



STATE OF THE INDUSTRY

LOADS OF UNCERTAINTY





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“Nothing great will last forever” could be the mantra of the transportation and logistics industry as it moves further and further from the profit peaks seen before and during the COVID years. As a result, companies are strategizing ways to drive revenues and profits back to what they were. However, like 2022, 2023 also provided challenges for companies to overcome to remain successful. This article will highlight the major concerns facing transportation companies (as well as employees and consumers) and prospective solutions as we move through 2024.

Fuel Prices

The price of fuel consistently ranks as one of the leading concerns for all members of this industry. The impact that fuel prices have on a trucking company is easily quantified. For instance, on average, gas prices represent a staggering 28% of the total operating costs of a trucking company. This is the highest amount in a decade. Additionally, the year over year increase in the fuel cost per mile was 53.7%. These trends continue to put operational and financial strain on companies.

However, there are some reasons for optimism moving forward. The average annual price for a gallon of diesel fuel almost doubled between 2020 and 2022. In contrast, there was a slight decline in gas prices from 2022 to 2023. To expedite the decline in average gas prices across the country, various trucking associations have urged the Biden administration to act. These action items include increasing domestic production, expanding domestic refining capacity and working with oil and gas producing nations to reduce global prices. This will be a hot industry topic as we move throughout the year.

Parking

The severe shortage in commercial truck parking nationwide has an adverse effect on safety (for drivers and other motorists) and logistical efficiency. Studies have shown that 98% of drivers regularly experience problems finding safe parking (leading to unsafe and/or illegal parking). Furthermore, many drivers state they have been forced to violate federal hours of service rules because of the inability to find parking. Finally, truck drivers spend on average 56 minutes of available time per day looking for parking rather than risking parking shortages farther down the road.

The effects of the parking scarcity are overwhelming. These reasons coupled with the fact drivers are projected to move 2.4 billion more tons of freight in the next decade, accelerates the need for action soon. Thankfully, recent legislation and reform has been introduced which emphasizes and alleviates these issues. The Truck Parking Safety Improvement Act, which would provide \$755 million to expand parking capacity across the United States, was introduced in 2023. Additionally, the American Trucking Association announced two new federal investments by the U.S. Department of Transportation that will add nearly 400 spots in Wyoming and Iowa. Much more work needs to be done in this area for the safety of the drivers.

Economic Outlook

The overall economic outlook remains the number one concern for members of the industry as we move through the first quarter of 2024. There has been a disconnect between the overall United States economy and the transportation economy. While the transportation economy has slowed, the overall US economy grew at 3.1% rate in 2023.

The economic outlook is impacted by such items as rising inflation, interest rates, price of fuel, driver retention and driver shortages. Although the forecast remains uncertain, policies must be considered to mitigate some of these concerns. The costs incurred by trucking companies have a domino effect on the buyers and sellers of the products. Thus, one of the ways to mitigate the price increases passed on to the consumers would be to identify inefficiencies and develop ways to avoid them. This would benefit all parties involved.



Another alternative is to remove burdensome regulations that increase the industry costs without the added benefits. For example, the initiative to move to zero emission trucks (ZETs) has caused additional expenses that exceed benefits thus far. Instead of mandating these requirements, it would be better to adopt these new technologies as they become more cost effective.

Driver Shortage/Driver Retention

As in 2022, driver shortage continued to be a main concern in 2023. According to ATA, the global shortage of drivers is attributable to an aging workforce, entry barrier for younger workers, marginalized representation of women and lifestyle preferences discouraging many job hunters from considering a trucking career.

Age requirements barring for 18–20-year-olds has deterred the younger generation from seeking jobs in the trucking industry. Before they can join the trucking industry at 21, they've already established themselves in a different career for at least three years.

Driver retention has been impacted by the continued decline in freight demand in 2023. The decline in freight demand has required some companies to decrease their driver hiring or lay drivers off. However, remaining drivers will react by moving to other companies or leaving the industry altogether. The ATRI survey has noted one strategy to mitigate this issue is the use of compensation in the form of retention bonuses. Similarly, implementing benefits such as health insurance, PTO, and retirement are other ways to potentially impact the retention of drivers. The best companies in the industry have been employing these strategies.

Driver Distraction/Safety

Driver distraction of passenger automobiles has played a major role in highway related accidents. According to the ATRI survey, distraction-affected crashes usually include at least one driver being involved in a cell-phone related activity. The industry is encouraging harsher penalties of distracted driving laws for all road users to deter distracted driving. There is also a proposed rule for automatic emergency braking for cars and light trucks that would provide an additional safety level to possibly decrease accidents by distracted drivers. There has certainly been an improvement in the automated safety features in cars and trucks alike in the recent past, and we look for the technological improvements to continue to improve overall highway safety.

We hope that this white paper helps to highlight some of the top current issues impacting the transportation industry and a few of the potential solutions. We all know that the transportation industry is the backbone of our US economy and want it to continue to grow in the future. Please contact us at contactsd@schneiderdowns.com if you have any further questions.





Ohio Trucking Association

The Ohio Trucking Association is a 100-year-old full-service trade association operating in Columbus, Ohio. With over 815 total members in the trucking, logistics, warehousing and moving industries, our promise to our members is simple: the Ohio Trucking Association will work to improve operational efficiency, profitability and relevancy for all of Ohio's transportation industry. Advocacy, professional development, networking and cost savings initiatives are the keys to carrying out this promise to our members. No matter what the cause, our industry is stronger when operating as one. We encourage you to explore more about becoming involved with the Ohio Trucking Association at www.joinota.com.

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More than 25 years ago, we established the Schneider Downs Transportation and Logistics Industry Group. The group includes assurance, tax, technology and management consulting professionals who combine their individual expertise to serve our wide range of transportation and logistics clients—from local carriers to national enterprises, including: trucking, general freight, flatbed and box, TL, LTL, tank waste brokerage, bulk commodity dump, 3PL, heavy hauling/ permitted loads, moving and warehousing. The Transportation and Logistics Industry Group meets on a regular basis to review and analyze issues central to this industry. As a result, our transportation and logistics professionals possess the most current knowledge of transportation issues, regulations and trends. We work with you to seek innovative ways to reach your strategic goals.

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