

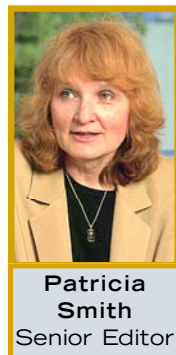
## ECONOMIC SUMMIT VIII: When Emissions & Economy Collide

...

**Fleet innovators take on 2007 emissions,  
safety and challenges ahead at Louisville event.**

**T**he impact of new emissions standards for 2007 diesel engines was the main topic of Newport Communications' annual economic summit, held in conjunction with the Mid-America Trucking Show in Louisville, Ky. But the fleet executives on this year's panel addressed a wide variety of issues facing the trucking industry in the coming years.

The panelists: Duane Acklie, chairman, Crete Carrier Corp.; Glenn Brown, chairman/CEO, Contract Freighters Inc.; Max Fuller, co-chairman, U.S. Xpress Enterprises; Jerry Moyes, chairman/CEO, Swift Transportation; Harry Muhlschlegel, president/CEO, New Century Transportation; Pat Quinn, co-chairman, U.S. Xpress Enterprises; and Todd Jadin, senior vice president-operations, Schneider National.



*Presented by  
Heavy Duty Trucking  
Magazine*

### Planning Around '07

Stricter emissions standards for 2007 diesel engines means higher prices for new equipment and, very likely, higher fuel consumption and maintenance costs. At least among these carriers, the popular strategy is to pull some 2007 truck replacements into 2006, then give manufacturers six months or so to work out any '07 bugs.

U.S. Xpress bought new trucks shortly after the 2002 engine changeover and the costs "were out of sight," noted Fuller. "This time we're not going to bet the company." They replaced a third of the fleet last year and will replace two-thirds this year. Then they'll likely hold off buying until the latter

half of 2007.

CFI is currently testing three 2007 engines – two Caterpillars and one Cummins. Brown said they don't yet have data on maintenance or fuel economy, but they figure the price differential at about 12 percent. They're still in the process of transitioning the fleet to post-2002 trucks, which should be completed this year. CFI has no plans to buy '07 models in the first half of next year.

Swift will also hold off buying new equipment in early 2007. Moyes said they're doing some pre-buying but are also comfortable extending their trade cycles a little longer.

Acklie said Crete is trading some of its trucks six months ahead of their normal cycle. After 2007 and another round of emissions reductions in 2010, they may permanently extend their trade cycle from three to four years to four to five years.

Pull-ahead truck buying won't affect trailer purchases for these fleets. "Everybody is buying the trailers they

need,” noted Acklie. “Most carriers don’t have the capital problems they had 10 years ago.”

## Low Emissions Fuel

By October of this year 80 percent of the diesel sold in this country must be ultra-low sulfur diesel (ULSD), mandated by the federal government to help lower emissions. Fleets are worried about temporary shortages in some areas and contamination as the fuel is moved through the distribution system. Some panel members said they’re stocking up on No. 2 diesel but none said they had plans to add extra storage.

According to an oil company representative in the audience, No. 2 may be even scarcer than expected. Due to storage problems, many fuel suppliers will only have ULSD. His company estimates that 95 percent of retail diesel – on-highway and off-highway – will be ULSD by the end of this year.

ULSD is the more immediate concern but truckers also must look ahead to alternative fuel options. Fuller said some U.S. Xpress trucks are using biodiesel blends in areas of the country where it’s mandated. This year they had more problems than usual with trucks freezing up, and the problems seem to trace back to the biodiesel. He also noted that there are no standards from area to area, which poses a big problem for interstate truckers.

## The Driver Shortage

“The drivers are out there,” said Moyes, “you just have to be smart enough to keep them.” Some retention strategies: good equipment, better pay, treat them right, get them home

on a regular basis. Overall, he said, carriers have to make truck driving a better job.

“Treat them with respect,” said Acklie of Crete’s low driver turnover rate. Shippers have been getting that message since new hours of service rules prompted carriers to crack down on loading/unloading delays. Crete was one of the first to form a detention team that keeps track of drivers and hours. The team advises shippers when they’re misusing driver time and the information they gather helps collect detention fees. When faced with the extra charges, most carriers “miraculously” find ways to get drivers in and out quickly. Those that don’t have a choice: pay or find someone else to move the freight.

