

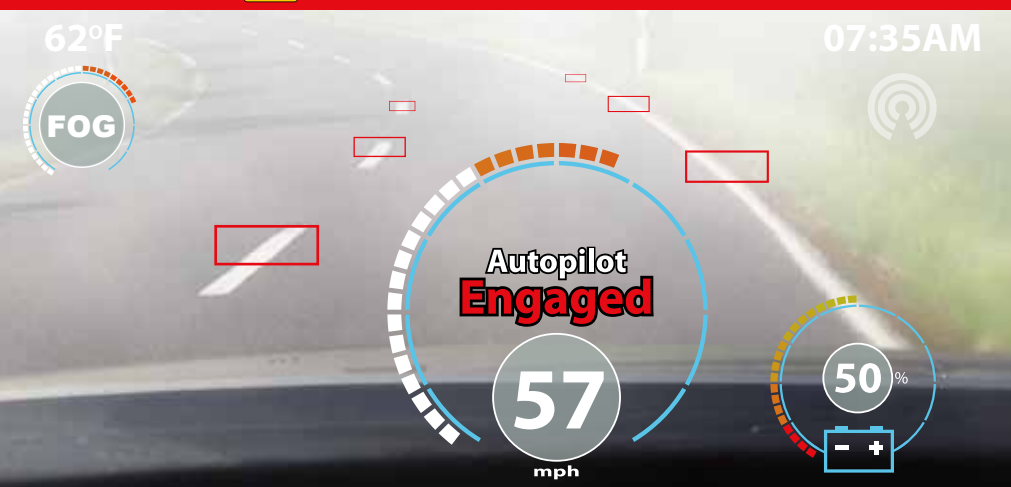


# ROAD TALK

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AN OFFICIAL PUBLICATION FOR TRUCKING PROFESSIONALS

## ⚠ Autonomous Vehicles



## Should truckers be concerned

The technology to create driverless vehicles is evolving rapidly. Companies such as Daimler, Google, Ford, Volvo and Tesla to name a few have already introduced plans for these types of vehicles. In Singapore, autonomous taxis are already a reality through a company called nuTonomy. Officials from nuTonomy state that they are currently running six vehicles with plans for 12 by year-end and a full self-driving fleet by 2018. The network transportation company Uber is offering rides in a few Pittsburgh neighborhoods with plans to expand to the airport and a northern suburb within a few weeks. But don't think that this technology stops with personal-sized vehicles. Daimler's Freightliner Inspiration Truck is approved for autonomous driving on public highways in Nevada. Uber purchased the company Otto in August whose mission is to rethink transportation, starting with self-driving trucks. Google has filed for a patent on autonomous delivery trucks and Tesla Semi is developing trucks with the aggressive expectation of transitioning the driver into the role of fleet manager.

This is all serious business, but does the trucking industry really have anything to worry about? The unfortunately ambiguous answer is yes and no.

YES: The trucking industry is aging. The average age of a driver has increased to 49 years. For a number of reasons including safety, technology, regulation, wide range of hours and time away from home, the available qualified driver pool has shrunk and has resulted in high turnover for many trucking companies. The industry's inability to attract younger drivers and the shortage of available qualified drivers are hot bullet points for autonomous vehicle operations. Increasing the distance that a truck can cover in a 24-hour period is yet another bullet point for autonomous vehicles. Per U.S. federal regulations, truck drivers are currently restricted to 70 hours per week which limits their daily driving distance.

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## Job-Related Fatalities Rank #1, Injuries #6

According to a blog by the U.S. Department of Labor, one out of every six American workers killed on the job is a tractor-trailer truck driver. In 2014, 761 truck drivers were killed while working, marking the fifth year in a row those numbers have increased. Of those fatalities, 78% were caused by transportation incidents.

Citing data from the Bureau, truck drivers also have the highest number of nonfatal injuries and illnesses requiring days off from work across all occupations (55,710 in 2014). In this category, truckers ranked 6th behind police officers and sheriffs, firefighters, highway maintenance workers, correctional officers and nursing assistants.

The dominant injury-related causes were slips, trips and falls, followed by overexertion. Most likely causes were pushing and pulling containers; lifting heavy items while loading and unloading; and routinely getting in and out the vehicle.

Some prevention tips are listed below.

- Use good body position / posture in all tasks.
- Use mechanical aids whenever possible
- Use three points of contact when working on elevated work surfaces.
- Don't jump off your vehicle or trailer
- It is always better to face the direction you want to go rather than walk backwards
- Be careful when opening up a trailer as loads can shift.
- Get help securing your loads and stay out of the direct path of the strap as it may break.



Driver pay/benefits outpace fuel costs

## Operational Costs of Trucking

The American Transportation Research Institute (ATRI) has added another year's data to its ongoing annually published report "An Analysis of the Operational Costs of Trucking". The report seeks to document and quantify motor carriers' key operational costs.

