Relative Advantages and Disadvantages of Independent Contractor Status: A Survey of Owner-Operators' Opinions and Rationale

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Steven L. Johnson
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Commercial truck drivers range from company drivers that are employees of a carrier to independent owner-operators that operate under their own authority. From the driver's perspective, there are both benefits and drawbacks of being an independent contract driver. The objective of this effort was to develop, administer and analyze a comprehensive survey to provide reliable, valid and useful information as to why drivers choose or do not choose to be an independent contractor. In addition to the advantages and disadvantages, the survey investigated the methods that independent contractors use to capitalize on the benefits and accomplish the responsibilities associated with being independent. A combination of face-to-face interviews (at 19 truck stops from California to Connecticut) and a web-based survey were used to obtain and validate the opinions. Thirteen organizations (including trucking companies and trade organizations) provided telephone and email contact information for participants. The results and conclusions of the study provide valuable information related to the driver's opinions as to the advantages and challenges of being an independent contractor, as well as the rationale behind those opinions. The information can be used to both understand and improve the experience of both independent contract drivers and the carriers for whom they drive.

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16. Abstract

Commercial truck drivers range from company drivers that are employees of a carrier to independent single-truck, owner-operators that operate under their own authority. For the purposes of this project, the following classification was used for independent contract drivers that were driving under a carrier's authority.

- Drivers that lease/rent their trucks and are not developing equity
- Drivers that lease/rent their trucks and are developing equity
- Drivers that are purchasing their truck with financing
- Drivers that own their truck(s) outright

From the driver's perspective, there are both benefits and drawbacks to each of these driver categories. The objective of the effort was to develop, administer and analyze a survey that provides reliable, valid and useful information as to the reasons to choose or not choose to be an independent contractor. In addition to addressing the perceived advantages and disadvantages of being an independent contractor, the survey investigated the methods that independent contractors use to capitalize on the benefits and accomplish the specific responsibilities associated with being independent. A combination of face-to-face interviews (at 19 truck stops from California to Connecticut) and an interactive, web-based survey accessible by drivers were used to administer the survey. Thirteen different organizations (including trucking companies and trade organizations) provided telephone and email contact information for participants. The objective was to ensure a diverse and representative sample to develop a profile of independent contract drivers with respect to their:

- Operating a genuine business enterprise (e.g., operation structure and procedures)
- Earnings and operational costs (e.g., gross and net income, insurance costs, etc.)
- Control of operational decisions (e.g., rejecting loads and determining routes, etc.)
- General advantages and disadvantages of an independent status

The results and conclusions of the study provide valuable information related to the driver's opinions as to the advantages and challenges of being an independent, as well as the rationale behind those opinions. The information can be used to both understand and improve the experience of both independent contract drivers and the carriers for whom they drive.

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Introduction

The number of miles traveled by commercial combination trucks increased from approximately 94 billion miles in 1990 to over 143 billion miles in 2005 (Bureau of Transportation Statistics, 2007). Similarly, the number of for-hire carriers increased from approximately 20,000 in 1980 to over 152,000 in 2007 (TRB Circular E-C146, 2010). Although the economic conditions caused a dip in the truck tonnage index to a low in 2009, it has increased since that time and is anticipated to increase in the future. The Bureau of Labor Statistics (2011) estimates that there will be a projected increase of 554,600 truck driver job openings 2018. One concern of the industry is the ability to fill the required number of commercial truck driver positions. The potential for a driver shortage could also be exacerbated by a combination of factors such as driver demographics (e.g., age) and FMCSA's Compliance, Safety and Accountability (CSA-2010). One potential method of addressing the shortage of drivers is for carriers to utilize independent contractors.

The University of Michigan Trucking Industry Program data from 1998 indicated that, at that time, approximately 74 percent of the over-the-road drivers were "employees" (company drivers), the remaining 26 percent were "owner-/operators" that either own their truck, are leasing/renting their truck or are purchasing their truck with financing. These drivers operate under a contract (using the carrier's operating authority) or under their own operating authority. From the driver's perspective, there are both benefits and challenges to each of these driver categories.

