

Driver Shortage Looming

Carriers and shippers alike are concerned about the forecasted driver shortage. The first article touches the prelude to driver shortage.....driver turnover. Immediately following the article, I have added my observations (blue font) from a Melton Truck Lines perspective.

Driver Turnover Rises in First Quarter

Heavy Duty Trucking Magazine
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Turnover for long-haul truck drivers increased in the first three months of 2011, according to American Trucking Associations' latest Trucking Activity Report.

The turnover rate for drivers at large truckload fleets rose to an annualized rate of 75 percent in the quarter ended March 31, up from 69 percent in the fourth quarter of 2010 and a low of 39 percent in the same quarter last year.

"The driver market is tightening," ATA Chief Economist Bob Costello said. "We hear nearly every day from fleets who cannot find enough drivers to meet demand."

As the driver market tightens, turnover increases as drivers tend to jump from carrier to carrier, according to ATA's report. The turnover figure is the highest since the second quarter of 2008.

Turnover at small truckload fleets rose just one percentage point to 50 percent in the first quarter, reaching its highest point since the third quarter of 2008. Less-than-truckload fleets continued to experience a very low turnover rate, with the figure rising to 8 percent from 6 percent the previous quarter.

"With the economy continuing to recover from the Great Recession, the implementation of new regulations and the number of retirees outpacing the number of drivers entering the industry, I expect to see the turnover rate continue to rise," Costello said.

The increase in driver turnover as reported above does not bode well for driver availability or stability in the coming months. Historically, driver turnover has been an early indicator of driver shortages. As truck demand increases and capacity tightens, drivers realize their skills are in greater demand - and they often test the market to assure themselves of receiving the best compensation package. This could well be the case as we head into the peak flatbed season. Over the last few months carriers have adjusted rates to higher market levels. These "Spring" rate adjustments were necessary just to enable carriers to deal with higher equipment replacement costs, insurance increases, maintenance and tire price increases (*tire prices have risen an average of 12 - 18% this year alone!*), and operating costs. Carrier rate adjustments did not account for driver pay increases. If the analysts are correct, driver turnover could soon translate to an increase in driver wages. In most cases, the initial rate increases that carriers presented to the market YTD did not compensate for increased driver pay. When/if market demand does push driver wages higher, it is quite possible that carriers will be revisiting rates again as most carriers will not be able to absorb a significant wage increase without additional help from shippers.

At Melton, we have done our best to minimize driver turnover and maximize driver retention by equipping our drivers with late model, well maintained top-of-the-line trucks/trailers, plenty of miles, and a lucrative pay package. In January of 2010, we implemented a 4 cent per mile (cpm) fuel bonus program that rewards our top performers for fuel conservation. In May of 2010, we restored our drivers' pay back to their prior compensation levels (pre-2009). In July of 2010, we raised driver pay 3 cpm for Hazmat and Canada loads. We are also raising Detention pay by 20% this month - one of the

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biggest driver dissatisfactions is long loading & unloading times as this eats up drivers' HOS. And, if they are not rolling, they are not making money; hence they will go elsewhere.

We continually benchmark ourselves against our competitor carriers' wages and benefits. One of the primary benchmarking tools we use is an independent survey, "National Survey of Driver Wages". This survey shows that Melton is in the top 5% of pay for reputable flatbed carriers. We rank even better when considering van and reefer carriers that we compete against for drivers. We measure ourselves in every category - down to the premiums our drivers pay for good insurance coverage. We beat almost everyone in Tarp Pay, Stop Pay, Base Pay (based on experience) and health coverage. We also realize that it is not ALL about money. We have decreased the Driver to Driver Mgr ratio; thereby providing more individual management and attention to each driver. We employ an outside, independent company to survey, assess, and recommend actions to improve driver satisfaction. We provide free "Lifeworks" for drivers and family members that supports employees with counseling and treatment in many medical & non-medical areas. We have several driver recognition programs to recognize and reward top performing drivers. Our new hire orientation and training is among the best in the flatbed industry.

In summary, we are working very hard to make Melton the most attractive carrier in the industry for safe, legal, hard-working drivers and will continue to do so as market conditions change.

Truckload Capacity Index Rises 0.6 Percent 'Barometer' rose 22.6 percent over past four weeks, Longbow says

Journal of Commerce
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A key weekly measure of trucking capacity rose last week to a near three-year high, indicating the availability of truckload equipment continues to tighten.

The Longbow Research Weekly Truckload Barometer climbed 0.6 percent to 165.9 in the first full week of June, its fourth consecutive weekly increase.

The weekly index measures available freight against available truckload equipment, climbing higher as capacity contracts, the Wall Street investment firm said.

The index rose 22.6 percent over the past three weeks, after dropping in April and early May, falling below year-ago levels in mid-May for the first time since 2009.

The index leaped 14.1 percent in the last week of May, Longbow Research said. On a year-over-year basis, the barometer is up 16 percent.

The index's rise supports anecdotal reports from trucking companies that freight volumes rose in early June after flattening or declining in May.

Many carriers said the first quarter saw stronger demand than usual, tightening capacity as freight filled trailers. March was a strong month for many companies.

In comparing our actual historical data to the information above, it appears that the usual seasonal cycles are in play. Our load counts tracked fairly well with the trends cited above; although we did not experience quite the slowdown in April referenced above. Keep in mind that the data supplied in the article above is for ALL truckload (van, flatbed, bulk, reefer, etc) while my comments refer only to the flatbed business - and flatbed is

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clearly ahead of the other equipment types. However, we did see the dramatic uptick in demand mid-May and this heightened demand has continued since then. Indications are that the June month-end / quarter-end will be very active. While some market sectors are lagging, with the exception of building products most flatbed commodity sectors are solid if not increasing production. Our general account base tells us that while there is some concern regarding the long-term (> 12 months) economic outlook, the economic outlook for the next 12 months looks good.



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