OOIDA Foundation RESEARCH SAFETY EDUCATION

Trucker Reality

By OOFI • Apr 29, 2022

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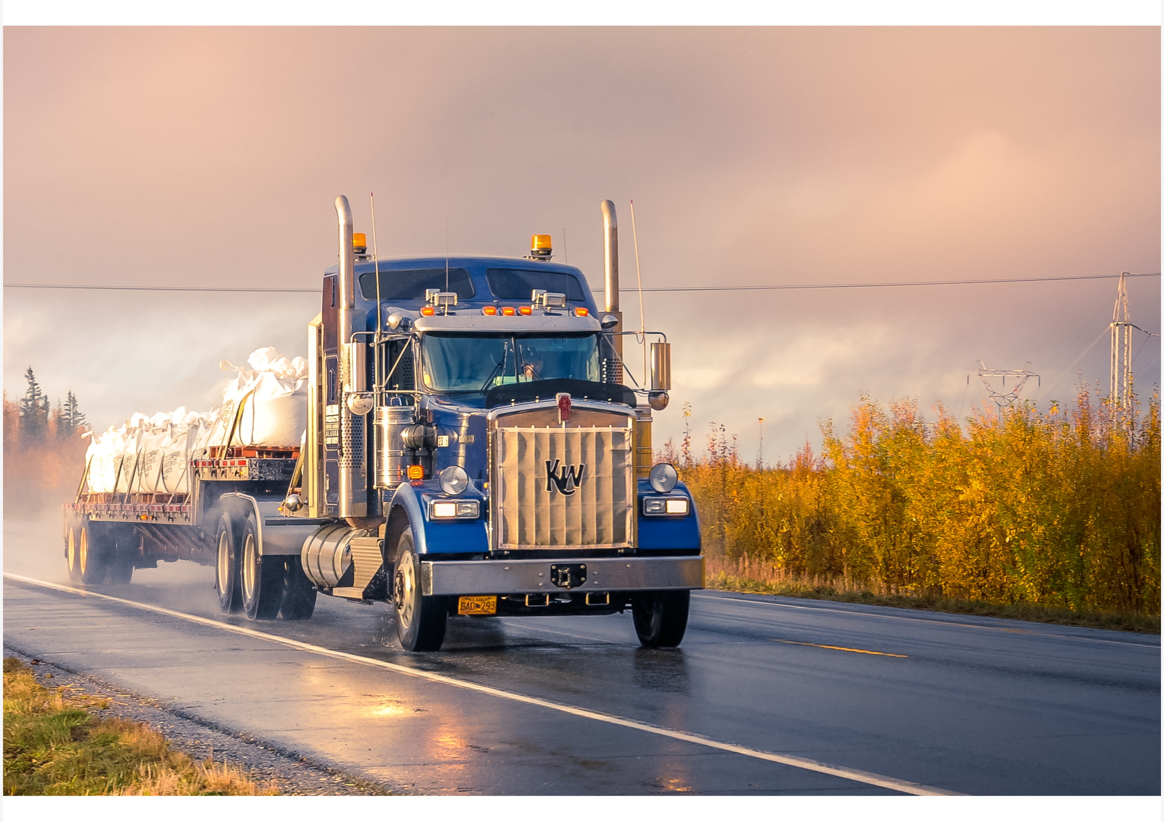
Welcome to Trucker Reality: today we'll focus on

- Are we headed toward a freight recession?
- Who is the most vulnerable?
- What can you do to protect your business?

Bloodbath for trucking carriers ahead!



The big picture: Load volumes and spot rates are declining across the board, while costs continue to rise. This has some trucking analysts calling for freight recession.

