

ECONOMIC PERSPECTIVES

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NNDA
Northern Nevada
Development Authority

Trucking: Essential Pillar of Logistics & U.S. Economy



Rob Hooper
President & CEO

The trucking industry is essential to both the logistics industry and the U.S. economy, and is the largest sector of the motor carrier industry. Trucking companies annually transport billions of tons of raw materials, works in process, and finished goods over land. *FreightWaves*™, an online forum focused on the freight market, reports, “The U.S. trucking freight market is 30% bigger than U.S. oil, coal, and natural gas production combined.”

The close proximity of Nevada’s Sierra Region to the western U.S. combined with easy access to interstate arterial highways allows trucking and logistics to reach nearly 60 million customers or clients within a one-day truck transit. More than 50 freight carriers and 65 trucking companies serve Northern Nevada offering transcontinental, fast-freight and van-line shipping to major markets and U.S. deep water seaports serving the Pacific Rim.

According to the American Trucking Associations (ATA), trucks move almost 71% of all freight tonnage in the U.S., and the nation’s freight system carries 85% of domestic cargo by value. In 2016, trucking revenues represented 81.5% of the nation’s freight bill.

Freight carried by other transportation modes often relies on trucking to provide access to air cargo, railroads, and seaport terminals. The flexibility of the motor carrier industry facilitates trucking service to nearly every freight transport market. Trucks haul nearly 100% of consumer goods. Without trucks, the American economy would come to a standstill.

While freight moves throughout the entire U.S. over an extensive network of highways, railroads, waterways, pipelines, and airways, the demand for freight transportation is driven chiefly by the geographic distribution of population and economic activity, according to the U.S. Department of Transportation (U.S. DOT). Both have grown faster in the South and West than in the Northeast and Midwest. Although, the Northeast has the highest economic activity per capita.

Trucking is a critical component of logistics and supply chains. One advantage is their transit times. When shipments need to travel less than 500 miles, trucks can usually deliver the freight in less time than other modes of transportation with fewer access issues. Faster modes may be restricted by less frequent schedules and limited access. While the state and federal regulatory limitations of total weight of the cargo and vehicle size may seem disadvantages, the smaller shipping size of the truck can provide shippers and their customers with the benefits of lower inventory levels and inventory carrying costs.

Another service advantage of trucks is their flexibility. Trucks can usually be loaded and on their way faster than most other transportation modes. For example, rail and barge require large volumes of cargo or numbers of vehicles to be loaded, for efficiency and cost effectiveness, before the actual transportation of the cargo can begin. At the same time, the number of highways or lanes available to trucks have available provide for faster and more efficient alternative routes to meet the specific needs of the shipper.

ATA has determined that the trucking industry invests at least \$9.5 billion annually in safety and technology enhancements to help ensure that drivers and passengers of all vehicles make it safely to their destination. These investments include collision avoidance systems,



electronic logging devices for driver hours of service compliance, video event recorders, driver safety training, driver safety incentive pay, and compliance with safety regulations.

For 2015, U.S. DOT Federal Motor Carrier Safety Administration (FMCSA) reported that 7.4 million people were employed throughout the nationwide economy in jobs that related to trucking activity, representing 6% of the U.S. working population. Currently, freight tonnage is at record levels, resulting in part from the growth of e-commerce, and projected to increase about 1.4% annually between now and 2045. The trucking industry is already experiencing a shortage of qualified truck drivers, which may affect truck company expansions and being able to meet shipper demands.

According to a recent posting by *FreightWaves* Chief Economist, Ibrahim Bayaan, “To combat this, carriers have begun offering higher wages and improved benefits to truckers in an effort to attract and retain drivers in the industry. Hourly earnings growth for trucking employees has outstripped the growth in the rest of the economy through March of this year, and survey evidence suggests that benefits have also improved.”

Clarissa Hawes, award-winning Trucks.com staff writer who covers the trucking industry, recently posted, “The trucking industry is jazzed about 2018. Freight demand is rising, rates are soaring and truck sales are at their best level in years.”

Having a strategically interconnected freight transportation network contributes to state economic growth by expanding interstate commerce. Northern Nevada has an excellent multimodal infrastructure which enables companies to gain quicker access to markets by rail, air and roads, reducing bottom-line costs. This can be leveraged to meet the needs of our trucking and logistics industries while benefitting our Sierra Region and the Silver State.

The motor carrier industry is an essential part of Nevada’s economy. Please join us on Wednesday, June 27, 2018 for our monthly The Business Edge™ from 6:45 – 8:00 am at the Carson Nugget Casino. Nevada Trucking Association CEO, Paul Enos, will discuss “Trucking & Logistics: Past, Present and Future.” Visit NNDA.org for more information.