“You have to walk away from shippers that won’t pay detention,” Acklie said. “The carrier that gives up that business won’t get detention, but the next one probably will.”

Shippers and carriers need to recognize that a driver’s time is valuable, said Fuller. Freight schedules need to be designed so they keep drivers productive when they have hours available, and to get them to a place they want to be when the regulatory clock says they must rest.

“We have to put together pay programs that acknowledge all work,” said Jadin. While pay is important, it’s only part of what’s needed to attract good drivers, he added. Other factors: how drivers are treated and the predictability of their work.

Mandated government background checks for hazmat CDL endorsements have led to a dwindling supply of drivers with the special certification – not because they can’t pass muster

but because the process can be time-consuming and expensive. In New Jersey, for instance, applications were submitted by only 50 percent of truckers scheduled to renew their hazmat licenses last year. Thus most carriers that haul hazmat and non hazmat freight have dropped blanket requirements for hazmat endorsements.

“We encourage it, but we don’t require it,” said Quinn. That means they sometimes have to deadhead a driver to pick up a hazmat load.

As Muhlschlegel noted, there is talk of refining the list of hazardous materials covered by the rule. As it now stands, drivers who handle anything from household cleaning products to explosives must undergo the extensive background check, even though many of those commodities pose no security risk.

## Truck Safety

CFI was one of the first trucking companies to specify front disc brakes and Brown says they’re a “definite plus.” Now they’re looking at disc brakes for drive axles.

U.S. Xpress has used the Eaton VORAD anti-collision technology for about three years. Now they’re installing right-side cameras to eliminate that blind spot. It’s too soon to have hard data but Fuller estimated that the cameras have reduced lane change accidents by a double-digit percentage and “significantly” reduced backing accidents. Anti-rollover systems cut the number of rollover accidents by 82 percent last year and cut the number of jackknives by 25 percent.

Fuller said they’ve been testing various braking systems, including disc

## CLASS 8 OUTLOOK: THE GOOD, THE BAD & THE UGLY.

**B**ear Stearns transportation analyst Peter Nesvold opened Newport Communications' Economic Summit VIII with an overview of the Class 8 market and factors that will affect demand. He put those factors into three categories: "the good, the bad and the ugly."

The good news: Trucking industry fundamentals are great, which historically signals a strong year for Class 8 demand. Operating ratios for the publicly held truckload carriers (i.e. the companies that turn over equipment most frequently) improved last year for the second year in a row. Trucking company bankruptcies have dropped to the lowest in more than a decade, following a spike last fall prompted by coming changes in U.S. bankruptcy laws. "Our sense," said Nesvold, "is that this is a really good operating environment for the fleets."

The bad news: There were some slightly troubling signs in early 2006 freight data. The American Trucking Associations' for-hire Truck Tonnage Index slipped 3 percent in January. Cass Information Systems' Shipment Index was down 5 percent. Railcar loadings, excluding intermodal, turned negative. And intermodal volume growth slowed. "For the most part, we think the January/February slowdown was just a blip," he said. "All eyes are on March, which usually makes or breaks the first quarter."

The ugly news: Higher costs associated with 2007 emissions caps. Technology required for compliance is still estimated to raise the price of new trucks by \$7,000 to \$10,000. Nesvold said it appears that long-haul equipment will be at the lower end of that scale, vocational at the high end. Maintenance costs are expected to increase, though nobody knows how much. Fuel economy degradation is expected to be about 2 percent – roughly half from emissions controls and half from new ultra-low sulfur diesel (ULSD).

ULSD is a big issue, he noted. By June of this year 80 percent of diesel production must be ULSD. By October 80 percent of



**Peter Nesvold**  
*Transportation Analyst*  
Bear Stearns  
New York, NY

diesel sold retail must be ULSD. "We expect this to be a logistics problem, not a refinery problem," Nesvold said. Spot shortages are anticipated, especially in the Northeast and other areas with high demand for heating oil. "Basically, ULSD will be more expensive, less efficient, and initially prone to contamination," he said, adding that "low-sulfur issues should flush through the system by mid-2007 at the latest."

