

U.S. Transportation Industry Update



Pending Regulations Impact on Motor Highway Transportation

As part of an ongoing series, this report provides a brief overview of updates within the U.S. Transportation Industry. Quotes and graphs are included from established industry analysts and researchers to ensure comprehensive coverage of current and expected conditions.

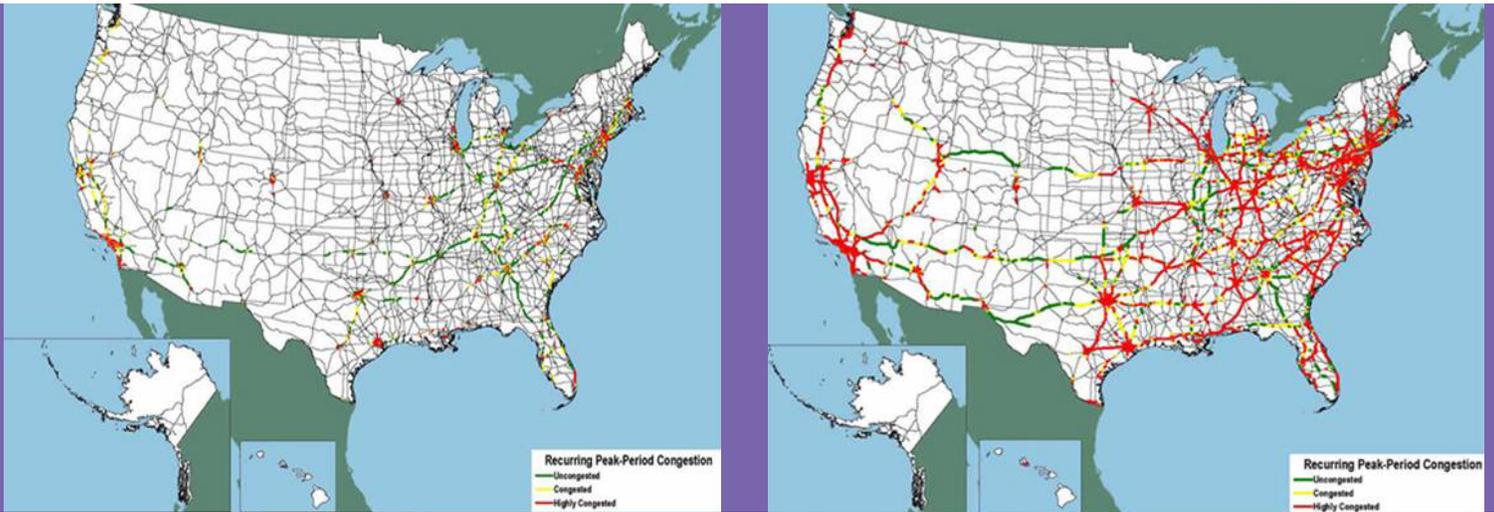
In taking a closer look at the current challenges of the U.S. Transportation Industry, there are various key legislations and rules that are expected to have a significant impact on business commerce.

While this report will focus on Transportation Reauthorization needs, there are other pending changes in the industry worth noting:

- National Carrier Hiring Standard
- Hours of Service (34-Hour Restart)
- Minimum Insurance Requirement for Motor Carriers
- Speed Limiters
- Electronic Logging Devices
- Carrier Safety Fitness Determination
- Prohibition of Coercion
- Qualified Drivers; Diabetes Standard

The U.S. Highway Trust Fund (HTF) was established in 1956 to help fund highway construction and maintenance under the National Interstate and Defense Highway Act. The Interstate Highway System has since grown from 41,000 miles to over 47,000 miles today, and the U.S. National Highway System comprises over 164,000 miles. Since 1970, the HTF started to fund a broader array of transportation initiatives — public transit, bike paths, recreational trails and historic preservation. This expanded use of the HTF resulted in the deterioration of the Fund's ability to sustain funding requirements for highway construction and maintenance. (Source: Northern University, Patterson Transportation Lecture Series, June 2014).

According to the American Society of Civil Engineers, the U.S. surface transportation network needs a \$1.7 trillion investment with an expected funding short fall of \$847 billion. Congestion on the U.S. interstate highways cost the trucking industry more than \$9.2 billion in operational expenses in 2013, according to the American Transportation Research Institute (ATRI). ATRI also reported that “delays totaled over 141 million hours of lost productivity, which equated to over 51,000 truck drivers sitting idle for an entire working year.”



Peak-Period Congestion on High-Volume Portions of the National Highway System: 2002 (left) and 2035 (right)
 Source: U.S. Department of Transportation, Federal Highway Administration

These costs, along with ensuring the global competitiveness of the U.S. economy, are key considerations in the push for a long-term, comprehensive Transportation Reauthorization bill (the current Federal funding bill expires on July 31, 2015). Unfortunately, there does not appear to be sufficient political will in Washington as how to gain consensus to fund the \$3.6 trillion infrastructure investment, much less the \$1.7 trillion needed for surface transportation. The challenge seems to be the inability of Congress to gain consensus on how to generate the needed funds either through increases in fuel tax, tolls and user fees; tax reform or tax repatriation or any combination of these factors. Most industry analysts are not optimistic that there will be meaningful progress in the near term. Stifel Transportation Research recently reported that “bottlenecks and potholes will likely remain for the foreseeable future, thereby driving up the cost of truck-based transportation across the U.S.”.

Armada is actively involved with The National Industrial Transportation League — a lobbying group, established in 1907, that is committed to represent companies in their dealings with various Federal regulatory bodies by helping to lead the development and formulation of fair and reasonable freight policies over all transportation modes, both domestically and internationally. The NITL is working with other trade associations and industry groups in soliciting Congressional members to pass a viable, long-term Transportation Reauthorization bill.

Armada will continue to follow this issue and update our clients on developments. The more the industry engages its Congressional representatives on this subject, the greater the likelihood a long-term solution will be created and put into place.

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Sources:

American Society of Civil Engineers
 American Transportation Research Institute
 Stifel Transportation Research
 Northern University, Patterson Transportation
 Lecture Series