The Truckload Carriers Association (TCA) is investigating the reasons why a driver would choose to be an independent contract driver/operator as opposed to being a company driver. The objective of this effort was to develop, administer and analyze a survey instrument that provides reliable, valid and useful information as to the reasons drivers choose or do not choose to be an independent contractor. In addition to addressing the perceived advantages and disadvantages of being an independent contractor, the survey also investigated the methods that independent contractors use to capitalize on the benefits and accomplish the specific responsibilities associated with being independent.

Research Methods

Categorization of Drivers

Commercial truck drivers range from company drivers that are employees of a carrier to independent single-truck, owner-operators that operate under their own authority. This study addressed the opinions of only drivers that were operating under a separate, carrier's authority. For the purposes of this project, the following classification of drivers that were driving under a carrier's authority was used.

<u>Drivers that are employees of a carrier</u> – employed by the carrier and operate under the carrier's authority.

<u>Drivers that lease their trucks and are not developing equity</u> - leases/rents their truck from a carrier or third party (e.g., Penske) and operates under the carrier's authority.

<u>Drivers that lease their trucks and are developing equity</u> - leases their truck from a carrier or a third party (e.g., Penske) and operate under the carrier's authority. This is often referred to as the "lease to purchase" option.

<u>Drivers that are purchasing their trucks with financing</u> – is purchasing the truck with financing (e.g., from a dealership, bank, etc.) and operates under the carrier's authority.

<u>Drivers that own their trucks outright</u> – currently owns their own truck and contracts to a carrier under the carrier's authority.

The term "lease driver" is used both formally and informally within the industry. However, there is a significant amount of confusion related to the term. First, the term "lease driver" is used to characterize any driver who is operating under a contract lease <u>**to**</u> a carrier to haul goods for that carrier. Second, the term "lease driver" is also used to characterize a driver who is leasing their equipment <u>**from**</u> a carrier and then hauls goods for that carrier or other entities. For the purposes of this project and report all of the drivers that were included in the survey were under contract/lease to carriers. Individuals who were driving under their own operating authority were excluded from the results. The phrase used in this report to characterize an individual that is financing their truck with a contract from a carrier is "leasing/renting" with or without developing equity.

Development of the Survey Instruments

The goal of this survey effort was to effectively and efficiently obtain information from individual drivers to document their opinions, as well as the rationale behind the opinions. The TCA previously developed an extensive list of dimensions upon which the authority and responsibility of an independent contractor could differ from a company driver/employee. This document, titled *Developing Owner-Operator Profile*, was used as the starting point and basis for the survey questions used in the current effort. The questions were reworded to fit the reading and comprehension levels of the participants. This involved ensuring that jargon used in the survey questions would be understood and correctly interpreted by the participants.

During the development of the specific survey questions, the author visited operational management and staff personnel at carriers that used independent contract drivers to discuss the wording of the questions. In addition, the survey questions were sent to a representative from the legal department of the American Trucking Association to get his opinion of the wording and terminology used. Each of these interactions was very productive from the standpoint of making sure that the terminology used in the survey was accurate; however, the content and context of the survey questions were not changed during this process.

