

STATE OF THE INDUSTRY

# ROUGH ROAD AHEAD

Continued Headwinds in the  
Transportation Industry





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## Continued Headwinds in the Transportation Industry

Like any industry, the trucking sector has a unique set of pain points that affect many of its member companies. Here's a look at some of the top current challenges and issues being faced by transportation organizations, their customers and employees (both drivers and administrative) and other industry stakeholders (including end users) with regard to timeliness and cost of goods delivered.

### **Driver shortage, driver retention, driver compensation**

Over the last decade, it would have been quite surprising to find any industry literature focused on challenges that didn't name the ongoing driver shortage. Recruiting and retaining qualified driver/operators has been a consistent, longtime industry headache. The American Trucking Associations (ATA) estimates the current driver shortage at approximately 78,000, one of the highest forecasts ever and second only to the 2021 projected shortage of 81,000. Given current trends, that shortage could surpass 160,000 by 2031. Organizations are also presently seeing a problem in the quality of candidates applying for positions, thus making driver retention a priority.

Turnover drains financial resources as well. Expenses that contribute to increased costs include recruiting, hiring, testing and screening, training and situationally dependent sitting product costs for delayed deliveries. Given those high-profile outlays, retention efforts are unquestionably paramount.

And driver compensation is inseparable from the retention discussion. According to the American Transportation Research Institute (ATRI)'s cost of



trucking update report released in the third quarter of 2022, driver wages and benefits in 2021 now account for 44% of the total average marginal motor carrier costs. Wages, meanwhile, have reached a record high, with per-mile basis increasing 56.6 cents to 62.7 cents, or around 10.8%, from 2020 to 2021. ATA data reflects that driver compensation had already increased by 18% from 2019 to 2021.

### **Volatile 2022 economy, including diesel prices**

Runaway inflation and historically high gas prices were seen throughout 2022. There was also persistent pressure on compensation and shortages in the supply chain for equipment and materials. The word 'recession' has been tossed around by economists, so as companies prepare their 2023 and 2024 forecasts, there are many remaining questions.

According to ATRI, diesel prices were the industry's top concern in 2022. After increasing steadily throughout 2021, last year's surges were record-breaking, climbing more than 55% from January to June. To put in perspective, for most months throughout the year, the

diesel retail price tag in the United States was double the price from the same month in 2020. Fuel surcharges are typically paid by the shipper and are thus a pass-through cost – at least in part – to the company, but for owner-operators, volatile and soaring diesel prices overall reduced the per-mile rate.

Q4 2022 trucking conditions, highlighted by those high diesel rates and sinking trucking rates, were rated by FTR Transportation Intelligence's industry index as the lowest since April 2020. Additionally, the Federal Reserve's increases to its funds rate to fight soaring inflation and the slowdown of residential construction and decline of consumer spending on durable goods contributed to shifts in demand and resulting freefall of spot rates seen in 2022. Contract rates are inherently more elevated than spot rates but are on a similar trendline, albeit delayed. According to research from DAT Freight & Analytics, the difference in contract and spot rates has steadily widened throughout 2022 to between 65 and 75 cents per mile in October through December 2022, while historically the delta is less than 20 cents per mile.

For many sector stakeholders, there is unity on rescinding and reforming the regulatory burden placed on the industry through various agencies. One example is the zero-emission trucks (ZET) rules in certain jurisdictions that have proven to be detrimental to the profession's pipeline, as well as adding absorbent costs to the tune of \$400,000 per truck without providing intended benefits, considering that ZETs only reduce CO2 emissions by 30 percent when compared to diesel engines.

All these sector challenges have wide-ranging impact on nearly all transportation companies, from large national operations to midsize regionals and small family-owned companies with annual revenues of less than \$5 million. As each of these challenges do not have a single cause, nor do they have a single solution. We can help make sense of the situation, though, contact your Schneider Downs transportation consultant if you'd like to discuss.





## 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](http://www.joinota.com).

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## Schneider Downs Transportation and Logistics Industry Group

Established in 1956, Schneider Downs has grown to be one of the largest independent public accounting and advisory firms in Columbus, Ohio; Western Pennsylvania and Washington D.C., with more than 500 personnel in total, including 55 shareholders and partners.

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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