The report takes into consideration many demographics which help to break down the data i.e., fleet size, region, trip types, equipment, etc. Surveyed respondents accounted for 107,000 trucks, 200,000 trailers, and over 6.5 billion vehicle miles traveled in 2015. Additionally the report goes into detail on cost centers such as driver pay/benefits, insurance, lease/purchase payments, repair and maintenance costs, tolls and permits.

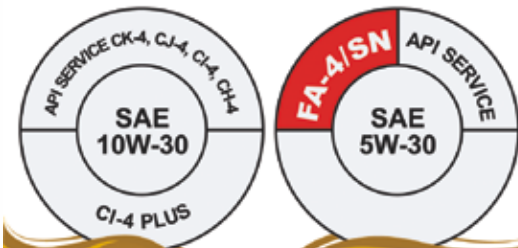
Historically, fuel costs have been a carrier's largest cost. However, in 2015 driver wages surpassed fuel as the largest share at 31% of total cost while fuel represented 25%. Based on data collected from respondents, the average marginal cost per mile (CPM) in 2015 declined 11 cents to \$1.593 compared to 2014. This decrease was due entirely to the steady decline of fuel prices as carriers saw many other line item costs increase. Broken down as a CPM, driver wages were at \$0.499 and driver benefits at \$0.131; fuel was \$0.403; equipment lease / purchase payments at \$0.230; repair and maintenance at \$0.156; insurance premiums at \$0.092; tires at \$0.043; toll costs at \$0.020; and permits and license at \$0.019.

As a sign of the economy's well being, respondents reported holding their equipment longer in 2015

compared to the previous year but not logging as many miles. Compared with 2014, straight trucks were held for 10.3 years vs 9.5 years; tractors were held 7.0 years vs 6.7 years; and trailers were held for 12.4 years vs 11.8 years. Over that period, tractors logged an average of 720,000 miles vs 730,000 miles in 2014 and straight trucks 225,000 miles vs 430,000 miles in 2014.

Relating to fuel, the report lists the overall fuel economy of respondent's vehicles at an average of 6.3 MPG. However, a large majority of respondents (85.1%) reported use of speed limiters. For those that indicated using speed limiters the average was 6.4 MPG and 6.0 MPG for those fleets that did not. Cross-referencing with a fleet's operating weight for average fuel economy shows that fleets operating between 20,001 and 40,000 pounds reported the highest fuel economy at 6.5 MPG, while fleets typically operating at 80,000 pounds reported the lowest average of 5.6 MPG.

According to a 2014 ATRI report, 55.5% of the trucking industry workforce is 45 years and older, and less than 5% in the 20-24 year-old range. With many carriers unable to effectively develop a younger driver base, the industry will likely see a continued increase in driver wage and benefit costs as it attempts to maintain qualified drivers and recruit others. On top of that, the Energy Information Administration (EIA), is projecting diesel prices to increase slightly throughout 2016. Given the potential increase in fuel prices coupled with continuing increases in driver pay and benefits, carriers can expect to see increases in operational costs.



## New Engine Oil Standards

The American Petroleum Institute (API) has approved two new diesel engine oil standards, API Service Categories CK-4 and FA-4.

The new standards are intended to help better protect today and tomorrow's diesel engines that must meet new government regulations.

These new service categories improve upon existing standards by providing enhanced protection against oil oxidation and protection against engine wear, particulate filter blocking, piston deposits, and degradation of low- and high-temperature properties

Most truck manufacturers recommending API-licensed CJ-4 engine oils will likely recommend truck owners start using licensed API CK-4 oils as soon as they are available as the new standard is intended to be backward compatible. Meaning that CK-4 oil, in most applications, can be used where a CJ-4 or earlier oil standard is recommended, but be sure to check with the engine manufacturers before moving up to CK-4.

API FA-4 oils, however, are different. They are specifically formulated for use in select high-speed four-stroke cycle diesel engines designed to meet 2017 model year on-highway greenhouse gas emission standards. They are neither interchangeable nor backward compatible with API CK-4, CJ-4, CI-4 with CI-4 PLUS, CI-4, and CH-4 oils. Refer to engine manufacturer recommendations to determine if API FA-4 oils are suitable for use. API FA-4 oils are not recommended for use with fuels having greater than 15 ppm sulfur.



# UNIDENTIFIED TRAILERS

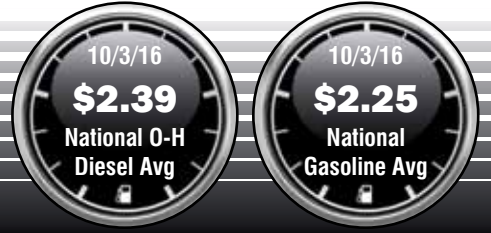
## FUEL UPDATE

According to the U.S. Energy Information Association (EIA),

U.S. regular gasoline retail prices are expected to decline from an average of \$2.22/gallon (gal) in September to \$1.92/gal in December. For the year, U.S. regular gasoline retail prices are forecast to average \$2.08/gal in 2016 and \$2.26/gal in 2017.