During the process of developing the survey with the input of the TCA, carrier representatives and the legal staff of ATA, there were discussions related to the number and type of questions that should be asked. First, with respect to the number of questions, shorter questionnaires can result in a higher response rate, but the depth of the information is severely limited. The decision was made to try to get more information and, in particular, more in-depth information, even though this would reduce the expected number of responses. Similarly, some questions can be more intrusive than others. For example, asking questions about gross and net revenues, income taxes paid, etc. can cause some respondents to discontinue the survey. Again the decision was made to ask the intrusive questions to increase the breadth of the opinions of the participants. To address the impact of the intrusive questions, it was clearly stated that all of the responses were anonymous and that the participant could leave blank any of the questions that they would not like to answer. As discussed later in this report, the survey results indicate that very few participants terminated their responses due to what were considered to be potentially intrusive questions.
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Previous experience by the author (Johnson, 2005) performing driver survey research indicated that the most effective method of developing and validating a reliable, valid and useful survey is to conduct an extensive pilot study involving person-to-person interviews with operational drivers. The feedback from the pilot study is then used to revise and improve the survey instrument for the larger study. The survey in this study went through a number of iterations with the questions being pilot tested with face-to-face interactions with drivers at truck stops. The subsequent modifications to the questions were then resubmitted to the Truckload Carrier Associations to ensure that the content and context were not changed. The final survey involved 135 questions, with some participant groups only responding to the items appropriate for their situation (e.g., lease/rent questions for only those that were leasing/renting their equipment).

Survey Methods

To accomplish the goals of the project, different survey methods were utilized. A combination of face-to-face interviews, telephone contacts, mail-in surveys and an internet, web-based survey were used. The face-to-face and mail-in surveys were conducted at truck stops. The telephone and email addresses for the web-based survey were provided by TCA. Thirteen different organizations provided telephone and email addresses of independent contract drivers to TCA for this effort. These included trucking companies and trade organizations. It is important for the validity of this study that the source of participants was from many different organizations. If only a few organizations (e.g., carriers) participated, the content validity of the study would be decreased due to potential bias and the sample would not be representative of independent contract drivers nationally. Although the identity of the organizations providing the contact information was not known to the researchers, it is the authors opinion that both the number and the diversity of the sources for contacts was sufficient to control for potential bias. In addition, the consistency between the survey results and the information gained from the face-to-face interviews with over 300 drivers at truck stops around the country indicates that the documented opinions are representative of independent contract drivers, in general.

Telephone Contacts. Traditionally, telephone surveys have been used in many different survey efforts. However, with the expanded use of mobile phones and the time required to conduct the survey by telephone, this was not considered to be the most efficient method of collecting the data. Based on the opinions of both the TCA and the University Institutional Review Board (Human Subjects Committee), it was decided that a telephone survey of drivers while moving would not be appropriate. Approximately 100 telephone calls were made to numbers provided by the sources mentioned above. However, due to a combination of the stationary driver restriction and drivers “filtering” their phone calls from unknown sources, very few contacts were made by telephone. When contacts were made, the drivers were given the web site of the survey if they had access to a computer. Almost all of the drivers had access to a computer. If they did not have access to a computer, they were asked for their address and a paper copy of the survey was sent to them with a self-addressed and stamped return envelope.

Direct Personal Interviews. As previously mentioned, experience has indicated that to get reliable, valid and useful data, face-to-face communication with the active truck drivers is very effective. Nineteen different truck stops were visited ranging from California to Connecticut (See Figure 1). One location that was recommended by the TCA was the Port of Long Beach to ensure that port drivers were included, as well as long-haul, over-the-road drivers. One conclusion drawn from the interviews with port drivers is that, although some of the same issues relate to both port and over-the road drivers, port drivers also have a different set of issues. An example is the requirement of a Transportation Worker Identification Credential, TWIC, administered by the Transportation Security Administration (TSA). Although port drivers participated, their results were separated from the over-the-road drivers, who were the focus of this study.

Figure 1. Locations of Face-to-face Interviews

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In addition to the port sites in Long Beach, two other interview sites were in California on I-5 to the north and I-10 to the east. On the other side of the country, the interview sites in Connecticut included drivers in the Northeast corridor, as well as the north-south routes on the east coast, in general. The interview locations in Colorado and Kansas involved routes that were both east-west (I-70) and north-south (I-35) through the Midwest. The South Dakota location on I-90 included drivers that were driving in the northern Midwest, as well as long-haul drivers going to the Northwest coast. The Arkansas (I-40) site is one of the busiest truck routes in the country. This route handles traffic that is going to both the Southeast and the upper Midwest (e.g., Chicago). A review of the responses from the different sites indicated that there were no regional differences that would alter the conclusions of the study.

