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GATS 2016
Connecting the Dots

Driver Shortage / Driver Turnover

PAY LESS TAX

BOOKKEEPING DONE FOR YOU

TAX DEBT RESOLVED

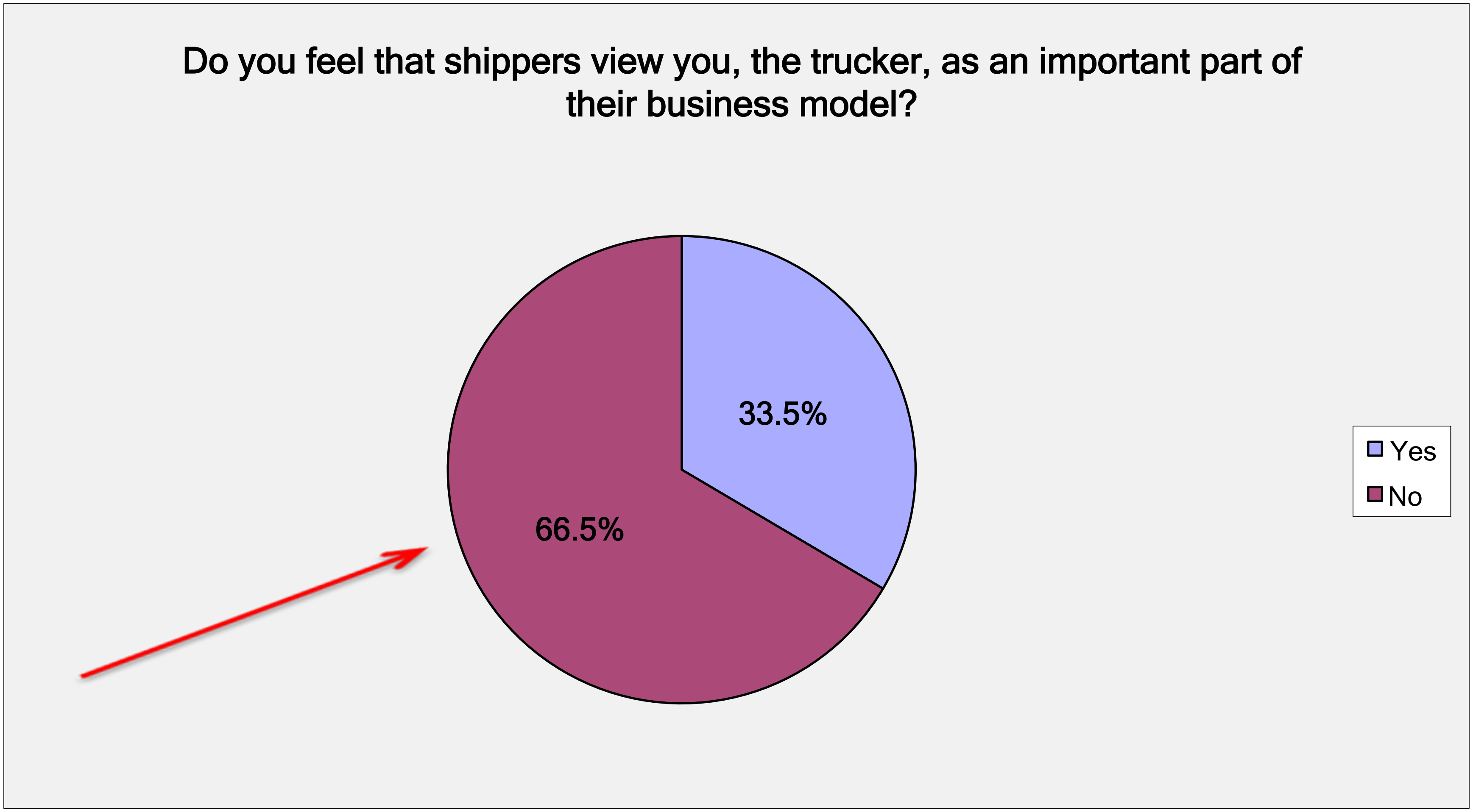
Driver Shortage / Driver Turnover

Good stuff.

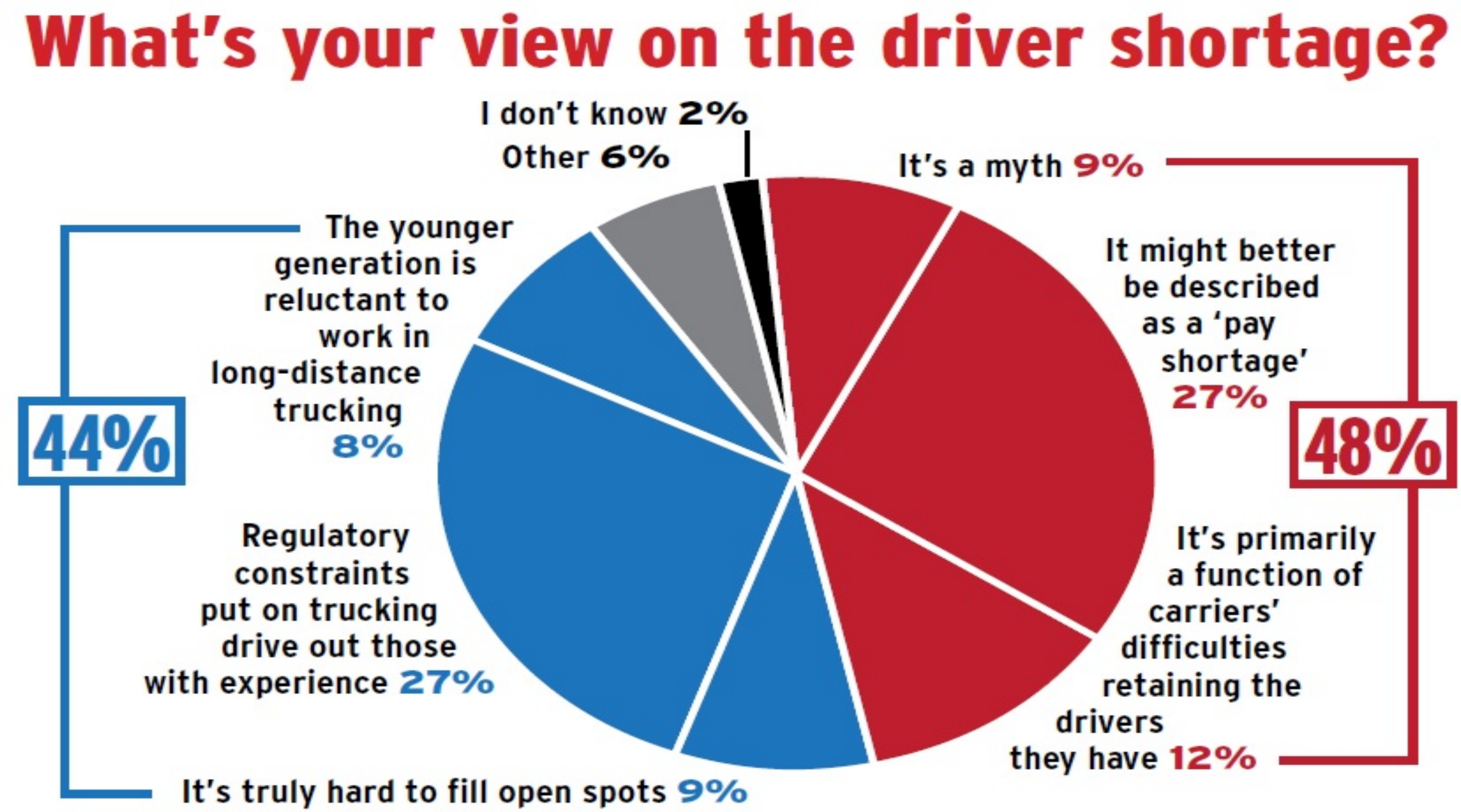
TRUCKS BRING IT®

Source: American Trucking Association

Driver Survey – Driver Turnover

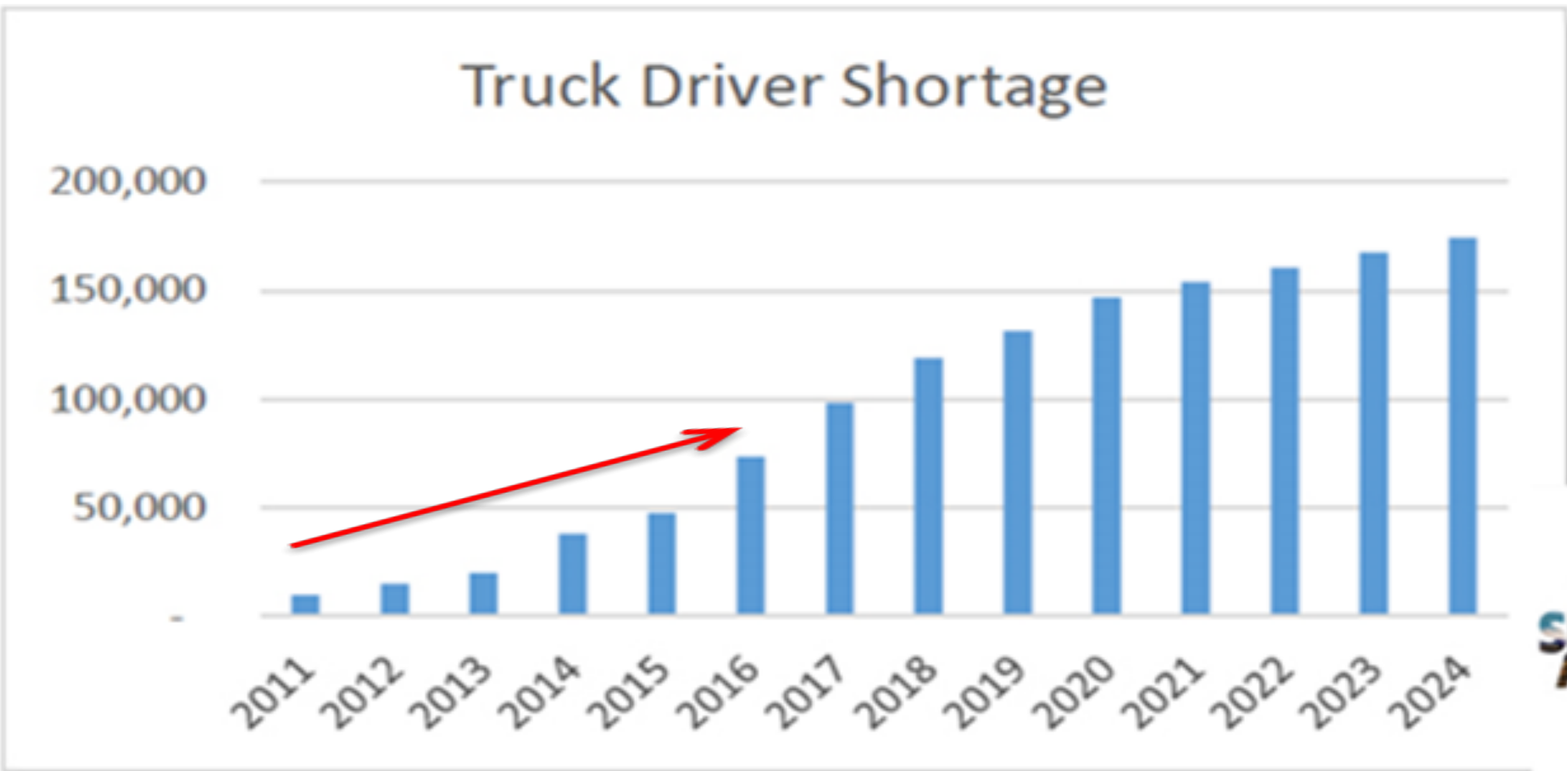


Driver Shortage / Driver Turnover?



