hauls
➢ Focus on loss of Driver Productivity due to detention at loading & unloading, shortage of truck parking
Increased Automation in Trucking

Human Resources
➢ Automation of vetting, interviewing, hiring, onboarding and training
➢ Conversion of paper forms to electronic forms completed online

Logistics
➢ Increased demand for Dispatching, Transportation Management Systems (TMS) and Fleet Management software to better manage supply chain

Customer Demand
➢ Use of document imaging tools, electronic bills of lading and other digital tools for contactless transactions
CRITICAL ISSUES IN THE TRUCKING INDUSTRY – 2022

Class A CDL Drivers Needed

DRIVER COMPENSATION

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## Critical Issues in Trucking

### Virginia
1. Driver Shortage
2. Diesel Technician Shortage
3. Fuel Prices
4. CSA
5. Driver Retention
6. Economy
7. Zero-Emission Trucks
8. Driver Distraction
9. Transportation Infrastructure/Congestion/Funding
10. Autonomous Trucks

### National
1. Fuel Prices
2. Driver Shortage
3. Truck Parking
4. Driver Compensation
5. Economy
6. Detention/Delay at Customer Facilities
7. Driver Retention
8. CSA
9. Speed Limiters
10. Lawsuit Abuse Reform
Questions?

Thank You!