A concern regarding higher costs of '07 equipment is clearly prompting fleets to adjust replacement schedules. Nesvold pointed out that the average age of trucks in public truckload fleets has been about 24 months over the past 15 years. At the end of last year that had dropped to 17 months. Bear Stearns projects it will drop to 14 months by the end of this year – i.e. 10 months younger than the 10-year average. Thus, by the end of 2006 those truckload carriers could stop buying trucks until November 2007 and the average age will still be at normal levels. If the economy softens, fleets could stretch that even further.

"We're not saying the economy is headed for a downturn," he stressed, "but pre-buying has pulled forward a lot of future demand, regardless of what happens with the economy." Assuming economic growth will continue in the 3 to 4 percent range, Bear Stearns is forecasting a 4 to 5 percent increase in Class 8 production this year, to roughly 355,000 units; 2007 production will drop to about 210,000 units with most of the fall-off in the first half of the year. "The first 30-45 days may not be that bad for overall builds, particularly of the OEMs have stockpiled some inventory," he noted.

Again assuming that the economy holds, 2008 and 2009 should look something like 2004 and 2005. Another emissions changeover comes in 2010 so those could also be pull-ahead years. If the economy weakens, 2007 and 2009 could look more like 2001 and 2002.

brakes and electronic brakes. "We found we could stop a truck in about the same distance as a Honda Civic, which is pretty amazing when you look at the size of the vehicles," he noted. However, they've also discovered a less expensive solution: a system using wider drum brakes and more aggressive linings that can shorten stopping distance by 20-30 percent.

Yet everyone agreed that technology can only do so much. It's equally im-

portant to hire the right drivers and give them lots of training. Schneider uses simulators and computer-based training along with hands-on instruction. Twice a year all Schneider drivers go through a refresher program that pairs veterans with their less-experienced colleagues. "Good old-fashioned training is extremely helpful," said Jadin.

Approximately three-fourths of accidents involving big rigs and smaller vehicles are not the fault of the truck-

er. Through programs like ATA's Share the Road and America's Road Team, the industry is trying to teach car drivers how to operate safely around big trucks, said Quinn, who is the current ATA chairman. Unfortunately, highway safety faces a new dilemma: Budget squeezes have forced many high schools to cut back on driver education, which puts a lot of young people on the road without adequate training.

## Heavy Duty Trucking Honors Truck Fleet Innovators 2006

By Deborah Whistler, Editorial Director

**E**ight extraordinary trucking industry leaders were named the winners of Heavy Duty Trucking's first-ever Truck Fleet Innovators awards at a special ceremony held in conjunction with the recent Mid-America Trucking Show.

These fleet executives were chosen for their continuing dedication to growing their companies through innovative operations and early adoption of technologies to make their fleets more safe, efficient and profitable.

The trucking pioneers were honored at Newport Communications' Annual Economic Summit, March 22, in Louisville, Ky. The event was attended by 370 top truck and component manufacturers and fleet executives.

In-depth profiles of the winners appear in Heavy Duty Trucking's March issue.

- Our first innovator, Russ Gerdin, chairman and CEO of Heartland Express, doesn't consider himself an innovator, but he obviously looks at things a little differently than the rest of the pack. His philosophy: Be debt-free, run only new equipment, and "don't hire a whole bunch of bad drivers to haul a whole bunch of bad freight."

Gerdin was unable to attend the awards ceremony and the board of directors of Heartland Express Inc., Coralville, Iowa, issued the following statement the day following the awards:

"Recognizing our responsibility to make public significant events in our organization, we regret to announce that our chief executive officer, Russell Gerdin, was diagnosed with liver cancer this week. In the



**Russ Gerdin**  
Chairman/CEO  
Heartland Express Inc.  
Iowa City, Iowa



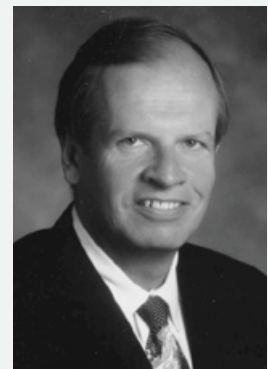
**Glenn Brown**  
Chairman/CEO  
Contract Freighters Inc.  
Joplin, Mo.