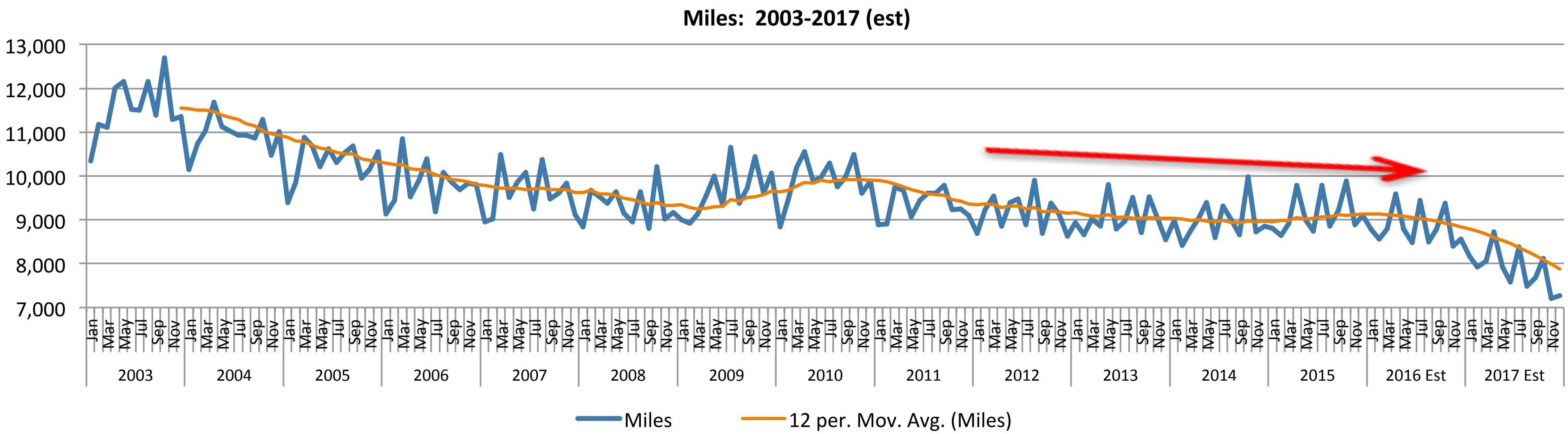
Source: Overdrive Magazine February 2016

Predicted Driver Shortage 2011-2016



Source: ATA Truck Driver Shortage Analysis 2015

Miles have decreased



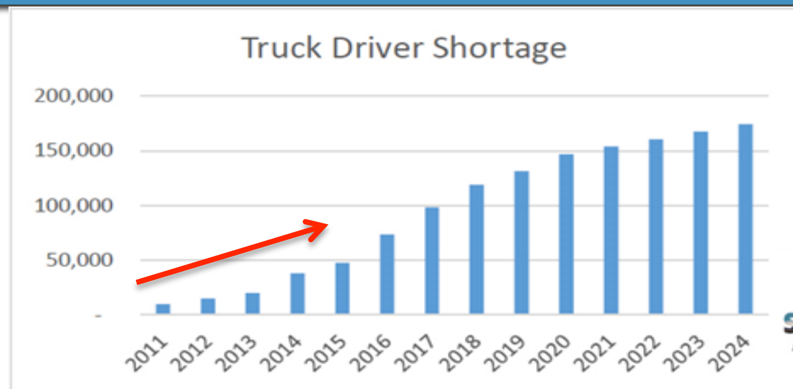
Source: ATBS Independent Contractor Benchmarking Report 2016

Actual Truck Tonnage 2011-2016

Source: Federal Reserve Economic Data

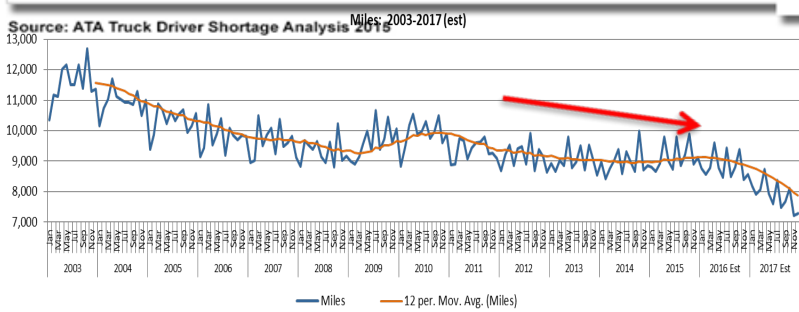
Shortage – Miles - Tonnage

Predicted Driver Shortage 2011-2016



Source: ATA Truck Driver Shortage Analysis 2015

Miles have decreased



Actual Loads Hauled 2011-2016

Turnover

In 2015, turnover at large fleets averaged 93% for the entire year.

Source: HDT July 2016

Driver Shortage or Driver Turnover

Would we have a “Driver Shortage” if turnover was at 50% instead of 93%?

Would we have 93% turnover if freight rates supported $70,000 driver income?

Why do drivers leave

Drivers leave when the demands of the work exceed the rewards of the work. - Jon Hall Ph.D

Truck drivers need to make $70,000. - Don Schneider

Pay Won't Change Until Shippers Feel It

Source: Federal Reserve Economic Data

Compensation Drives Turnover

Quick Facts: Heavy and Tractor-trailer Truck Drivers

2015 Median Pay	$40,260 per year $19.36 per hour
Typical Entry-Level Education	Postsecondary nondegree award
Work Experience in a Related Occupation	None
On-the-job Training	Short-term on-the-job training
Number of Jobs, 2014	1,797,700
Job Outlook, 2014-24	5% (As fast as average)
Employment Change, 2014-24	98,800

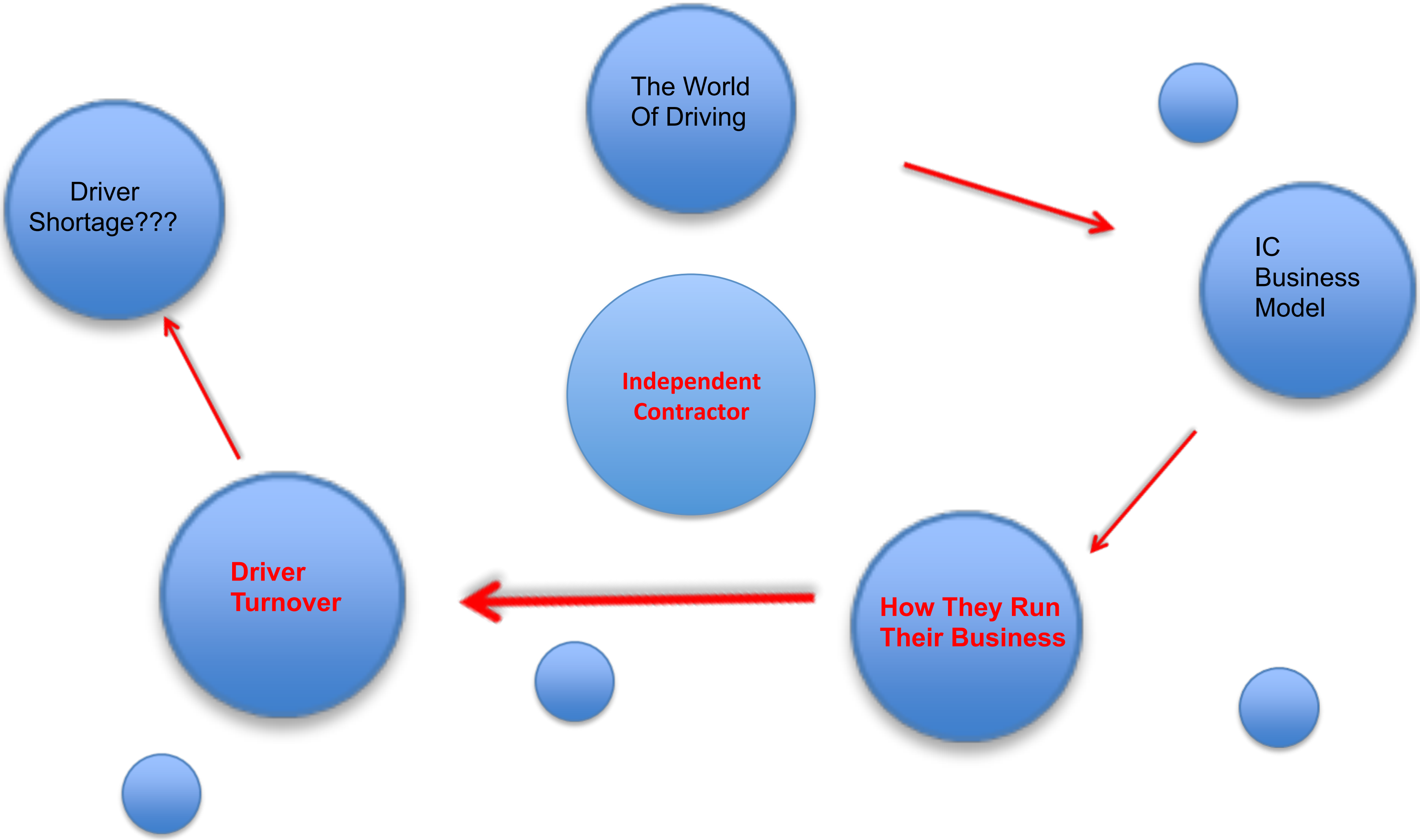
Source: Department of Labor Bureau of Labor Statistics 2015

Compensation Drives Turnover

Industry	Employment (1)	Percent of industry employment	Hourly mean wage	Annual mean wage (2)
General Freight Trucking	602,940	61.14	$20.99	$43,660
Specialized Freight Trucking	245,700	53.82	$20.58	$42,810
Grocery and Related Product Merchant Wholesalers	65,150	8.81	$22.40	$46,590
Cement and Concrete Product Manufacturing	55,970	30.13	$18.96	$39,430
Other Specialty Trade Contractors	41,170	6.65	$19.26	$40,060

Source: Bureau of Labor Statistics 2015

Connect the Dots



The Owner-Operator Advantage

To make more money, the company driver has to run more miles.

To make more money, the owner-operator can run more miles and can also manage cost.

How They Run Their Business

1. Can you explain fixed expense?

2. Can you use fixed expense in your regular decisions?

The Rules of Fixed Expense

1. Know your number
   a. Current average is $128 per day
2. Must use it 365 days per year
3. Use it in connection with any question or decision related to time.
   a. How much time-off can I afford?
   b. Should I layover to take a better paying load tomorrow?

The Rules of Fixed Expense

1. Know your number
    a. Current average is $128 per day
2. Must use it 365 days per year
3. Use it in connection with any question or decision related to time.

Question: $1,280 in reserve. Truck does not generate revenue for 10 days. How much is left in reserve?

The Reward of Fixed Expense

- What does it cost to switch carriers?
- Which load is the better load?
- Instead of one load between Philadelphia and Chicago should I split it up into two loads?

The cost to switch fleets

Owner-Operator	$15,000
Lease Purchase Contractor	$7,500
Company Driver	$4,000

Which is the Better Load?

