Growth to continue, but at a very moderate pace.

U.S. GDP to average just 1.5% in the second half of the year.

U.S. risks include: January 1, 2013 fiscal uncertainty (Fiscal Cliff) & Eurozone problems. Inaction on fiscal cliff is already a significant drag on the economy, reducing sentiment and risk taking.

Ironically, some U.S. fundamentals look better in 2012, including housing & autos.

Strong U.S. recovery waiting to be unleashed.
Housing Is Turning the Corner

New permits in Sep ’12 hit highest level since mid-2008.

Sources: Census Bureau & ATA
Manufacturing is Still Outperforming GDP, but Output is Slowing Quickly

While there will be near-term constraints on U.S. manufacturing, the longer-run outlook is very promising.

Sources: Federal Reserve & ATA
Factory Orders (x aircraft) Say Production Will Slow Significantly Next Year

Sources: Census Bureau & ATA
Inventories Are A Near-Term Concern For Trucking

Total supply chain includes: manufacturing, wholesale, and retail

Sources: Census Bureau & ATA
The Schizophrenic Job Market

Unemployment Rate

Change in Employment (Thousands)

Sources: Department of Labor & ATA
Real Gross Domestic Product
(quarterly, annualized rate percent change, 2005 dollars)

2010 – Q4 2013

• GDP doesn’t hit 2% in any quarter until 3rd Quarter 2013

Sources: BEA and ATA
• Combination of tax increases (76%) and spending cuts (24%) total $479 billion/year or $6.1 trillion over 10 years according to the Congressional Budget Office.
• Debt ceiling limit is coming due in early 2013 as well.
• Concern over the cliff is already a drag on the economy – businesses have reduced hiring and investment.
• Lame-duck Congress is likely to kick the can down the road.
• The “punt” will delay immediate consequences, but hurt the economy with continued uncertainty.
Business Investment is Already Plunging, Coupled with Sluggish Hiring

Year-over-Year Percent Change

Factory Orders for Non-Defense Capital Goods excluding Aircraft

Sources: Census Bureau & ATA
Truck Freight Volumes
For-Hire Truck Tonnage Since Last Fall

Sep 2011 = 100
Seasonally Adjusted

Source: ATA
Trends in Volumes Since Last Fall

Sep 2011 = 100
Seasonally Adjusted

Large TL: +0.5%
LTL: +0.5%
Small TL: -4.6%

Source: ATA
TL Trends in Volumes Since Last Fall

Sep 2011 = 100
Seasonally Adjusted

Dry Van: -2.6%
Tank: +6.6%
Temp Controlled: -0.6%
Flatbed: +5.7%

Source: ATA
TL Trends in Volumes Since Last Fall

Sep 2011 = 100
Seasonally Adjusted

- **TL Rail**: Intermodal Loads: +13.8%
- **Short-haul**: 8.7%
- **Medium-haul**: -5.1%
- **Long-haul**: -12.9%

- Short-haul: < 500 miles
- Medium-haul: 501-999 miles
- Long-haul: 1,000 miles or more

Source: ATA
Number of Loads Through Aug’12
(Percent Change Year-to-Date Compared With Same Period Last Year)

Source: ATA
Truck Capacity

Fleets are cautious about capacity expansion but there is still a significant amount of pent-up replacement demand.
Capacity Changes Through August 2012
(Percent Change in the Number of Tractors Operated)

Source: ATA
TL Supply vs Demand

Graph showing TL Supply (TL Tractor Count Index) and Demand (TL Loads Index) from 2005 through August 2012. The graph indicates oversupply in 2008 and 2009. The y-axis ranges from 80 to 110 with 2005 = 100.

Source: ATA
Equipment: The New Diesel Fuel
Some fleets are losing good drivers because their equipment is too old.
Equipment – The New Diesel Fuel

Class 8 Tractor Replacement Costs: Examples

Source: ATA
Small Fleets Are Turning More to Finance Leasing

Source: ATA
The Driver Situation
Driver Hiring: Percentage of Fleets That Say They are Challenged Finding Drivers.

Yes, 77%

No, 23%

Source: ATA Benchmarking Guide for Driver Recruitment & Retention
Driver Hiring: Percentage of Fleets That Say They are Challenged Finding Drivers Today.

- Truckload: 90%
- LTL: 50%
- Private: 40%

Source: ATA Benchmarking Guide for Driver Recruitment & Retention
Driver Hiring: *Is it that you can’t find enough drivers OR is it that you are not finding the quality of drivers you would like to hire?*

**Conclusion:** 88% of fleets say they are getting enough applicants, but that they can’t hire the vast majority of those applicants. It was common to hear fleets say that they hire less than 10% of applicants.

**Source:** ATA Benchmarking Guide for Driver Recruitment & Retention
There are over 10 million CDL holders in the U.S., but most are not current drivers and not all are truck drivers. According to the U.S. Department of Labor, in 2010 there were just over 3 million “truck” drivers, but this includes non-CDL drivers (delivery trucks) and driver/sales occupations (e.g., bread delivery sales/driver). ATA has always thought that this number from the DOL was low since there are roughly 3 million Class 8 vehicles alone in the U.S. According to ATA, there are 2.9 million trucks in operation today that are large enough to require the driver to have a CDL (Both Class A & B).

- The best estimate is that there are roughly 2.5 million to 3 million trucks on the roads today that require the driver to have some sort of CDL.
- Of those trucks, 1.4 million are tractor-trailers.
- Of those tractor-trailers, no more than 750,000 are used in OTR (i.e., non-local) operations.
Tractor-Trailer Drivers Demanded and Supplied

Millions


Trend-Line for Number of Tractor-Trailer Drivers Demanded

Trend-line for Number of Tractor-Trailer Drivers Supplied

Source: ATA

239,000 potential shortfall

1.50

1.75

2.00
Average Number of New Drivers Needed Per Year Over the Next 10 Years: 96,178

- Industry Growth: 36%
- Retirements: 37%
- Voluntary Non-Retirement Departures: 11%
- Non-Voluntary Departures: 16%

Source: ATA Benchmarking Guide for Driver Recruitment & Retention
Driver Hiring: *Percentage of Fleets That are Considering Hiring Inexperienced Drivers Due to Drivers Being Harder to Find*

Only truckload carriers that currently do not hire inexperienced drivers. Some carriers that do hire new drivers to the industry just started within the last 18 months.

- **Yes, 50%**
- **No, 44%**
- **Maybe, 6%**

Bottom Line – demand for new drivers will increase at a faster pace than in the past due to the shortage and increased visibility on driver performance brought about by CSA.

**Source:** ATA Benchmarking Guide for Driver Recruitment & Retention
Thanks!

Questions

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