While every week in September has seen the U.S. average diesel fuel price decrease, prices are expected to increase from an average of \$2.39/gal in September to \$2.50/gal throughout the remainder of the year.

For the year, U.S. average diesel fuel prices are forecast to average \$2.31/gal in 2016 and \$2.70/gal in 2017.



### On-highway Diesel Fuel Prices

Region	10/3/16	9/5/16	10/5/15
East Coast	2.414	2.420	2.576
New England	2.486	2.499	2.631
Central Atlantic	2.327	2.335	2.432
Lower Atlantic	2.356	2.387	2.489
Midwest	2.250	2.264	2.323
Gulf Coast	2.467	2.493	2.501
Rocky Mtns	2.658	2.664	2.694
West Coast	2.766	2.746	2.803
California	2.739	2.741	2.815

Prices listed above are diesel averages in dollars per gallon.

Up-to-date statistics are available from the Department of Energy at [www.eia.gov](http://www.eia.gov).

# Are you covered

A MESSAGE FROM YOUR CLAIMS PROFESSIONALS

Accidents are called accidents because they happen unexpectedly and unintentionally and in the trucking industry they can be expensive. So, when there is an accident and a claim is made, those handling the claim are tasked with assessing whether or not the insurance company is liable to pay the claim. This starts by looking at every word of all contracts and policies or the lack of contracts and policies to assess if any liability exists. Only when liability exists will the insurance company begin to adjust the claim. If none exists, the claim will be declined faster than a speeding bullet. So, it is up to you and your agent to understand your true risk and insure properly for your exposure.

With that said, one area where we have seen coverage gaps is with unidentified trailers. It's a common business practice for trucking companies to use trailers that are unidentified (owned by a third party) in their day-to-day operation. It's important to remember that when they are in your care, custody and control you are responsible for anything that happens to them.

An auto liability policy covers your responsibility for damages incurred by a third party, but not necessarily for damage to the unidentified trailer. When a trailer is owned by someone else, there are two ways that you can protect yourself: 1) unidentified trailer physical damage coverage and; 2) trailer interchange coverage. Both of these coverages are physical damage coverages that protect against collision, fire, theft, explosion or vandalism and both are fairly inexpensive.

Unidentified trailer physical damage coverage applies to a non-owned trailer while it is attached to a covered power unit (tractor). If for any reason you detach it from the power unit, no coverage exists. Premium is based on the value of the trailer.

Trailer interchange coverage generally applies when you have a trailer interchange agreement in force. This is a contract between you and a third party to exchange trailers. Premium is based on the number of trailers in your possession, the length of time in your possession and the value of those trailers.

Your operation is likely different than that of anyone else and your insurance protection is the same way. Take the time to read your contracts and discuss with your agent to be sure you have the right coverage for your exposure.



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#### 4 Roadtalk Newsletter

## AUTONOMOUS

*Continued from pg.1*

In the U.S., labor accounts for roughly 75% of the cost to move a fully-loaded truck from LA to New York. Self-driving vehicles have the potential to significantly expand a truck's daily distance, eliminate the associated labor costs and decrease delivery times to consumers.

NO: There are a number of obstacles for companies to overcome before implementing fully autonomous vehicles. For example, the National Highway Traffic Safety Administration is investigating what role if any that the Tesla Motors Model S Autopilot technology had in a Florida collision between the vehicle and a tractor trailer. Tesla said autopilot sensors failed to detect the truck, turning in front of a Model S, against a bright sky. The crash killed the vehicle's owner. Most recently, a team of researchers from Keen Security Lab managed to remotely hack a Tesla Model S. The team was able to control the vehicle from 12 miles away. A survey by IEEE, a technical professional organization dedicated to advancing technology for humanity found that the number one roadblock to the mass adoption of driverless technology was legal liability. According to the study, personal liability is likely to decrease, while manufacturer liability is likely to increase as claimants blame the manufacturer or suppliers for what went wrong rather than driver decision and behavior. With this last point, it may take quite a few years for insurance companies to be able to quantify the risk associated with fully autonomous vehicles.

Driver assistance systems operating continuously on a highway need to be able to cope with rare situations. Will there ever be software smart enough to anticipate all the potential circumstances it is going to encounter? Can an algorithm be ethical? Can a vehicle computer fail and if so how nicely will it crash? In a world of increasing terrorism and high-level data breaches, one might have to agree with experts who say the technology is moving too fast. But, the world is competitive and innovation has proven to be the victor time and time again. One only has to look at the recent failure of shipping giant Hanjin to see the effects of not keeping up in a competitive environment.

The Insurance Institute for Highway Safety anticipates that there will be 3.5 million self-driving vehicles by 2025, and 4.5 million by 2030. However the institute expects these vehicles would only operate fully autonomously under certain conditions. The traditional truck driver's job appears to be safe for now.



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