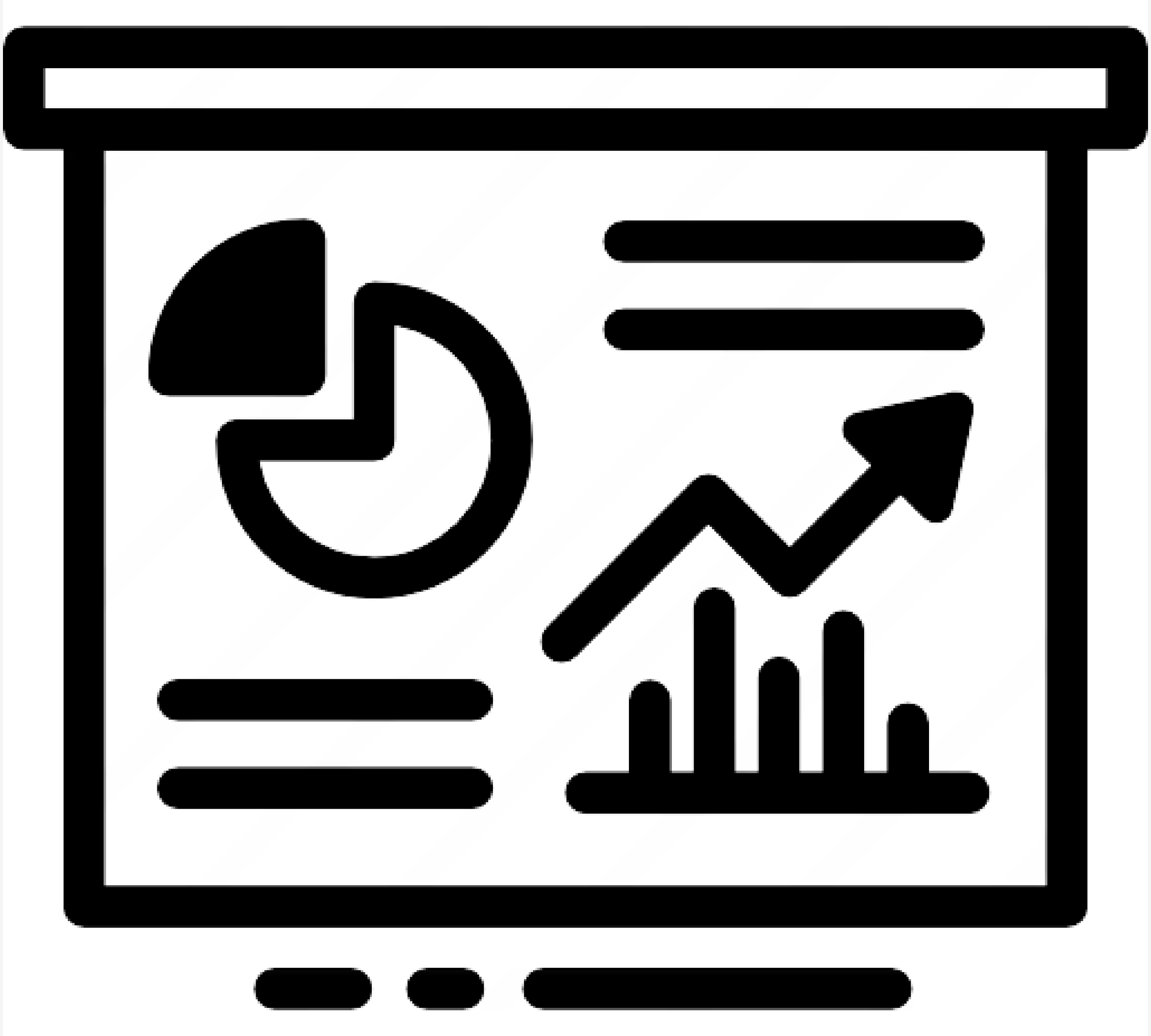
- **What they're saying**: Craig Fuller, CEO of FreightWaves, said, "We think another sharp, painful downturn in the U.S. truckload market is imminent, and it could be as bad as 2019." Go deeper.
- Fuller believes that this downturn will disproportionally impact newer owner-operators and carriers.

By the numbers: The trucking industry has witnessed the largest increase in new entrants in its history over the past two years.

- There were 20,166 new carriers entering the market in February 2022 alone.
- Small carriers, those with 1-5 trucks, make up 89.8% of all carriers registered as full truckload carriers.

The small, new carriers will be the most effected by a downturn.

Freight Recession? Not so fast



Is the freight market truly going into a recession? The Cass Transportation Index Report says, "Not so fast."

- **What they're saying:** The Cass Index states that while we're certainly seeing a freight slowdown and a spot market correction, it's still too early to call it a freight recession.

By the numbers: The Logistics Managers Index, which a key logistics metric, recently hit an all-time high.

- **Yes, but… the** market peak may be past us.

1 big thing: Large carriers are not seeing a recession in freight or profits.

- It's the small carriers, especially those who have recently entered the industry, that are the most vulnerable.

Reality: This is nothing new. This group of carriers are always the most vulnerable to the cyclical nature of freight economics.

These new carriers paid, and are still paying, a premium for:

- equipment,
- insurance,
- fuel,
- maintenance, and
- are often overly reliant on load boards and brokers.

Reality: If you solely rely on brokers for freight you will go broke.

- It isn't usually a bloodbath, but a slow painful "broker-broke" experience.
- Much of the freight that disappeared in the first quarter was live-load brokered freight, the type new small operators thrived on in the spot market for more than 18 months.

Reality: Always be carful when percentages are used to represent the rise/fall of freight and freight rates.

- At the present time, freight volumes are in the decline, however, they are declining from historic highs.

Reality: Freight movement is often a bellwether of the general overall health of the economy. The next few weeks will be very telling:

- Will China end its lockdowns and create import congestion at the ports?
- Will there be some relief at the fuel pump, not just for truckers, but for consumers?
- Will the pandemic flare up in intensity again?
- What will happen with Ukraine and the war?