Two loads from Cleveland to Chicago – 349 miles

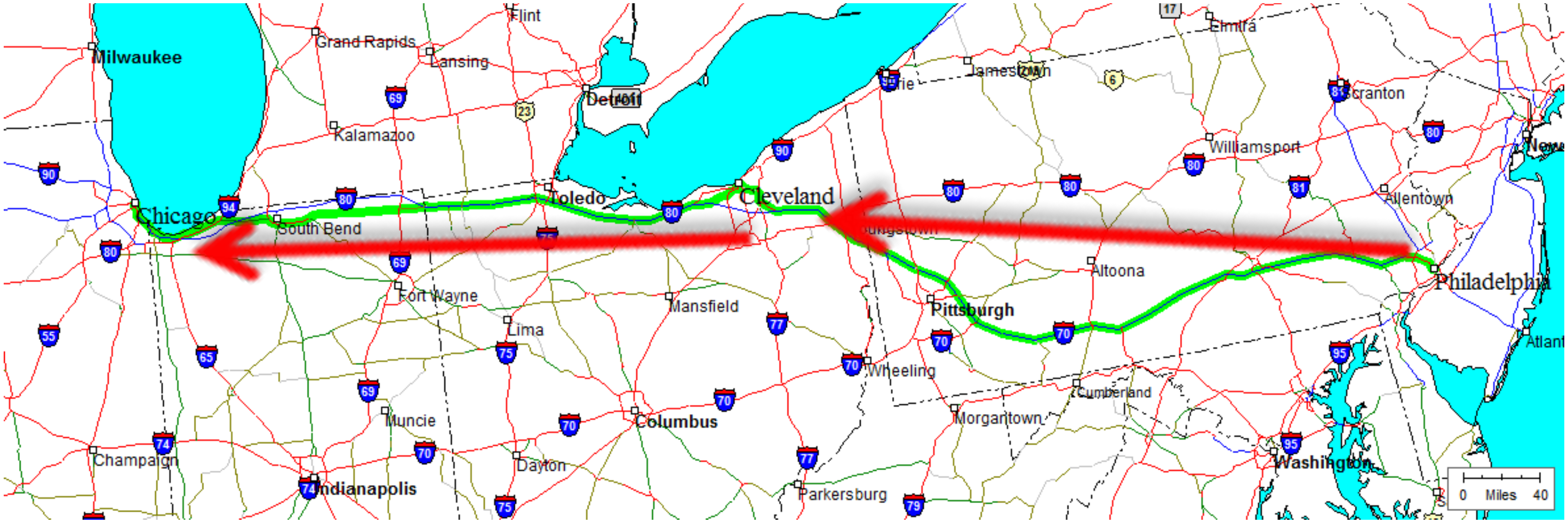
Pick up today and deliver tomorrow for $2.00 per mile = $754.00

Layover today, pick up tomorrow for $2.50 per mile = $942.50

One Load or Two?

- Trucking has a built-in conflict between time and distance.

  You can’t control the distance between two points but you can control the TIME between two points.



Helpful?

Last Words

We can recruit drivers but can’t keep them.

The key to keeping them?

ATBSshow.com

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Thank you

Richard DeForest

303-210-5701

rdeforest@atbsshow.com

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Independent Contractor Benchmarking (ICB)

A Guide To Independent Contractor Success

PAY LESS TAX

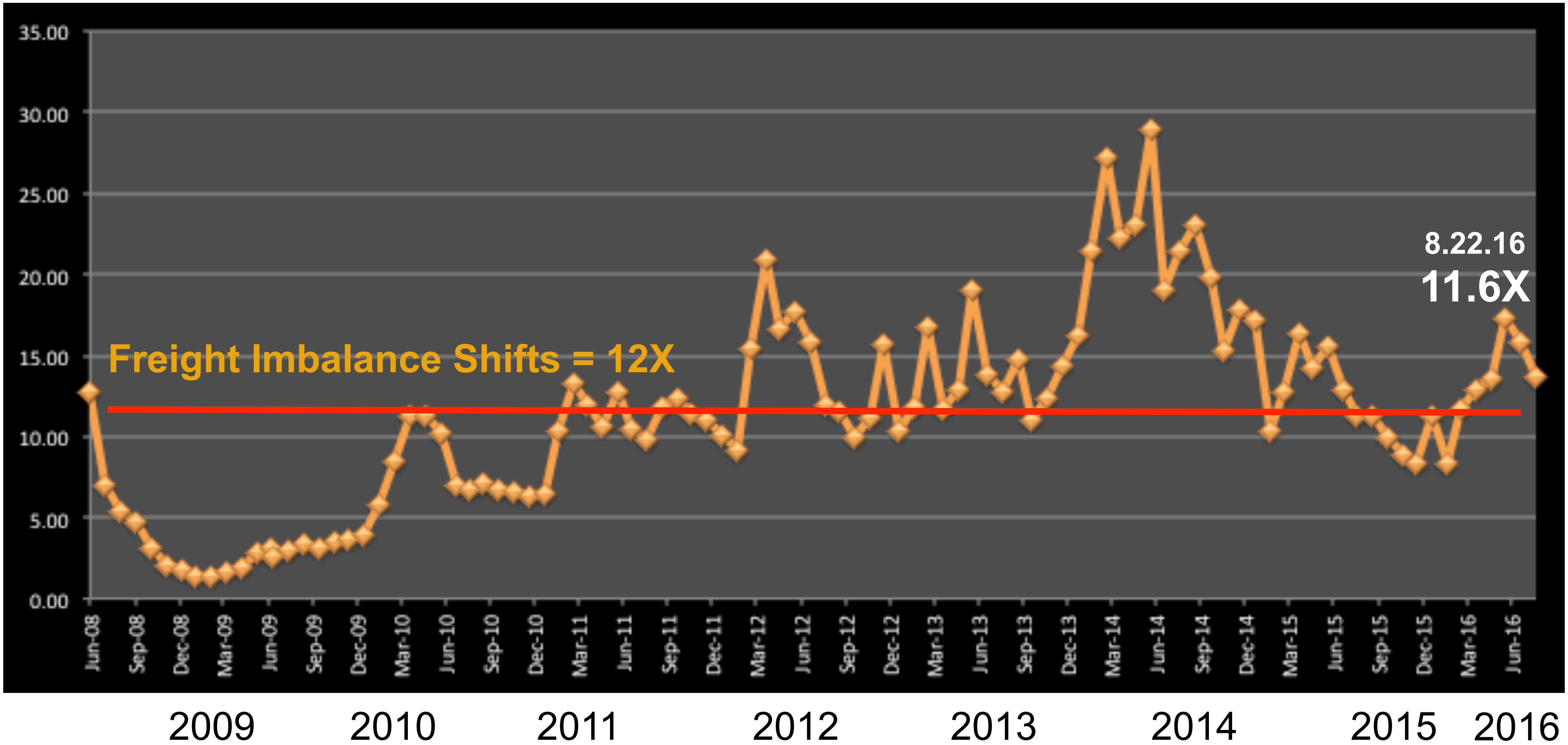
BOOKKEEPING DONE FOR YOU

TAX DEBT RESOLVED

2016 ICB Big Trends

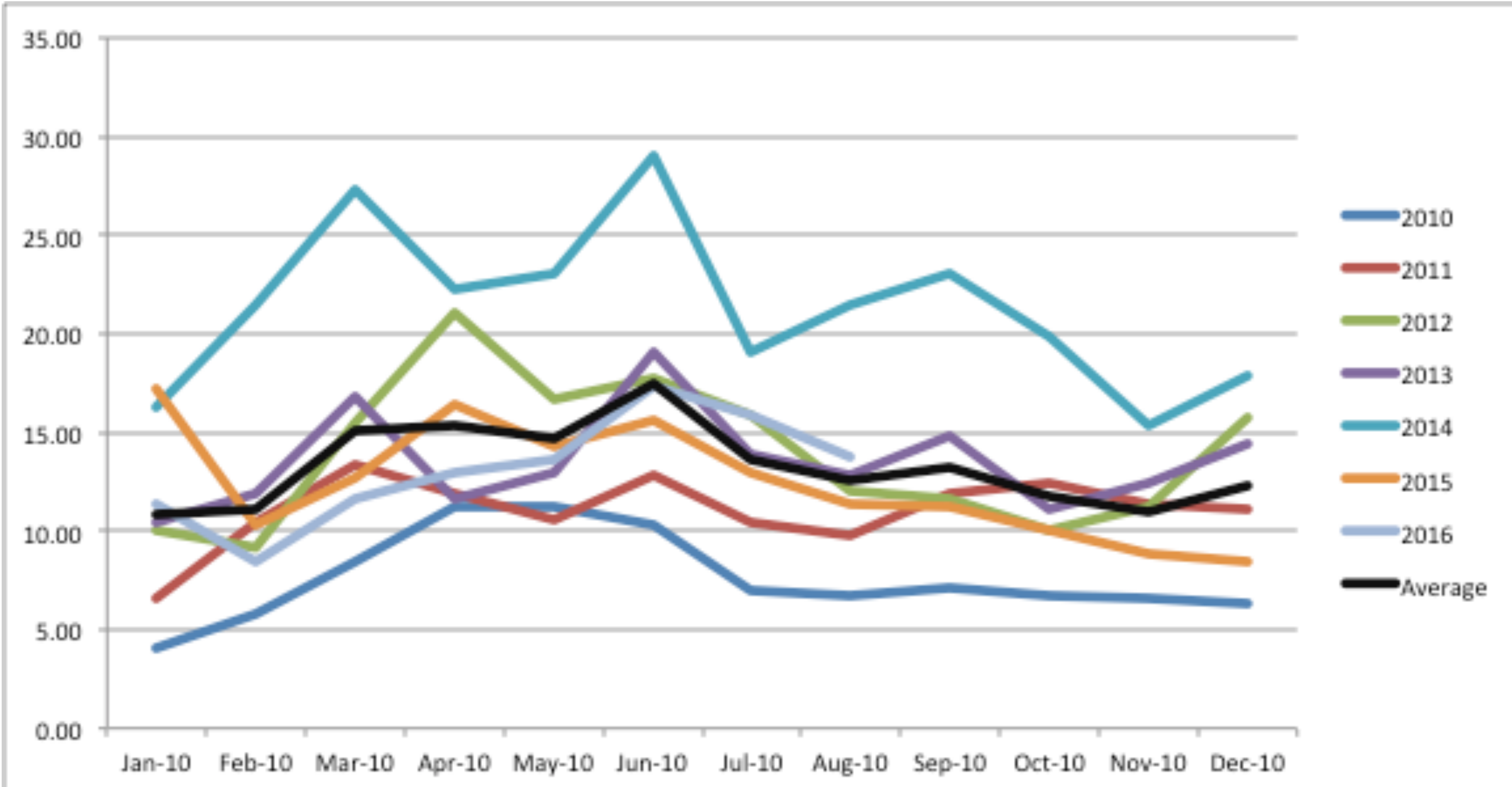
- Miles reversed their downward trend
- Spot market rates plummeted
- Reduced Fuel costs helped net income
- Bigger truck payments offset with efficiencies
- OO market is shrinking with slow freight

