

# BusinessWeek

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## Independent truckers see end of the road

By ELLEN SIMON

Trucker Robert Griffith is on the road three weeks out of four, pulling oversize loads like crane booms, railroad ties and air conditioning ducts. One of his biggest worries: How he'll find the money to buy his daughter a prom dress.

As the cost of diesel doubled over the last four years, his take-home pay has plummeted, from \$50,000 to \$11,000 last year. He's literally burning money; he spent \$64,000 on diesel in the last eight months. Since he canceled his satellite radio, he's on citizens band radio constantly (handle: Instigator) talking about what needs to change so truckers like him can survive.

"I had to learn to live totally different," said Griffith, 41, of Lebanon, Tenn.

No more \$150 family outings to Shogun sushi. No more weekly washes for his Western Star 4900 EX truck. No more health insurance for him and his family.

"It hurts," he said. "I'm a man who's trying to make a living for my family and I'm not succeeding."

Trucking's owner-operators, the self-employed drivers who haul everything from Hummers to hay, are suffering. Many say they're running on the edge of bankruptcy, about to disappear unless they get help. While a wave of trucking failures now might be invisible to consumers, when the economy rebounds, it would push up shipping rates, helping increase prices.

The housing downturn and decreased consumer spending have cut into loads; the extra trucking capacity is pushing down freight rates. Diesel prices, which are always higher in the winter, have hit such highs that Truckinginfo.com runs ads for thief-stopping fuel-tank locks.

"If you can run all week without a flat tire, you're a little bit ahead, otherwise, you're basically just running to put the money right back into the fuel tank," said trucker Benjamin Stanley, 40, of Spotsylvania, Va. "Truckers are in the same spot farmers were in a few years back."

Reposessor Nassau Asset Management repossessed 110 percent more trucks in 2007 than it did in 2006, according to president Edward Castagna. And it's taking less time to pick up a truck, which he sees as a sign that there's less work to keep them on the road -- and out of his reposessors' reach.

"It used to take weeks, now it takes days or hours," he said.

Industries that depend on independent truckers, like logging, are starting to suffer. Maine Gov. John Baldacci declared a civil emergency at the end of November, speeding fuel tax reimbursements for logging truck operators and asking the Department of Transportation to identify roads that could tolerate logging-truck weight, allowing truckers to take more direct routes and save fuel.

About nine percent of the nation's 3.4 million truck drivers are independent owner-operators, according to the Department of Labor. Without the independents, trucking will turn into a group of "regional and national oligopolies" that would send shipping prices higher when the economy improves, said John Saldanha, who teaches logistics at Ohio State University.

A Baird & Co. research report said the one positive note is the likelihood of more bankruptcies could eventually push

freight rates up for the survivors.

Truckers, who felt unappreciated in the best of times, say they feel even more marginalized now.

Rumors of a nationwide truck strike are a nearly annual occurrence -- but this year an effort in January generated more talk than usual on MySpace and the Sirius Satellite Radio show "Freewheelin'."

"If you eat it, drink it, wear it ... sit on it, if it is anything other than the air you breathe, an American truck driver made it possible!" wrote trucker Joe Misilewich of Norwich, New York in an e-mail. "Don't forget it! Without truckers, America is nothing!"

Nanette Jenkins Rudd, 40, a third-generation trucker based in Mapleton, Ill., kept her five trucks off the road the week of the strike.

"I pray that this strike is successful, so that we only have to stop rolling for a week -- and not forever," she said.

Like other truckers, she's hoping for government help. "The government stepped in and helped the farmers when they were in trouble," she said. "Why? Because the farmers feed America, the farmers put food on the table. But who do you think delivers that food?"

Truckers say they want caps on diesel prices, or tax credits for truckers, as well as increased regulation for the middlemen who broker truck loads.

While independents struggle, the large public trucking companies seem to be on a different road. Their stocks have, for the most part, climbed since January.

J.B. Hunt Transport Services Inc. and YRC Worldwide Inc., with more than 10,000 truck tractors each, buy everything from fuel to tractors in bulk. The big companies buy thousands of gallons of diesel at a time on the commodities market, then store at their depots; Griffith buys his at truck stop pumps, where prices increased 38 cents a gallon over two days last month.

Independent truckers are increasingly dependent on freight brokers, middlemen who match shippers with drivers one load at a time, taking a cut for themselves. At one of the country's largest brokers, Landstar System, Inc., revenue from brokered loads was \$881.57 million in 2007, more than double what it was four years before. But the company said it paid less for transportation in fiscal 2007, while its revenue per load was nearly flat at \$1,612.

Jim Gattoni, Landstar's chief financial officer, said payments were lower because volume was lower. Drivers carrying brokered loads from the company earn between 80 and 90 percent of the value of the freight they carry, he said, depending on the weight and complexity of the load.

"Our margin, at the end of the day, is seven percent," he said.

At brokerage sites like [getloaded.com](http://getloaded.com) and [internettruckstop.com](http://internettruckstop.com), freight rates are where they were in 2002, said Roger Carpenter, a Binghamton, N.Y. trucker who hauls dairy and chickens. The middlemen behind the boards "are so competitive, they chop each other's rates up like hungry dogs trying to get a scrap of meat," he said.

Truckers complain that the brokerage system is unregulated and lacks transparency: They know what they're getting paid, but they don't know what the shippers are paying the brokers. They say they're also forbidden from showing the shippers their contracts. Many independents have a story about a shipper's shock after finding out what the trucker was being paid.

A load traveling 800 miles that cost a shipper nearly \$3,000 to send may pay the trucker \$1,000, out of which the trucker would pay all expenses including fuel and insurance.

"It's truly highway robbery," Misilewich said.

Jim Butts, vice president of transportation at C.H. Robinson, a company whose business includes brokering loads, said his company serves truckers well, acting as their sales and marketing arm and paying them even when shippers fail to pay.

"Not all these competitors are playing the same game and not all abide by the same rules," he said.

Griffith, who's been driving a truck for 20 years, stopped working with brokers six months ago and started hauling specialized loads, which pay \$2 or \$3 a mile more than standard.

Not that it's helping.

Three-quarters of his pay is going to fuel and maintenance, up from half in the past. And how much work he can cram in is regulated, with the number of hours he can drive capped by federal regulations at 11 a day, all of which must be recorded in a log book.

"People will say, 'Run harder,'" he said. "I can't run harder. You can't run beyond your log books."

Back on the CB, "someone will get on about trucking, someone will get on about the fuel prices, then everyone will start arguing and cussing." Listen to CB for an hour he said, "you'll feel the animosity, the hatred, the despair."

Griffith longs for the old Teamsters Union boss Jimmy Hoffa, who led truckers in their most powerful -- and profitable -- years. Hoffa disappeared in 1975 and was declared presumed dead in 1982.

"We need to band together instead of fight each other and somebody needs to help us do that," he said. "I wish Jimmy Hoffa were still around."

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