

Trucking Industry

Trucking Industry Overview

Trucking is a driving force in the U.S. economy. The industry provides a vital mode of transportation for both domestic and international products, with nearly every consumable good being put on a truck at some point.

The non-local trucking industry is divided into several segments that are based on the size of freight shipments (truckload, less-than-truckload), the type of goods hauled (household goods, general freight), the size of the trucker's market (regional, national), and the nature of the availability of the trucker's services to shippers (common, contract, or private carriage).

The local trucking industry is divided into two types of establishments: private carriers who own or lease trucks to transport their products to customers, and for-hire carriers who contract with shippers to transport their goods for them.

Trucking is the primary mode of freight transportation in the U.S. In 2005, truckers hauled 68.9% of all freight transported in the U.S., representing an all time high carrying load of 10.7 billion tons, according to the American Trucking Associations (ATA). By 2016, trucks are projected to haul 13 billion tons of freight.

Trucking is a huge industry, generating total revenue of \$623 billion in 2005.

Rising fuel costs have been a concern for the trucking industry in recent years. In 2005, the nation's truck fleet consumed 51.4 billion gallons of fuel, including both diesel and gasoline. For 2006, the industry is expected to spend nearly \$100 billion on diesel fuel alone, up from \$87.7 billion in 2005.

The trucking industry employs more than 8.6 million people in the U.S., approximately a third of which are professional truck drivers. A shortage of drivers remains a top industry issue.

The ATA reports the industry is currently short about 20,000 long-haul drivers. The current shortage is expected to be worsened as drivers age and retire. By 2014, the shortage of drivers could swell to 111,000. In order to attract people into the field, trucking companies are trying to entice them with improved health plans and good compensation levels.

Other top industry issues include driver retention, hours of service regulations, congestion, government regulations, highway infrastructure, tort reform, tolls/highway funding, and environmental issues.

Trucking companies are looking for ways to improve safety and fuel efficiency in their fleets, while remaining productive and competitive. A recent controversial initiative in the industry is the proposal to force big-rig manufacturers to install devices that limit the speed of new vehicles to 68 miles per hour in hopes of reducing the number of crashes. Critics of the initiative say it may be economically motivated and put drivers of these vehicles at a competitive disadvantage.

Trucking Industry M&A

Mega-mergers have altered the landscape of the trucking industry in recent years.

In addition to these landmark transactions, smaller companies are also engaging in mergers and acquisitions to compete in this increasingly competitive market. Through M&A, trucking companies are hoping to expand within their existing markets, reach into new geographic territories, and boost revenue.

Also through M&A, these companies are looking to attain contracts with sought after businesses, such as Wal-Mart stores.

Experts predict M&A activity will continue in the trucking industry as companies vie to compete long-term with the industry's giants.