ITS - Broker Load vs Truck Index



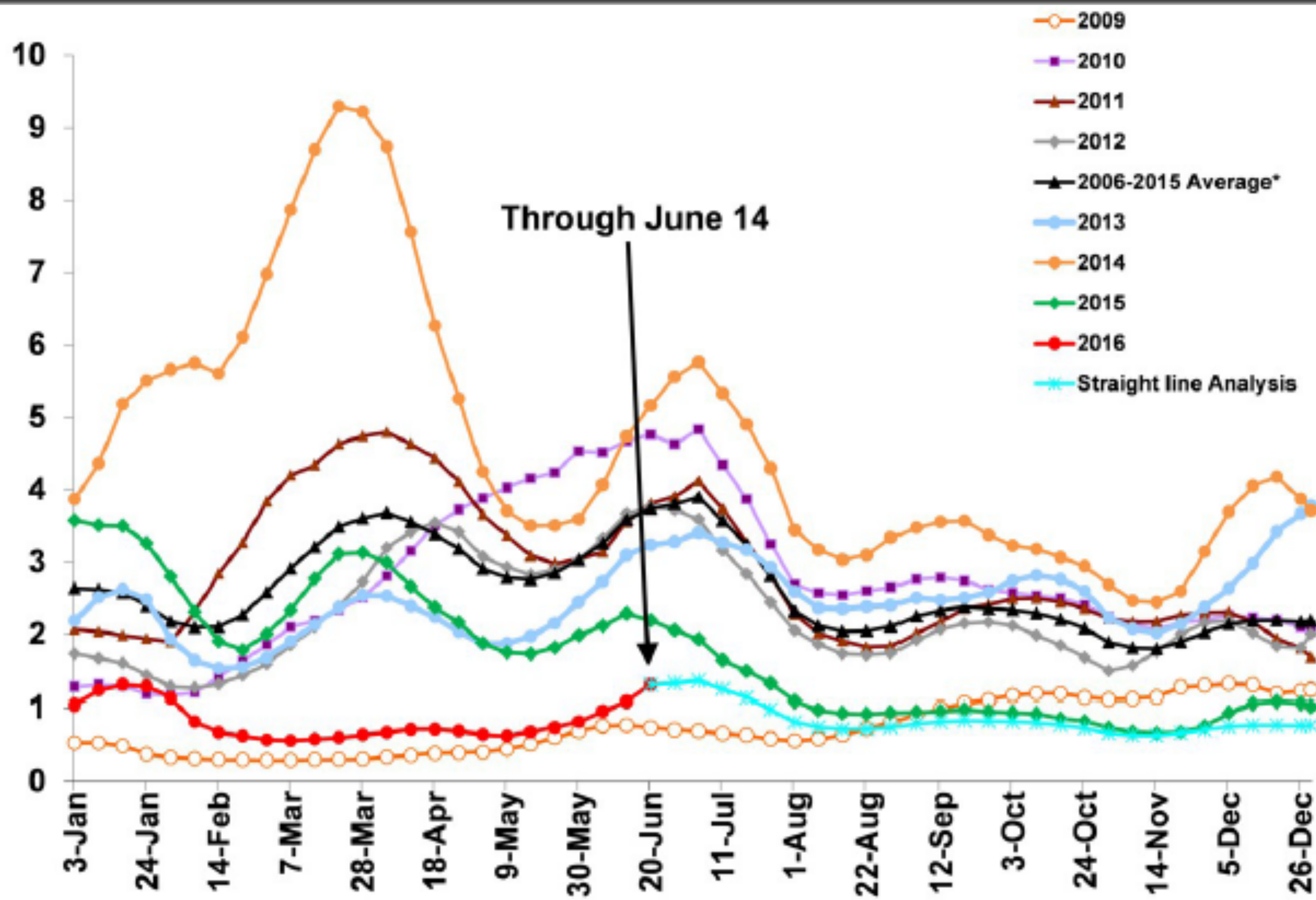
Source: ITS Trans4cast Letter

ITS - Broker Load vs Truck Index

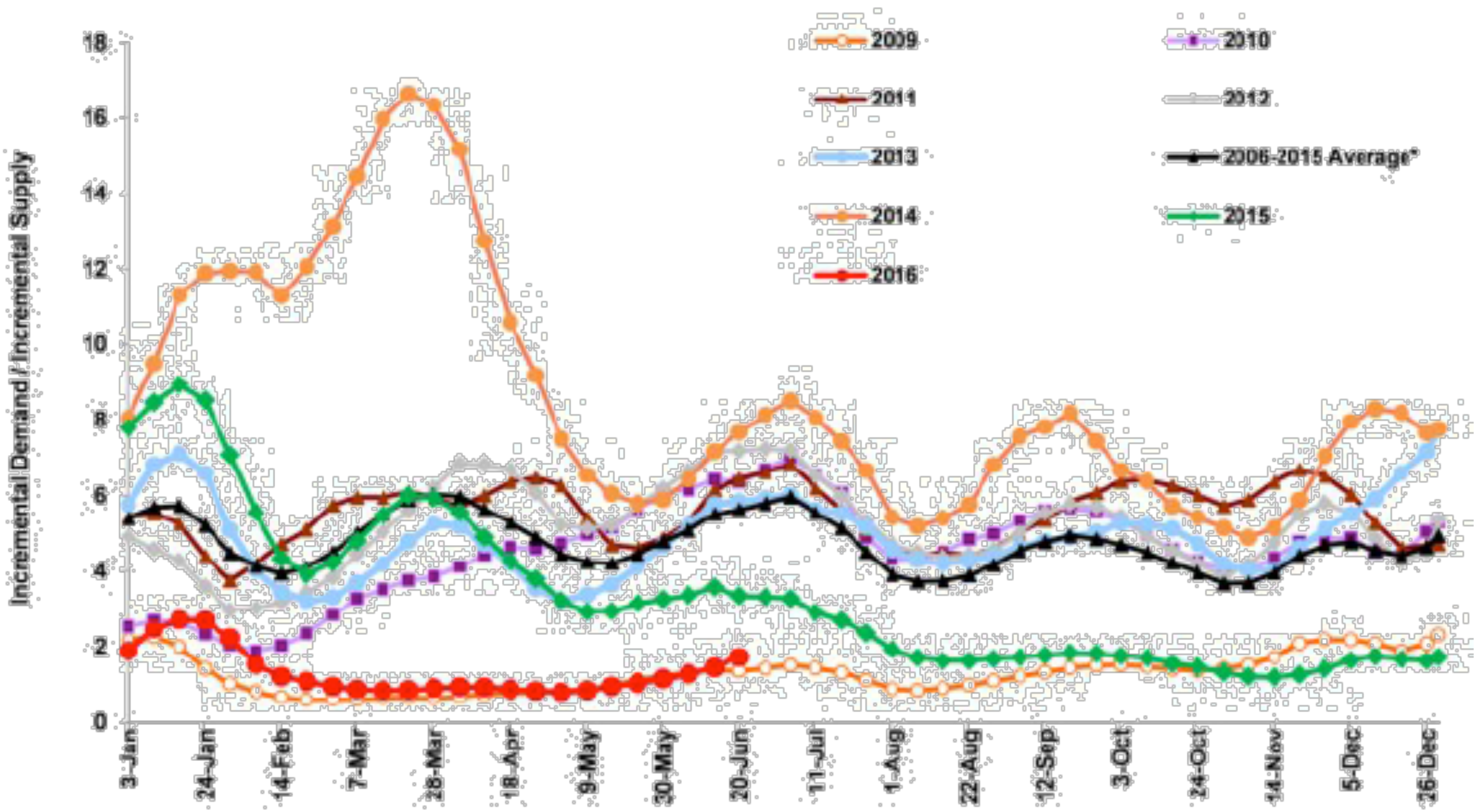


Source: ITS Trans4cast Letter

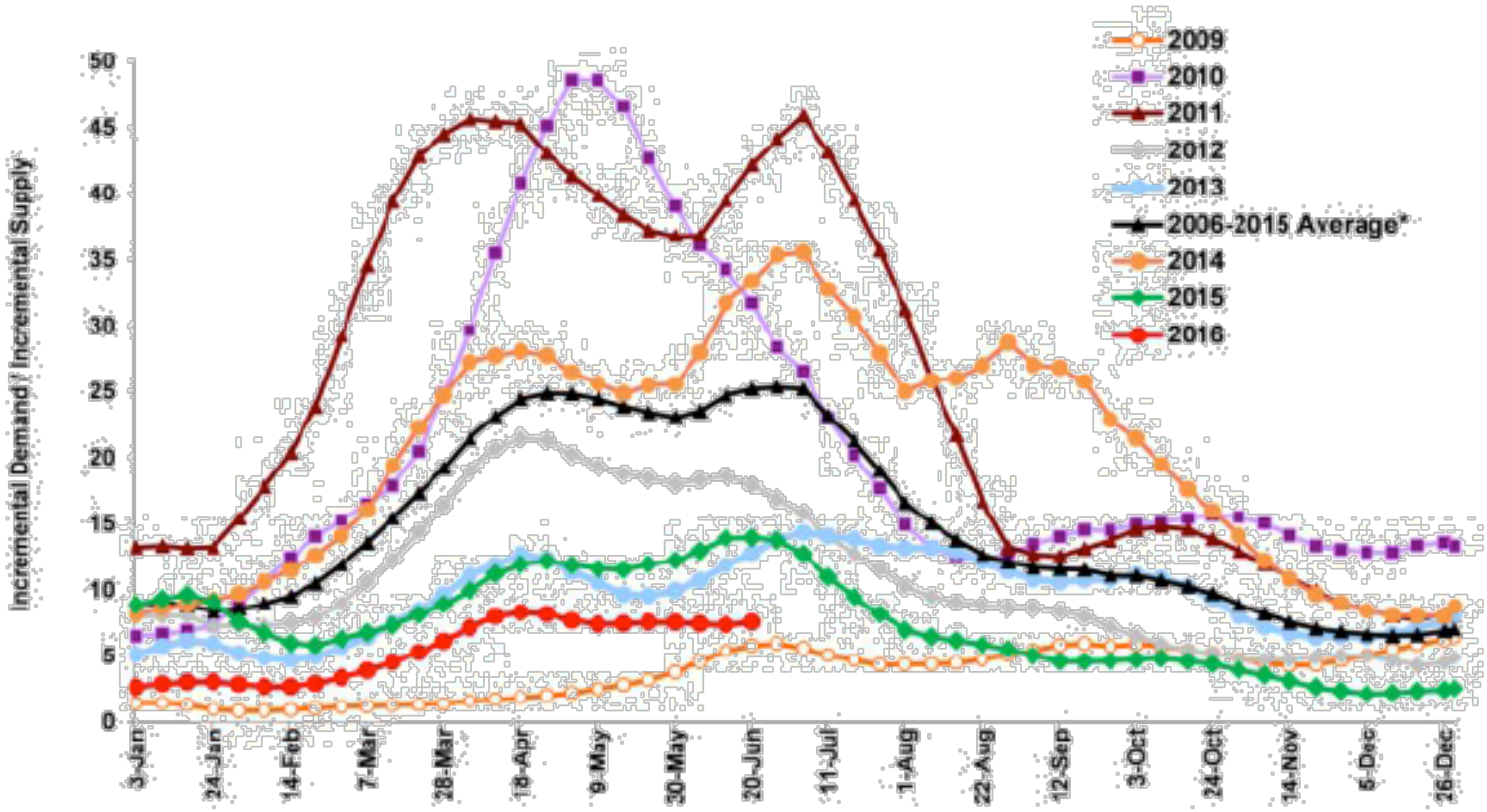
Morgan Stanley – Dry Index



Morgan Stanley – Reefer Index



Morgan Stanley – Flatbed Index



Methodology of Data

- Sample Size = thousands of owner-operators in each market segment
- Most recent 24 months including an average of each 12 month period
- **Specific Fleet Benchmark data is for Fourth Quarter 2015**
- "Scale" remains consistent across each group of charts
- "Avg All Market Segments" is a weighted average of the "segments", taking into account the percent of clients in each market segment
- Data Tables are available from ATBS