**Duane W. Acklie**  
Chairman  
Crete Carrier Corp.  
Lincoln, Neb.



**Max Fuller**  
Co-Chairman  
U.S. Xpress  
Enterprises Inc.  
Chattanooga, Tenn.



**Patrick Quinn**  
Co-Chairman  
U.S. Xpress  
Enterprises Inc.  
Chattanooga, Tenn.

## Fuel Economy

“Burning more fuel to achieve lower emissions – I have a hard time making sense of that,” said Fuller regarding the degradation of fuel efficiency due in part to diesel emissions restrictions.

Muhlschlegel recalled the post-deregulation days when carriers that couldn't change – or wouldn't change – didn't survive. “Change is as critical now as it was after 1980,” he noted. New Century is using single-wide tires instead of duals for weight sav-

ings and fuel economy – an improvement of 4 or 5 tenths of a mile, he estimated. They're working with engine and drivetrain component manufacturers to develop more fuel-efficient powertrain combinations using automated transmissions. Auxiliary power units on its sleepers have cut idling from 52 percent of running time to approximately 2 percent.

Muhlschlegel said their trucks typically make 30-40 stops a week and drivers often let them idle without

even realizing it. Now electronics shut the trucks off after three minutes. The generator used to heat and cool the cab when the engine isn't running shuts off after 10 hours. At \$2.50-per-gallon for diesel, the APUs will pay for themselves in less than 18 months, he said. With hidden costs, it's probably closer to 9 or 10 months.

In CB chatter, Swift stands for Slow Wagons in Fast Traffic because of the speed governors on company-owned trucks. But as Moyes pointed out,

near term, we expect Mr. Gerdin to devote a significant amount of his time and energy to battling the disease.

“During this time, Heartland's day-to-day operations will be managed by the remaining senior management team. We have a deep and talented team that has produced industry-leading profitability for many years. The five senior executives other than Mr. Gerdin have a combined 111 years of management experience at Heartland. We have great confidence in the team's ability to continue executing Heartland's operating model.”

- Glenn Brown started his career at CFI as a driver, to rise to chairman and CEO. Under his lead, CFI became one of the first U.S. trucking companies to make major inroads hauling freight in and out of Mexico. Today, cross-border trucking is 40 percent of the company's business.

- Duane Acklie, chairman of Crete Carrier Corp., believes in good drivers. Because of his dedication to hiring the right truckers and keeping them happy, Crete enjoys a driver turnover rate of just 30 per-

cent in a truckload industry where the norm is more like 120 percent.

- Known as early adopters of new technologies, Max Fuller and Pat Quinn, co-chairmen at U.S. Xpress, have long been on the leading edge of technology, avoiding for the most part, the bleeding edge. Consequently, they enjoy the first look at a lot of up-and-coming technologies that aren't known to the industry.

- In the years following deregulation, when traditional less-than-truckload companies were being pounded by truckload pioneers, Harry Muhlschlegel re-invented the LTL model with his company, Jevic. Jevic was sold to Yellow in 1999 and Muhlschlegel was at it again with New Century Transportation, a niche LTL carrier that is innovative in operations and in equipment, running single-wide tires instead of duals, automatic chassis lubrication system and driver-friendly automatic transmissions. And each rig is equipped with an auxiliary power unit.

- Jerry Moyes began his career with one old beat up Diamond T. Last year, he retired as chairman and CEO of the nation's largest publicly traded truckload company, Swift Transportation, with more than 18,000 power units and 3,000 owner-operators.

- Trucking visionary Don Schneider, chairman of Schneider National, was an early advocate for the use of technology who paved the way for the use of satellite tracking and communications.

Our hats are off to these extraordinary truckers and our prayers are with Mr. Gerdin.



**Harry Muhlschlegel**  
President/CEO  
New Century  
Transportation Inc.  
Westhampton, N.J.



**Jerry Moyes**  
Chairman/CEO  
Swift Transportation Inc.  
Phoenix, Ariz.



**Don J. Schneider**  
Chairman  
Schneider National Inc.  
Green Bay, Wis.

TRUCK FLEET  
INNOVATORS  
2006

controlling speed is a key factor in controlling fuel costs. The rule of thumb: slowing from 70 mph to 60 mph can reduce fuel consumption by about 1 mpg.