The interviews occurred in the truck stop restaurants or lounges, or at the pumps as the drivers were refueling (Figure 2). One of the most productive scenarios was when the drivers were waiting in their truck behind other trucks at the pumps. Other interviews occurred when the trucks were parked (Figure 3). Prior to visiting the sites, each truck stop was contacted to get approval to conduct the interviews.


Figure 2. Trucks at Fuel Station


Figure 3. Trucks in Parking Area

The initial contact with the drivers involved the investigator introducing himself as a professor from the University of Arkansas and stating that he was conducting a driver opinion survey. The drivers were assured that their responses were anonymous and that they could stop the survey at any time. The first question asked of the drivers was whether they were a company driver or an independent contract driver. If they were a company driver, the person was thanked and it was explained that the participants in the survey were independent contractors. A few company drivers were interviewed that had recently been independent contract drivers but were now company drivers. They were asked to complete the survey from their experience as an independent contractor. Similarly, some independent contractors had only been in that status for a very short time and it was determined that they did not have sufficient experience to respond to the survey.

Although a few surveys were completed by drivers at the time of the initial contact, the majority of the responses were provided later. The drivers were asked if they had access to a computer and the internet, either on the road or when they get back home. Very few of the drivers did not have access to a computer. They were then provided with a business card (Figure 4) that had the internet address of the web-based survey (discussed later).

In addition to the nineteen truck stop sites across the country, the author attended the Great American Truck Show in Dallas, Texas on August 26th and 27th, 2011. The Exhibition Area of the event provided a very good forum to access many independent contractors that had come to the show from around the country. In addition to some face-to-face interviews, some paper-copy surveys and the business cards that listed the web address for the survey were distributed at the show.

Figure 4. Business Card with Survey Site

Internet (Web) Based Survey. A recent survey by OOIDA indicated that approximately 86 percent of the drivers surveyed had personal computers with access to the internet. As previously indicated, from the face-to-face interview at truck stops, it is the opinion of the author that this estimate is low and very few of the independent contract drivers today do not have access to the internet. In fact, access to a computer is not completely necessary in that some of the drivers responded to the survey with their "smart phones."

The web-based survey was developed on the Qualtrics platform (http://uark.Qualtrics.com). In addition to giving the internet address to the divers at the truck stops and the truck show (GATS) the emails provided to TCA from the thirteen organizations were used to contact independent contract drivers. The initial email message is shown in Figure 5.

Dear Professional Driver,

The University of Arkansas is conducting a research study of driver opinions about the advantages and disadvantages of being an independent contract driver. We would appreciate your input. This is a university research effort and is NOT a commercial effort.

If you have 15 to 20 minutes, would you check out the survey by clicking below:

Driver Opinion Research Website

Your responses are totally confidential and anonymous. You can stop participating in the survey at any time.

The results of this study will be published to provide information that can be used to understand and improve the experience of independent contract drivers

If you have questions about the study, feel free to contact me by email at trucking@uark.edu or by telephone (479) 575-6034.

Thank you for your consideration,

Steve Johnson
Professor, Mack Blackwell Transportation Research Center
University of Arkansas, Fayetteville, AR
trucking@uark.edu

Figure 5. Initial Email Request for Participation

The first page of the survey was the Informed Consent (Figure 6) that is required for all human research by the Institutional Review Board at the University of Arkansas.