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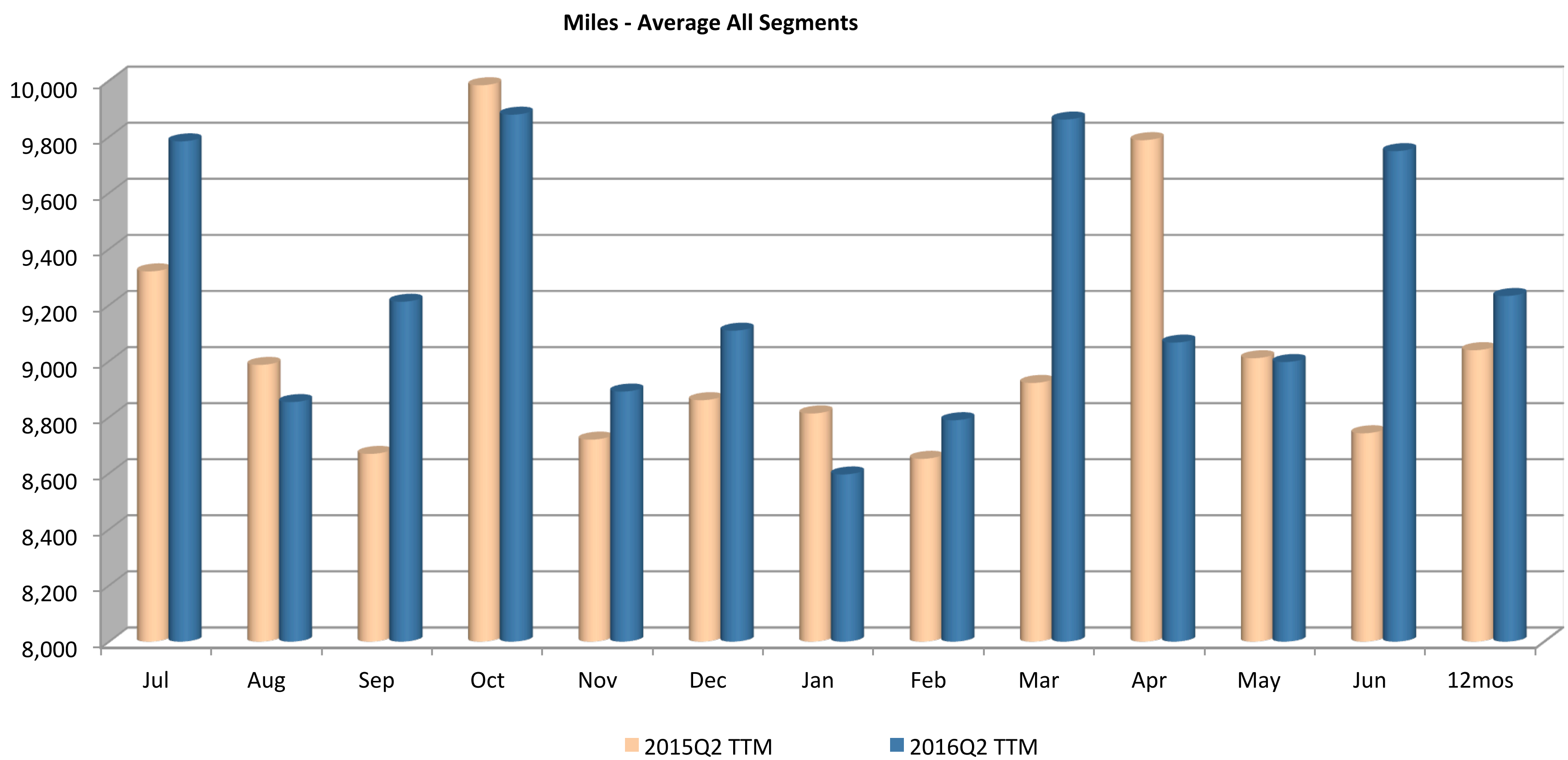
Operating Analysis

By Independent Contractor Segment

Independents, Dry, Reefer, Flatbed, & Average of All Segments

Miles – Avg All Market Segments

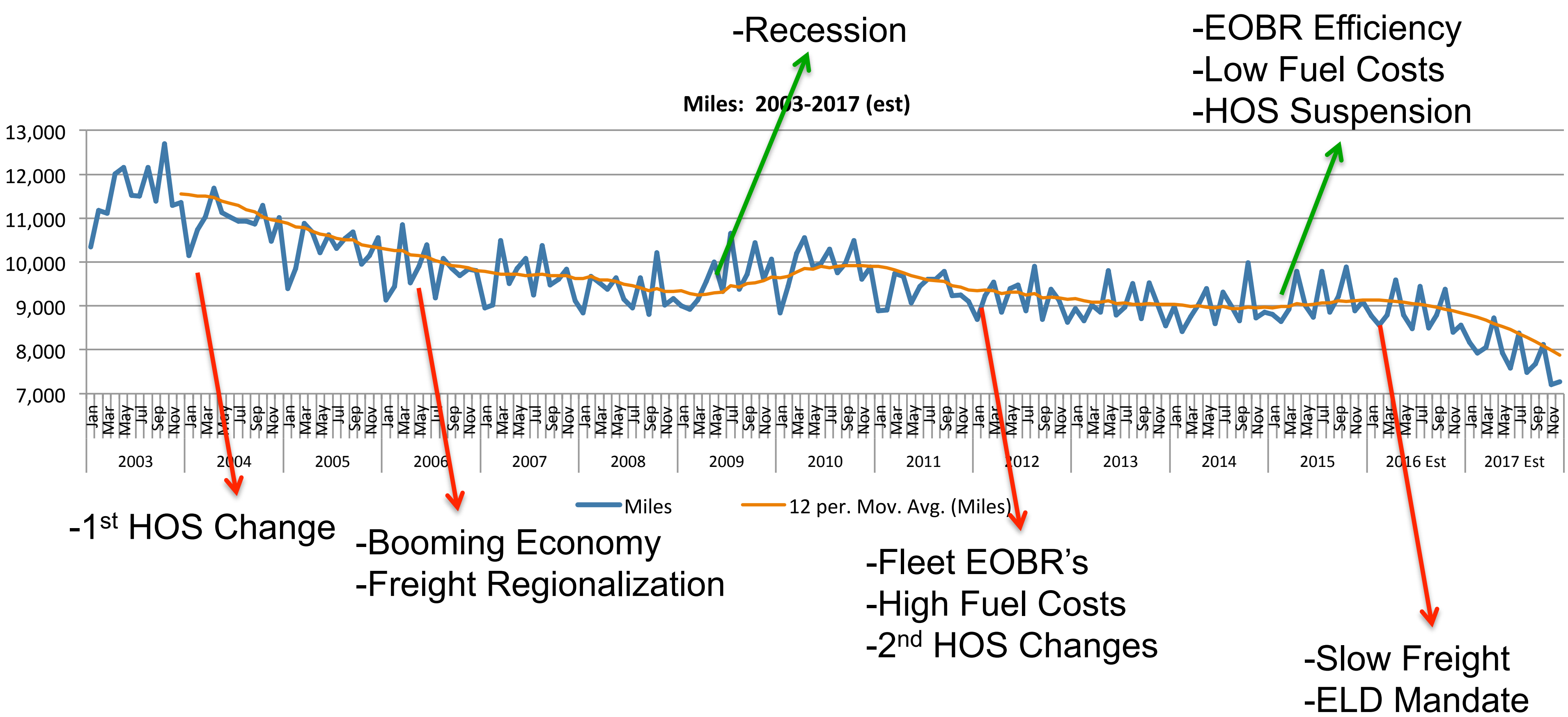


Independent	+0.8% to	99,940
Dry	+2.4% to	115,866
Reefer	+4.2% to	126,292
Flat	+0.3% to	90,426

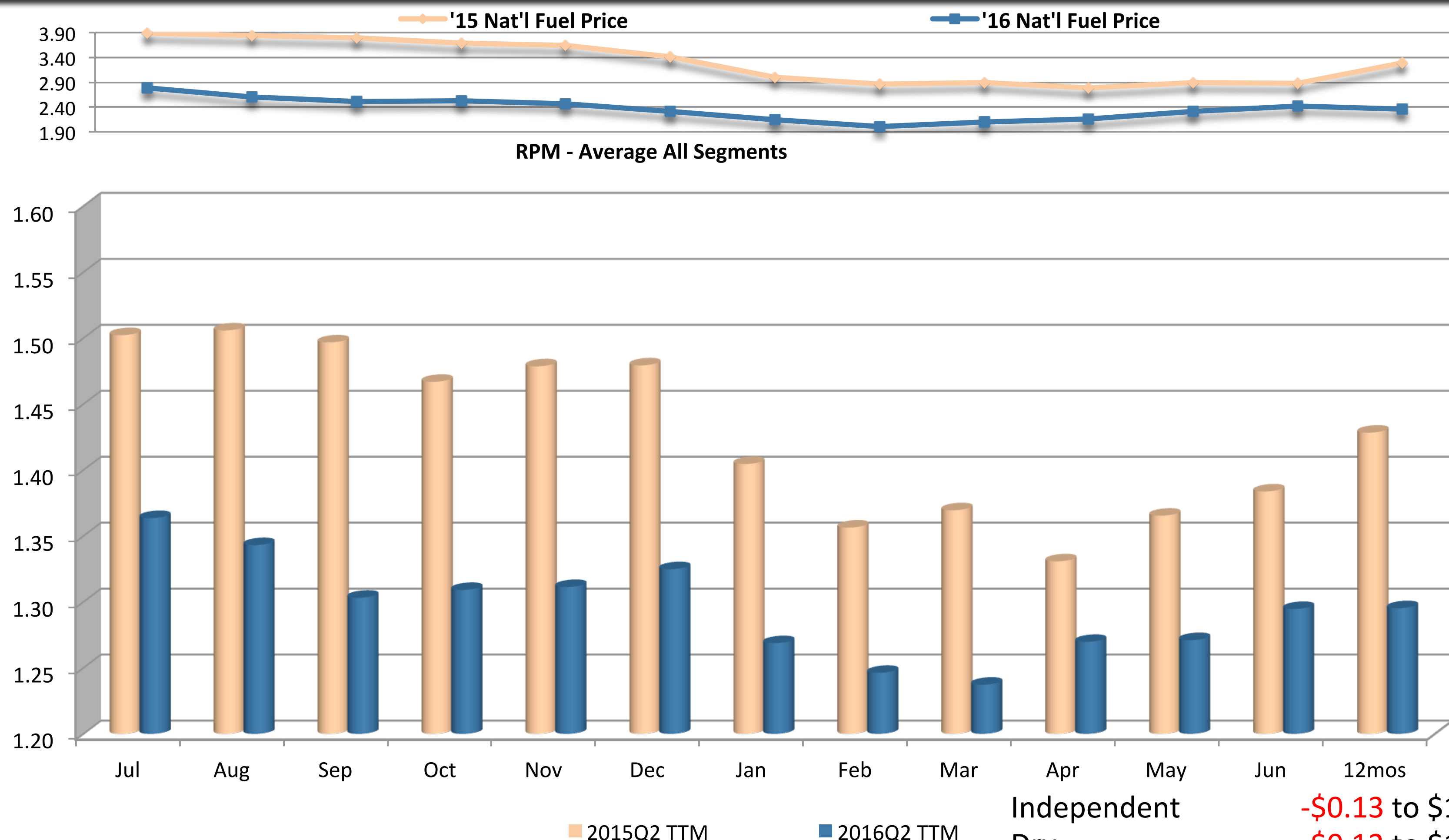
2015Q2 vs 2016Q2: +2.1% +2,319 to 110,793

Miles 2003–2017 (Est.)