### Taxes, Tolls & Government Rules

Some in the industry have challenged trucking to take a more proactive role in policy issues. That's just what it's doing, said Quinn. For instance, to help curb speeding ATA recently endorsed a proposal to limit truck speeds to 68 mph at the time of manufacture. That's a "good thing," he commented, and "an easy one to do."

The Federal Motor Carrier Safety Administration is trying to decide if on-board recorders should be mandated for hours of service enforcement. "ATA supports their use with qualifications," Quinn noted. "Truck-

load carriers oppose their use unless there are qualifications."

Another concern is highway congestion. He said studies indicate that freight volume will increase 30 percent by 2015 but road capacity will increase only 5 percent. Rails don't have the capacity or service network to pick up much of the slack. Increasing highway capacity is the only choice, and one that needs to be addressed with the next highway funding legislation.

Higher fuel taxes are likely. So are toll roads, although they won't come without protest from truckers. As Acklie pointed out, toll roads are often built with the promise that they would become toll-free once construction was paid for. But the tolls usually continue. "Once you have a toll road you'll always have a toll road," he warned.

### Maintenance

These carriers work closely with equipment suppliers, and often know as much about new products as the manufacturers themselves. U.S. Xpress usually tests a new product for at least nine months before adopting it for the fleet. "We've worked through the bugs with the engineers," Fuller said. "We know what the issues are." Sometimes that makes big carriers the "go-to guys" for troubleshooting because they can often answer questions the manufacturers haven't even heard yet.

The biggest maintenance concern: finding qualified technicians. Brown said the problem is at least as great as the driver shortage, possibly worse.

## NEWPORT COMMUNICATIONS MARKETING OFFICES

**Vice President, Publishing: MARTY McCLELLAN**  
608 S. Washington #207, Naperville, IL, 60540  
(630) 369-4355 Fax (630) 961-1591, [marty@truckinginfo.com](mailto:marty@truckinginfo.com)

**National Marketing Manager: SUSAN PATTERSON**  
38 Executive Park, Suite 300, Irvine, CA 92614  
(949) 261-1636 Fax (949) 261-2904, [spatterson@truckinginfo.com](mailto:spatterson@truckinginfo.com)

**Director of Digital Operations: DENNIS O'CONNOR**  
[doconnor@truckinginfo.com](mailto:doconnor@truckinginfo.com)

**Michigan/ Ohio: JIM SAMFILIPPO, REGION MANAGER**  
32401 W. Eight Mile Rd., Livonia, MI 48152  
(248) 471-7809 Fax (248) 471-7819, [jsamfilippo@truckinginfo.com](mailto:jsamfilippo@truckinginfo.com)

**Southeast: AL BRUNELLI, REGION MANAGER**  
16230 Crystal Creek Court, Spring, TX 77379  
(832) 717-3900 Fax (832) 717-4900, [abrunelli@truckinginfo.com](mailto:abrunelli@truckinginfo.com)

**West: BILL MADDEN, REGION MANAGER**  
4233 S.W. Corbett Ave., Portland, OR 97239  
(503) 224-3799 Fax (503) 224-3899, [bmadden@truckinginfo.com](mailto:bmadden@truckinginfo.com)

**Midwest/Central: KEN CUMMINGS, REGION MANAGER**  
835 Sterling Ave., Suite 140, Palatine, IL 60067  
(847) 705-9050 Fax (847) 991-6258, [kcummings@truckinginfo.com](mailto:kcummings@truckinginfo.com)

**Classifieds: JERRY BATES**  
971 Fairfax Park, Suite C, Tuscaloosa, AL 35406  
(205) 758-4600 Fax (205) 752-1888, [jbates@truckinginfo.com](mailto:jbates@truckinginfo.com)

Published as an industry service by Heavy Duty Trucking Magazine  
38 Executive Park, Suite 300  
(949) 261-1636 Fax: (949) 261-2904 [www.truckinginfo.com](http://www.truckinginfo.com)