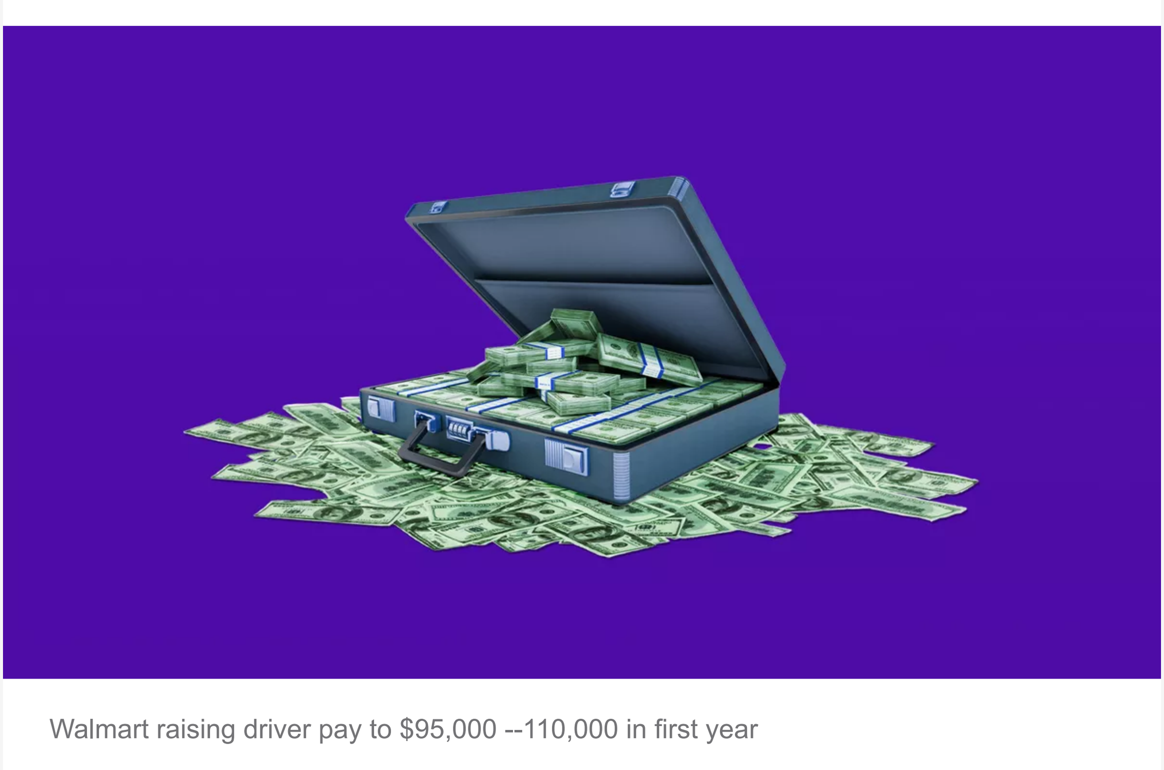
The average owner-operator member of OOIDA has been in business for over 20 years through inflations, recessions, and endured as well as prospered.

- They have beat the odds where 50% of new businesses fail within the first five years.
- They may use load boards and brokers from time to time, but they usually have made agreements with shippers and run more of a dedicated operation.

Want to learn how on how to run a successful business? The OOIDA Foundation is again offering a three day in-person and Zoom seminar for anyone looking to be successful as an owner-operator.

- Register at: www.trucktosuccess.com

Carriers continue to raise pay to attract new drivers



Walmart raising driver pay to $95,000 --110,000 in first year

Walmart recently made headlines by increasing driver pay to between $95,000 and $110,000 in the first year.

Reality: As we all know the devil is in the details. Walmart drivers have traditionally been paid above the national average.

- However, there are caveats like location, wait times, live loads, and unloads, all of which will affect the pay.

Hype: many large carriers have touted a percentage increase in per mile pay to attract drivers.

Reality: Since the carrier controls how many miles you get, your take home pay may be less even though your pay per mile is more.

- **The bottom line:** This is a win, win for the carrier.
- Rather than own an empty truck, for which the carrier is still incurring costs , such as insurance, licensing, fees, and maintenance, the carrier would prefer to pay a driver more per mile in order to fill the seat.
- Why? Because the carrier can reduce their costs and increase their profits by paying the driver more, but giving them fewer miles.

Reality: It's a business. CEOs of large carriers are not Scrooges of transportation. They are working for a publicly traded company that answers to shareholders who are not at all interested in driver concerns only what their return on investment is going to be.

Reality: According to the Bureau of Labor Statistics, driver pay in 1980, the last year before deregulation, was $38,618.

- If driver pay had kept up with the inflation rate, the average pay by the end of 2021 should of been $136,175.

I am not an economic expert nor a prophet, oracle, or a shaman. Just a trucker with years of trucking experience and I can say with confidence that there will be a recession in the future.

- It has been a good ride.
- Time to re-evaluate your cost-of-operation and your business plan.
- If you do so, you will survive and you will prosper.