Average All Market Segments

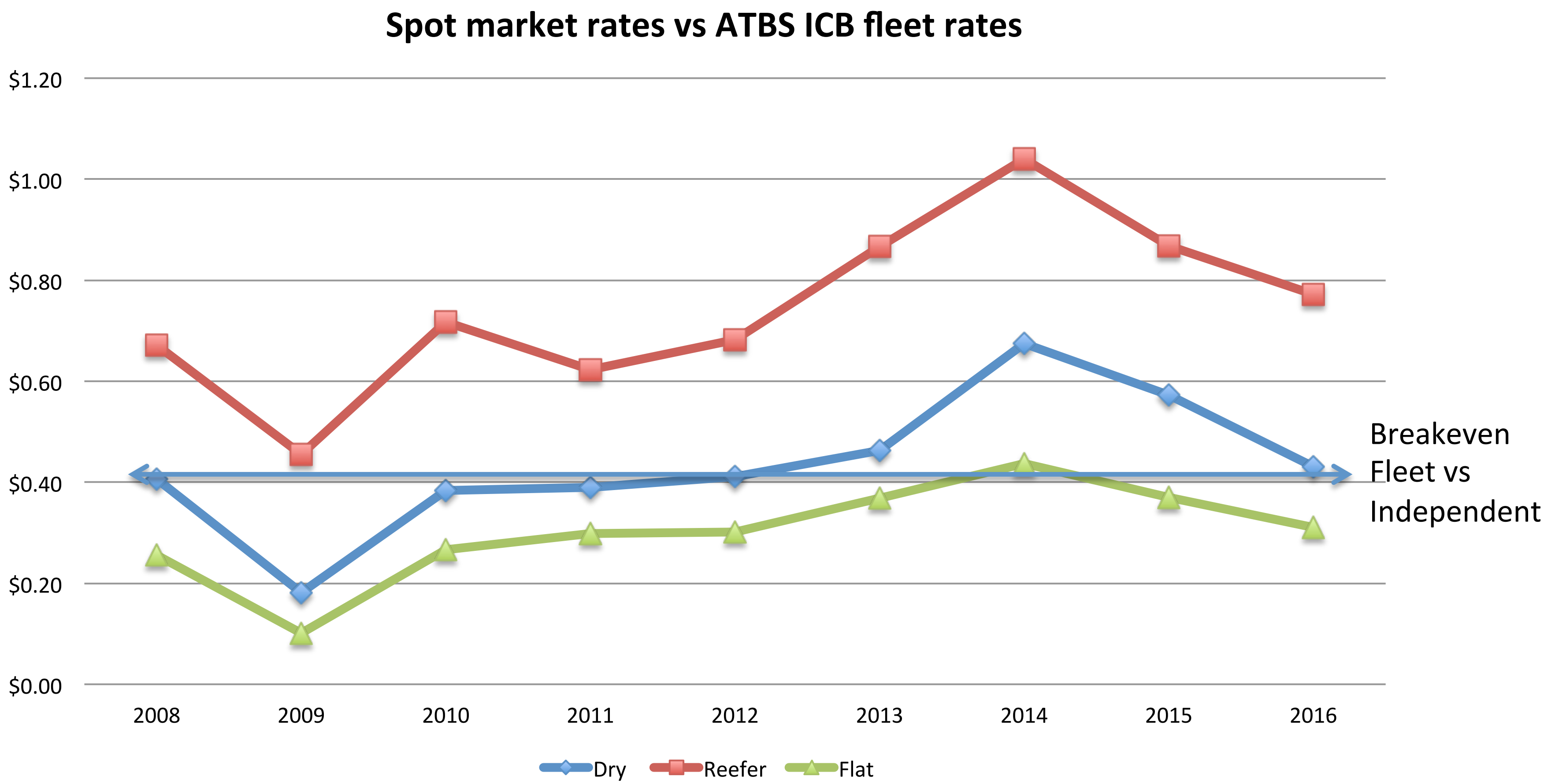


RPM – Avg All Market Segments



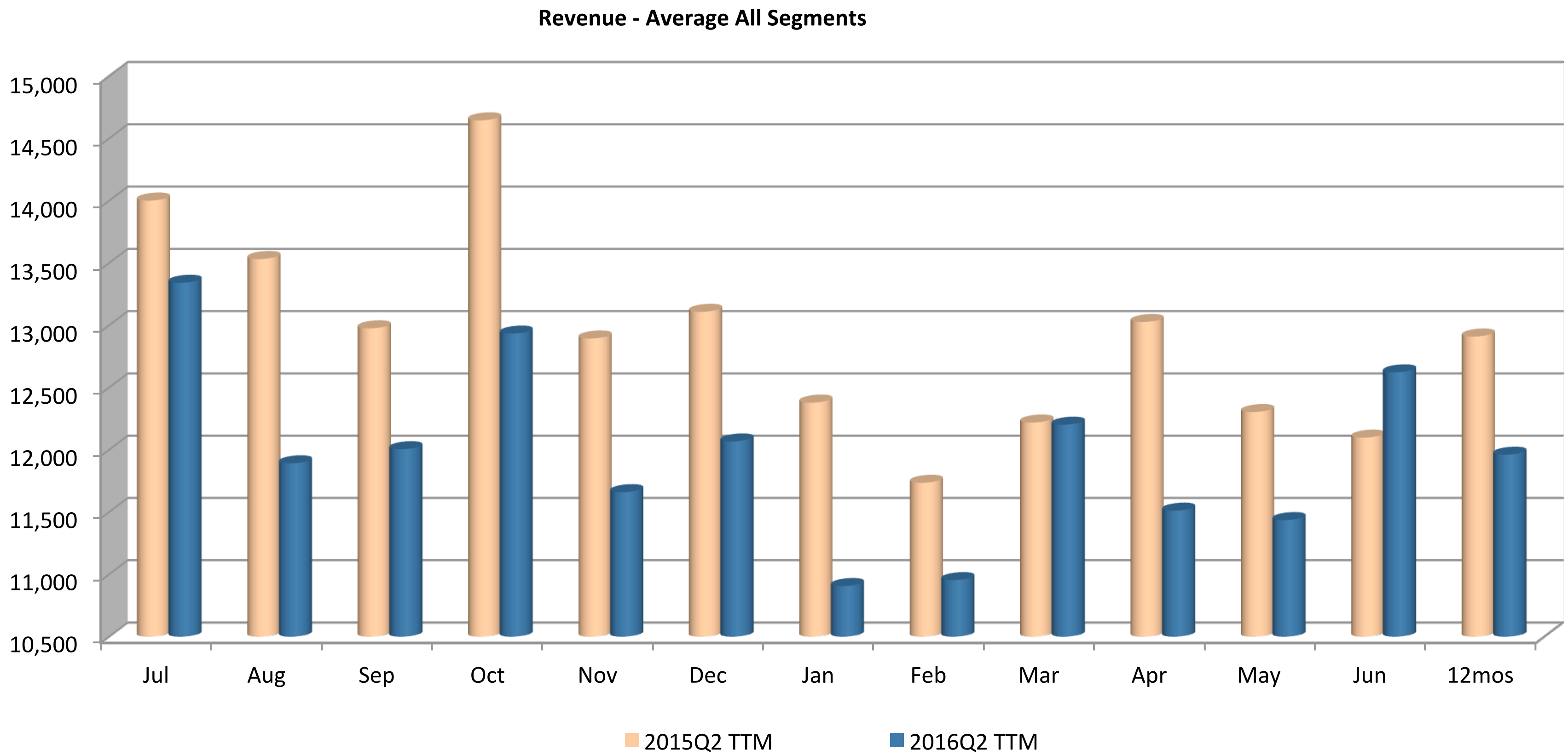
2015Q2 vs 2016Q2: -9.3% -$0.13 to $1.30

Independent	-$0.13 to $1.41
Dry	-$0.12 to $1.23
Reefer	-$0.14 to $1.18
Flat	-$0.18 to $1.62



Indep Cost Increase	$ Amount	Per Mile
License, Permit, IFTA, etc	$3,000	0.03
Additional Insurance	$5,500	0.05
Trailer	$7,000	0.06
Book, Bill & Collect Loads	$5,000	0.05
Operational Losses, ELD's (drop & Hook)	$25,000	0.23
TOTAL	$45,500	0.42

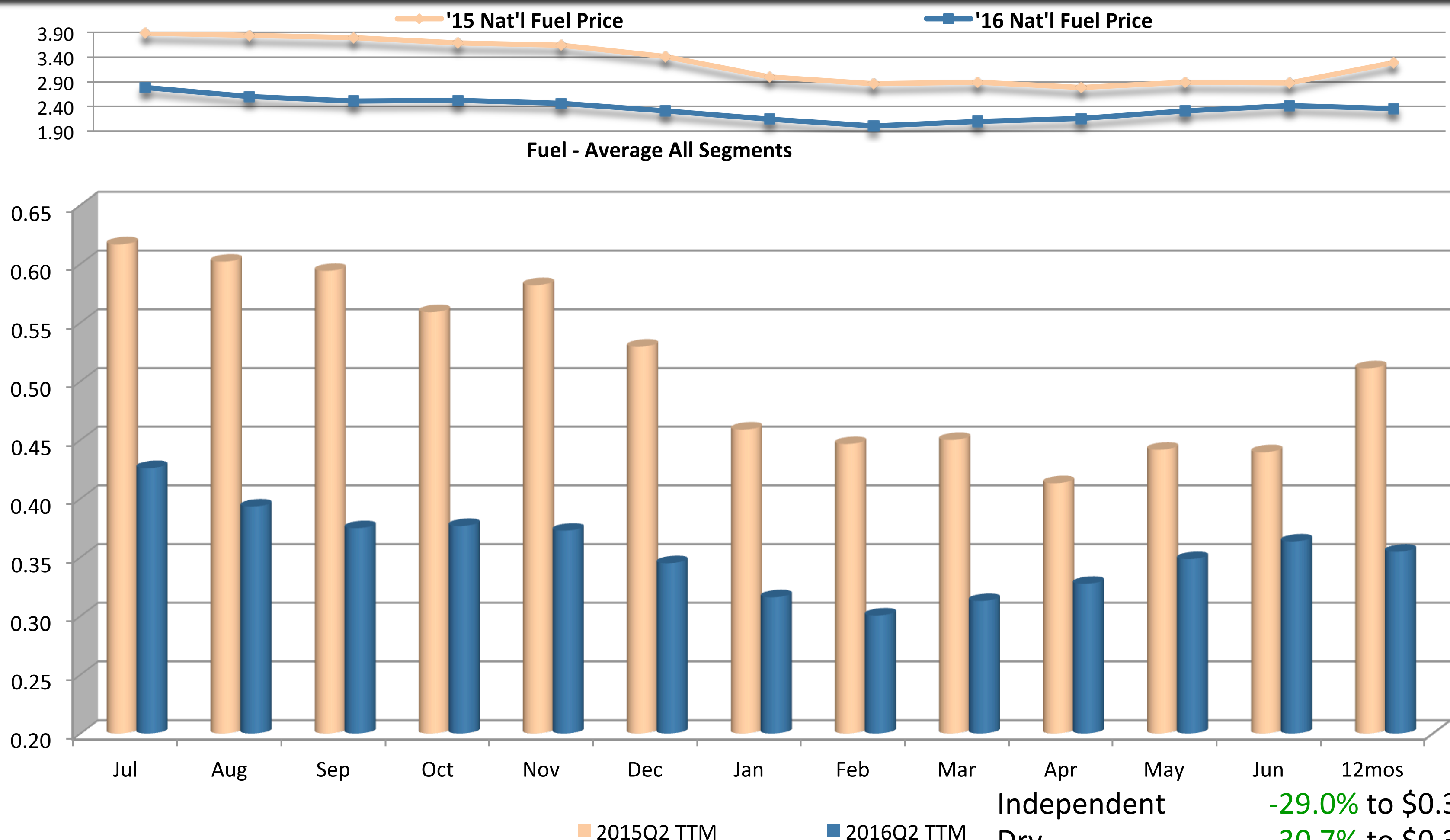
Gross Revenue –
Average All Market Segments



Independent	-7.5% to $140,687
Dry	-7.0% to $142,704
Reefer	-6.6% to $149,420
Flat	-9.5% to $146,433

