

# Commentary for the 4-25-05 issue of *Traffic World* magazine

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If you like the shortage of trucks available to haul your freight, then you'll love high fuel prices.

What kind of industry bemoans the shortage of drivers and trucks, holds seminars on how to recruit drivers and retain them, then allows the purging of its labor force and hauling capacity at the same time? Over 40 years in the business have shown me that simple economics are seldom relevant to the trucking industry.

According to trucking economists, over the last few years more than 250,000 trucks were repossessed and over 10,000 small business motor carriers filed for bankruptcy. The inability to recoup increased fuel costs far and away being the major contributor to their failures. At the same time you can't turn a page of a trucking trade publication without encountering ads begging for new drivers or attend a truck show without bumping into a crowd of anxious recruiters. Marketplaces that truly work do not allow for such a dichotomy.

One would expect an industry that is trying to expand its capacity and seek new drivers would pay the cost of the labor they need. Not the trucking industry. During the times when fuel prices spiked, small business motor carriers and owner-operators were forced to dig into their own pockets to bear the costs of providing the services used by motor carriers, brokers and shippers. They depleted their savings, took second mortgages on their homes, and cut corners wherever they could with hopes that rates would rise consistently high enough to cover their business costs. They haven't.

Throughout the history of the trucking industry, the only viable marketplace solution to erratic fuel prices has been the application of fuel surcharges. It is a tool used by all of the large carriers. Many of those carriers are not just recouping their increased fuel costs. In many cases fuel surcharges serve as supplemental revenues, the proverbial icing on the cake.

With the truckload fuel surcharge legislation, Congress is seeking two outcomes: 1) for smaller motor carriers and owner-operators to have access to fuel surcharges, not for profit, but for survival; 2) for motor carriers and brokers to pass the surcharges they collect from shippers through to the people actually paying for the fuel. Shippers may not realize that motor carriers and freight brokers often pass just a fraction, if any, of their surcharges through to the truckers who open their wallets at the pump.

Nothing in the fuel surcharge legislation is not already widely used by large carriers and accepted by shippers. The legislation is direct and specific, eliminating any possibility of conflict and need for legal action. Except for those companies that refuse to comply with the law.

The only conclusion I can draw from Mr. Voltman's prediction that the legislation will result in numerous lawsuits is that he has very low expectations for his members'

compliance with laws. This opinion is both disturbing and maybe enlightening to some of us, and merits further scrutiny by those who do business with them.

As to re-regulation? As Congressman Roy Blunt stated, “This isn’t a request for a re-regulation of the trucking industry . . . it is a specific tool to be used during times of high fuel prices.”

No regulatory body plays a role in the implementation or enforcement of the truckload fuel surcharge legislation. The legislation is in no way governmental rate setting or market tampering. It simply provides small business truckers with access to the same mechanism large corporations use to weather spiking fuel prices.

Its rather insightful that the primary opposition being raised to the legislation emanates from the biggest of the big less-than-truckload carriers who already impose surcharges and are also raking in record profits. Perhaps they aspire to be the WalMarts of the trucking industry – and let the small business trucker be damned.

Small businesses are the backbone of our nation’s ground transportation system. They are responsible for the vast majority of our freight hauling capacity. Their economic health is necessary if a stable trucking industry is to be available, in good times and bad, to move freight across the country.

The truckload fuel surcharge legislation will help reduce the instability that has made the trucking industry less reliable to shippers and to brokers over the past few years.