UNIVERSITY OF ARKANSAS

Survey of Independent Contract Drivers in the For-Hire Trucking Industry
INFORMED CONSENT FORM

Title of Project: Relative Advantages and Disadvantages of Independent Contractor Status: A Survey of Owner-Operator's Opinions.
Researcher: Dr. Steve Johnson, Professor of Industrial Engineering, University of Arkansas
Introduction: We are conducting research to document the opinions of independent contract truck drivers about the advantages and disadvantages of being an independent contract driver.
Procedure: We would like to ask your opinion about many of the aspects of being an independent contract driver. Please answer any of the questions that you want and leave any questions blank if they are not appropriate.
Voluntary Participation/Withdrawal: Your participation in this study is voluntary and you can stop answering the survey at any time.
Confidentiality: You are not being asked your name or any other identifying information. The data will be grouped and no individual information will be disseminated in any form.
Benefits: This study will provide information that can be used to understand and improve the experience of independent contract drivers.
Duration: This interview generally takes about twenty minutes.
Contact Persons: This study is being conducted by the University of Arkansas. If you have any questions or concerns about your rights as a participant in this research study, you may contact Steve Johnson at (479) 575-6034.

Important: If you do not know the answer to any of the questions or do not want to answer them, feel free to not answer and move to the next question.
You can stop (Exit) at any point and return to the survey later if you wish.

Thank you.

I would like to participate in the survey.

- Yes
- No

Figure 6. Informed Consent

Question Formats

The format of the questions included the opportunity to choose from specified categories (Figure 7). For some questions with this format, multiple responses could be selected and on other questions, only one could be selected.

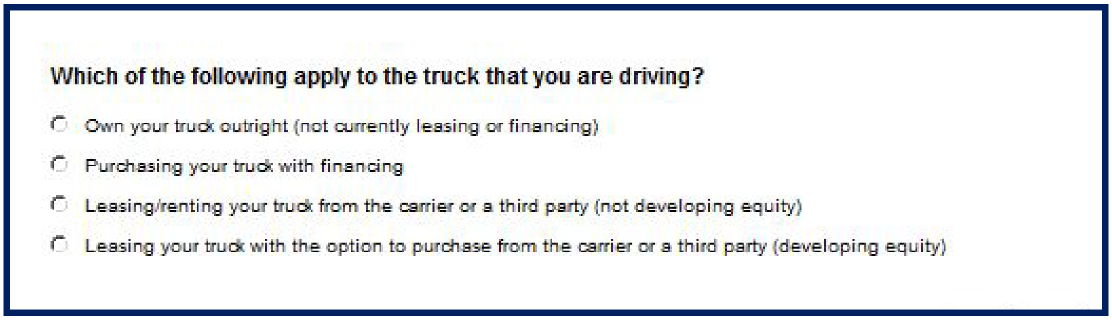


Figure 7. Choice Responses

Other questions involved the respondent to type in specific information as shown in Figure 8. Some of these responses were restricted in form (e.g., numbers, dates, etc.) others were open ended.