2015Q2 vs 2016Q2: -7.4% -$11,387 to $143,537

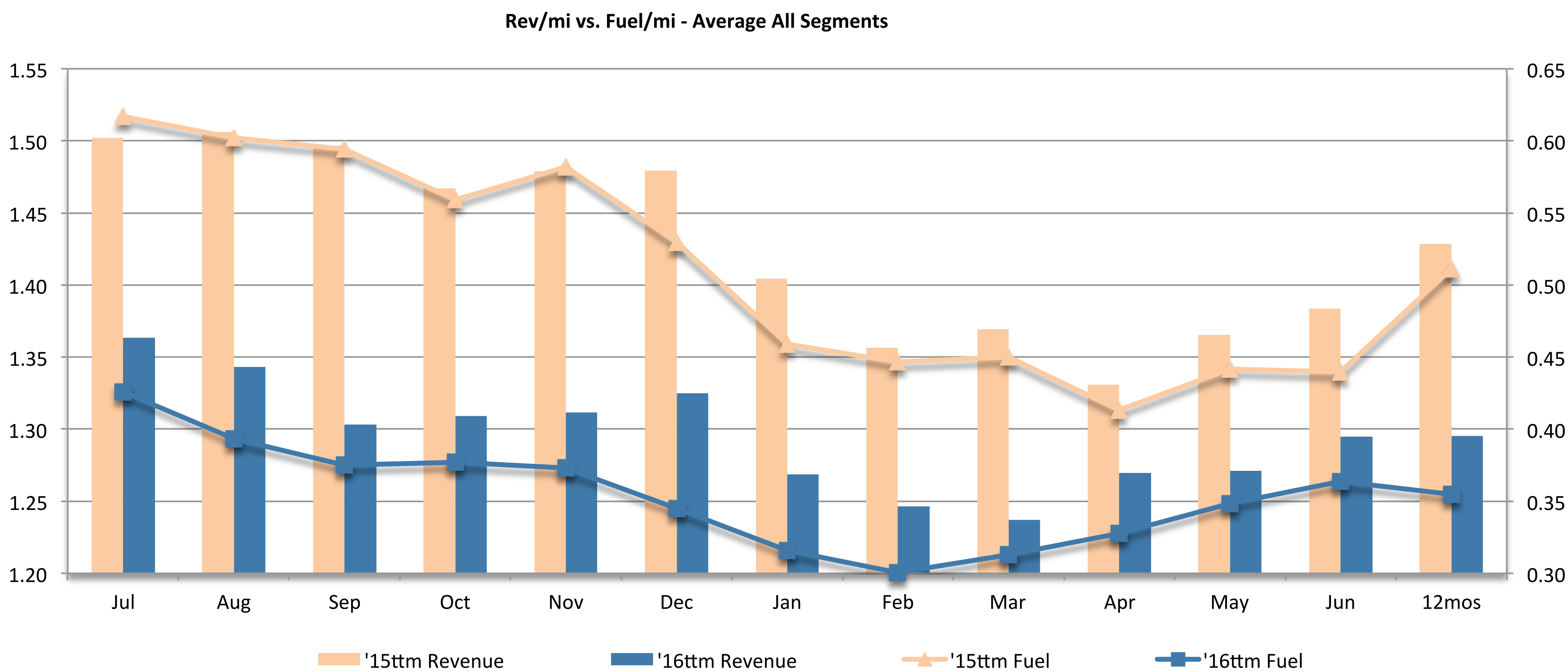
Fuel CPM – Avg All Market Segments



Independent	-29.0% to $0.37
Dry	-30.7% to $0.34
Reefer	-29.1% to $0.36
Flat	-34.4% to $0.39

2015Q2 vs 2016Q2: -30.5% down $0.16 to $0.36

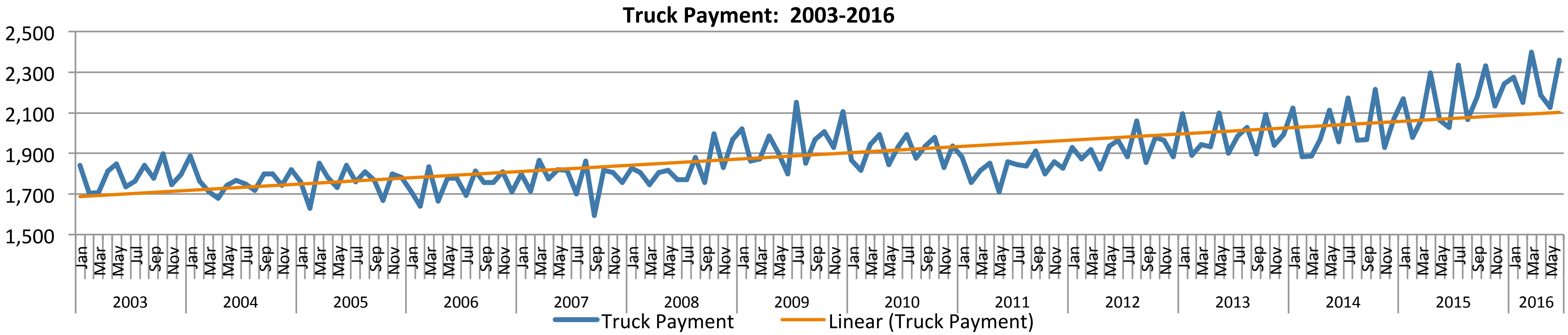
Revenue CPM vs. Fuel CPM –
Average All Market Segments



2015 vs 2016 Revenue CPM:	-9.3%	down $0.13	to $1.30	Decrease of $11,387
2015 vs 2016 Fuel CPM:	-30.5%	down $0.16	to $0.36	Decrease of $16,072

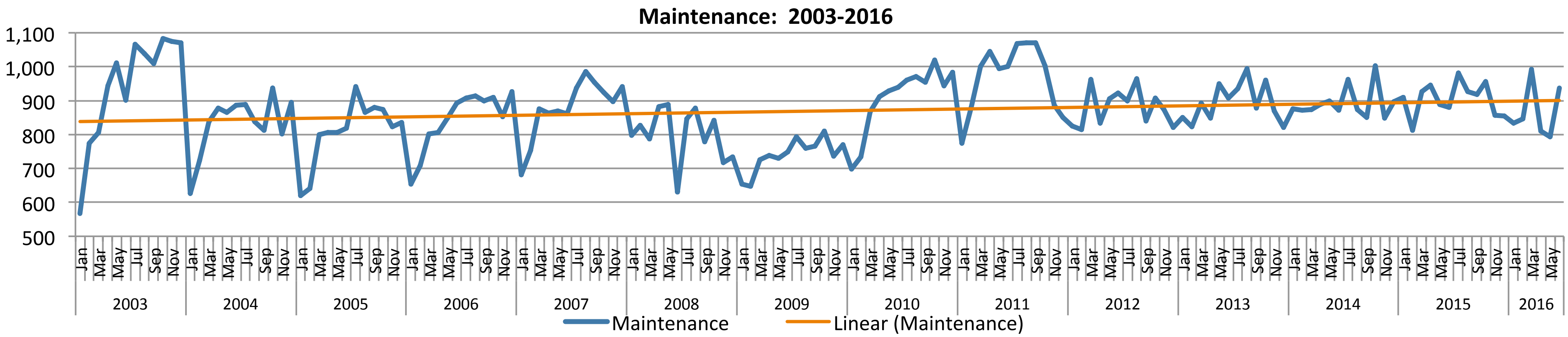
Truck Payment 2003–2016

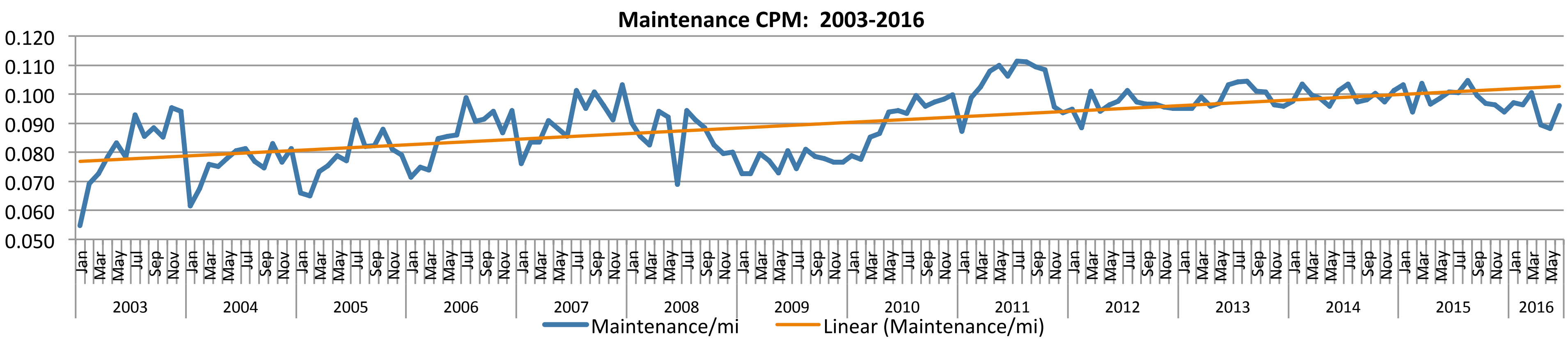
Average All Market Segments



Maintenance 2003–2016

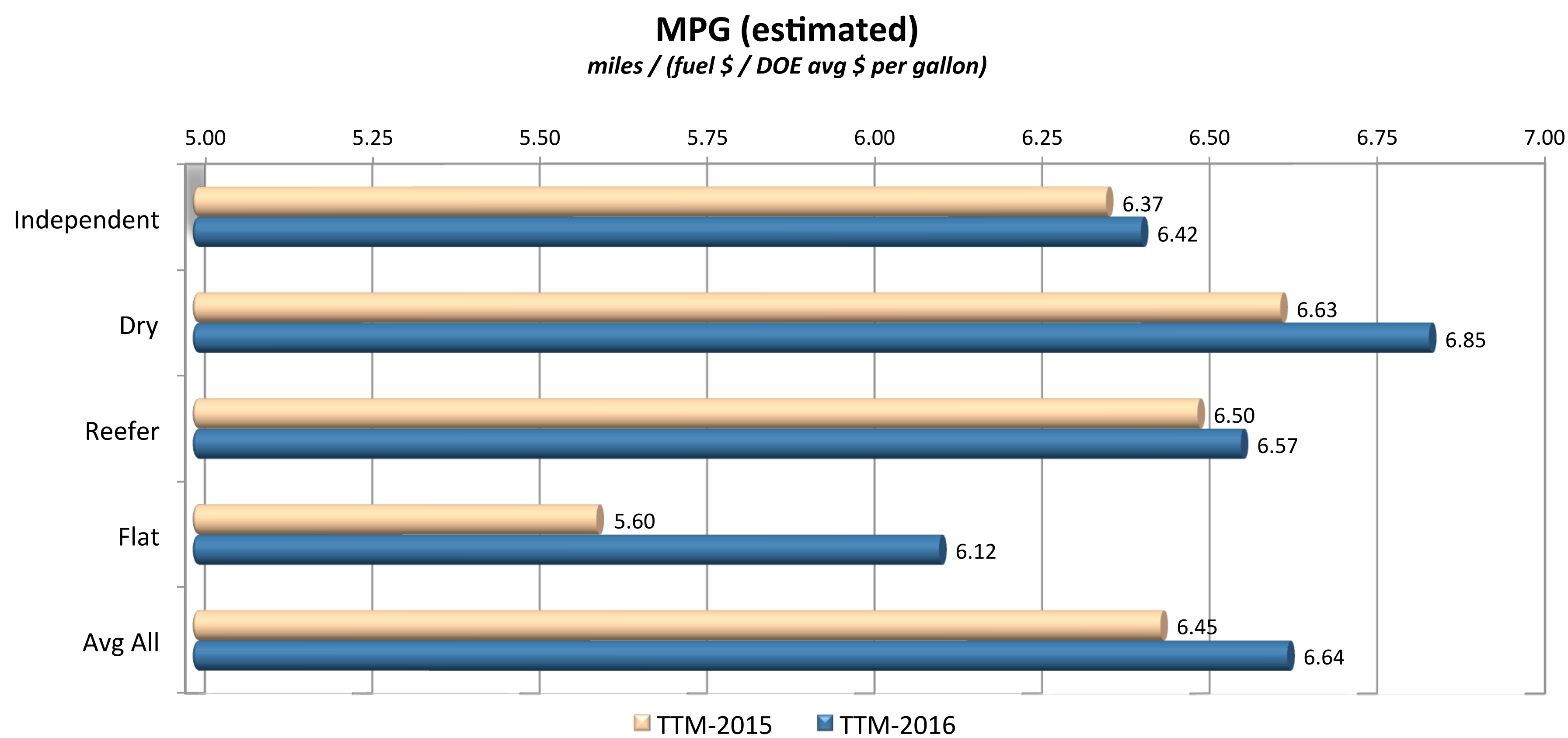
Average All Market Segments





Estimated Avg MPG – 2016 TTM

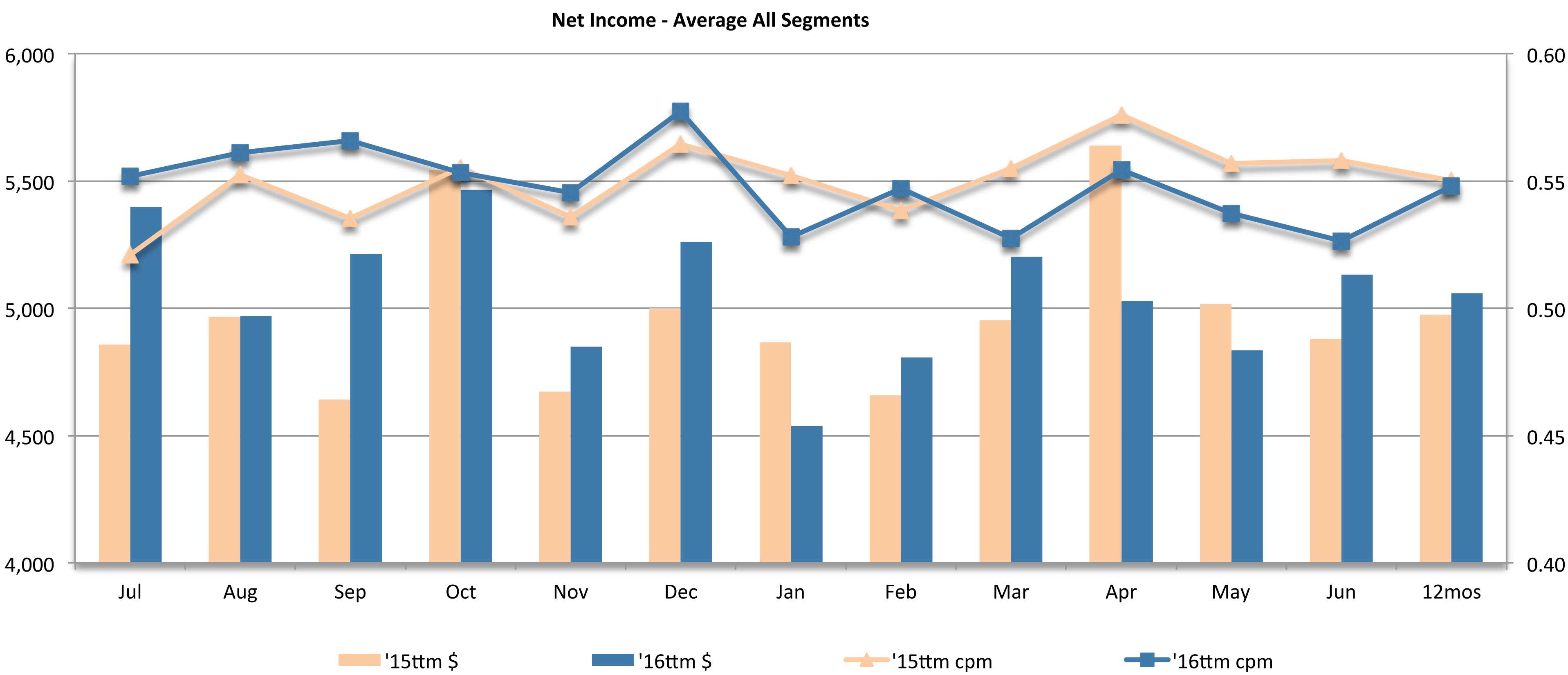
Miles / (Fuel $ / DOE avg $ per gallon)



Net Income

Dollars vs Cents Per Mile (CPM)

Net Income – Avg All Market Segments

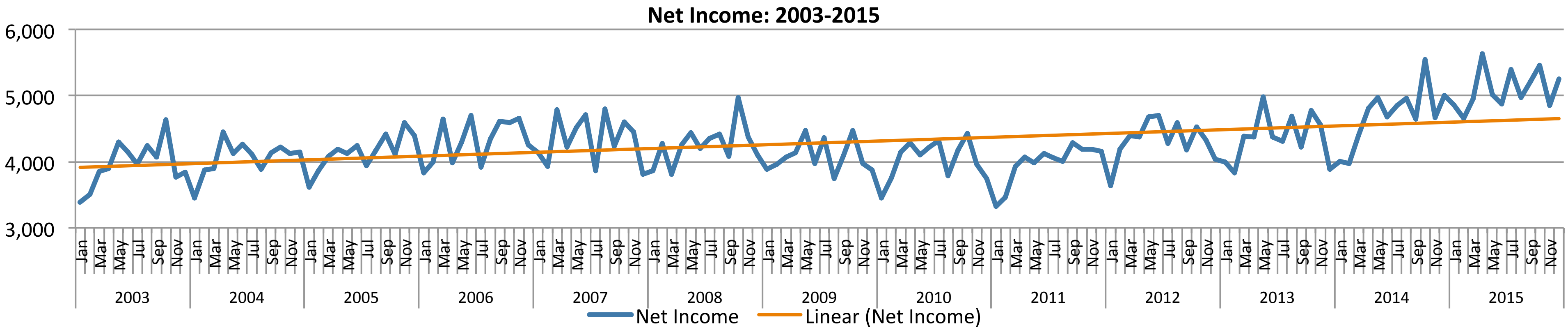


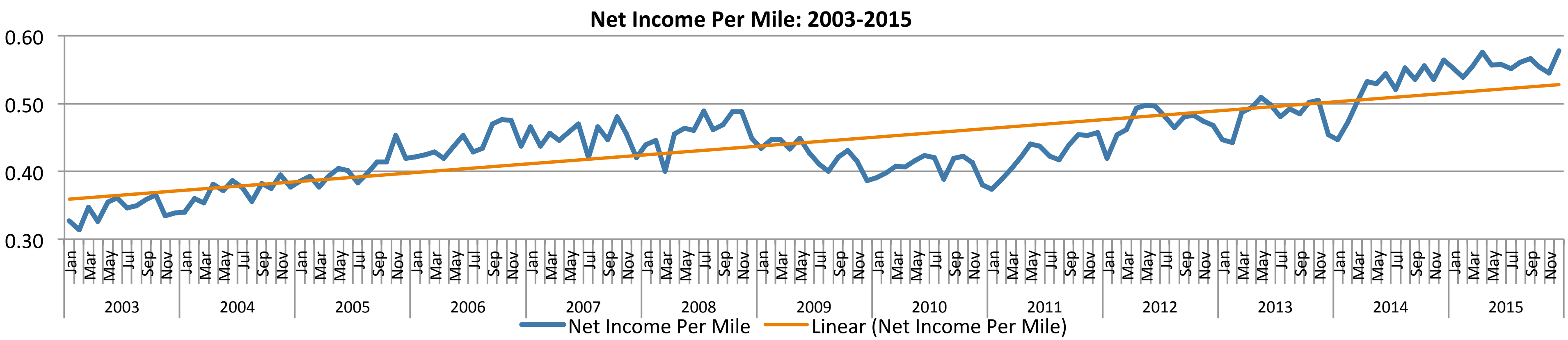
Independent	-$2,372 to $61,182
Dry	+$2,990 to $60,964
Reefer	+$1,544 to $54,018
Flat	-$1,395 to $67,477

2015Q2 vs 2016Q2: +1.7% up $1,007 to $60,700

Net Income 2003–2015

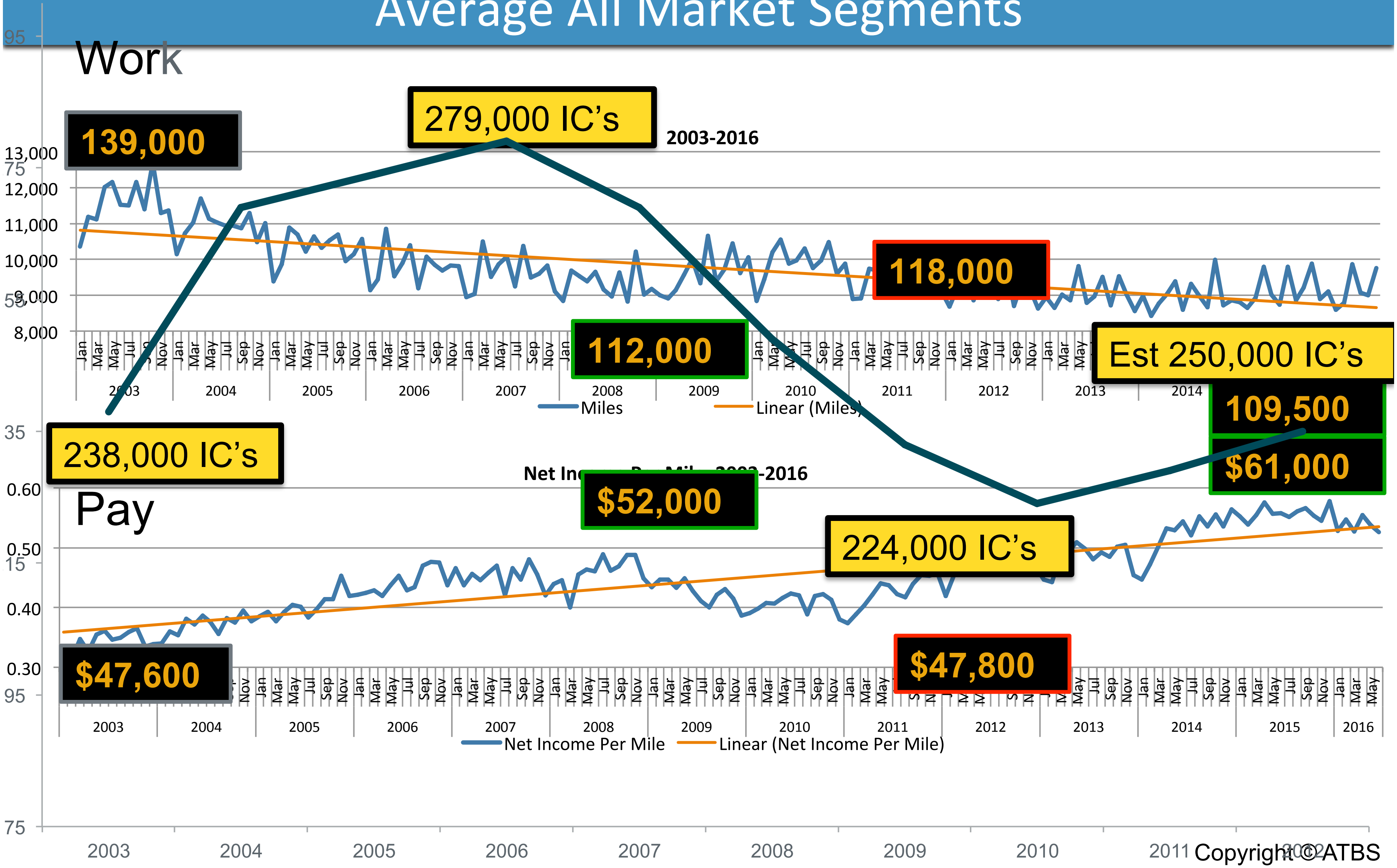
Average All Market Segments





Net Income 2003–2016

Average All Market Segments



2016 to 2017 - ICB Predictions

- IC miles will remain higher thru 2016, then start to go down with ELDs in mid 2017
- Net Income will be flat to down with a slow freight market – fuel dependent
- Fragmented Capacity will begin to consolidate under ELD mandate
- By 2017 Net Rates will increase 10%+

Thanks for being here!

Richard DeForest

Todd Amen

888-640-4829
www.atbsshow.com