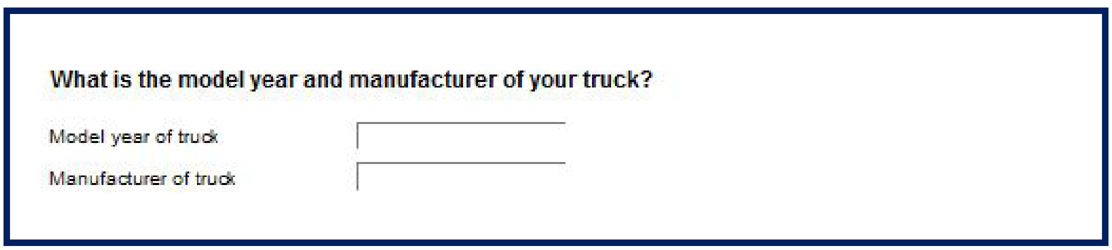
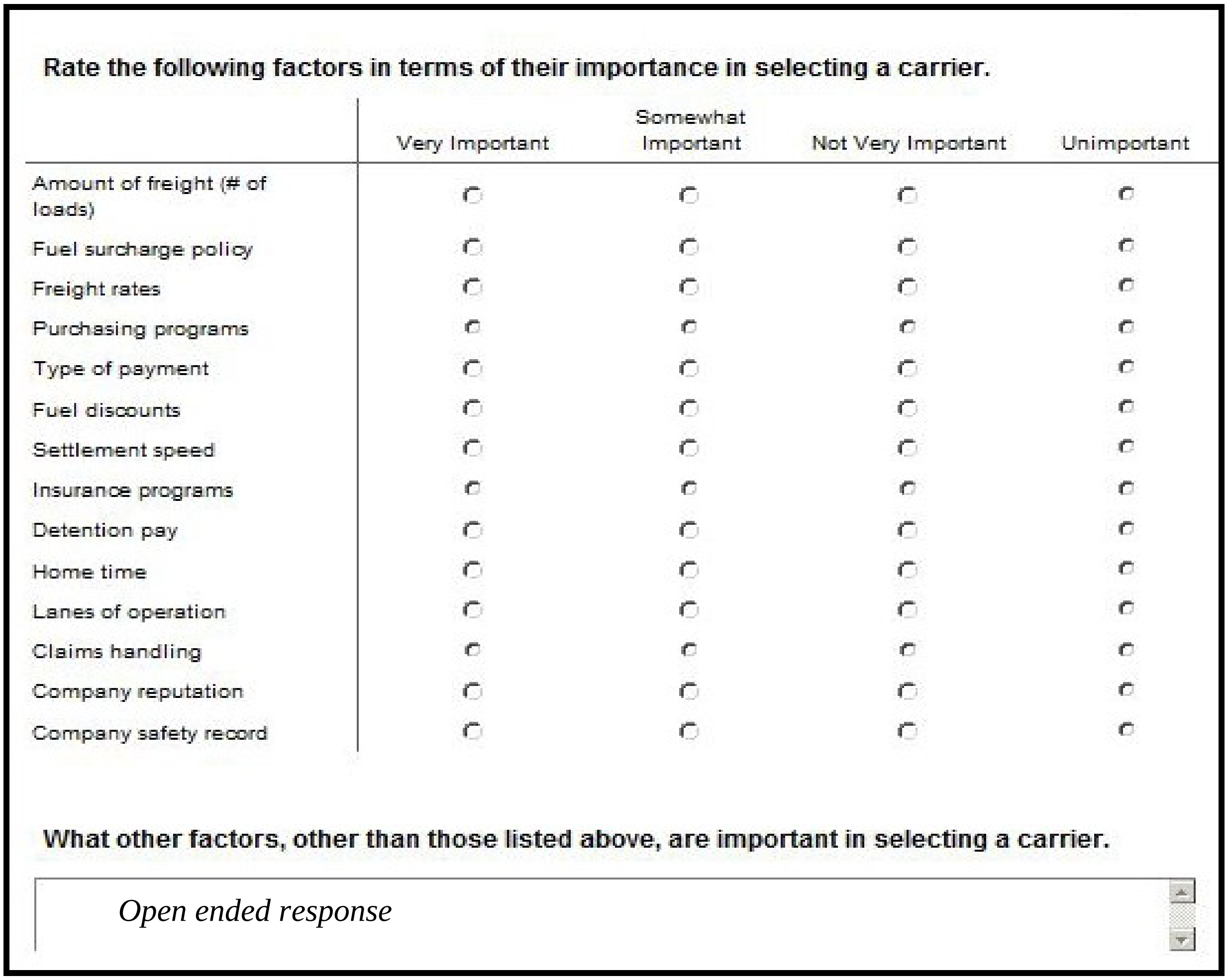


Figure 8. Completion Responses

Many of the questions asked the participant to rate a set of factors. For example, Figure 9 asked about the importance of a number of factors in selecting a carrier/partner. In a survey, it is often beneficial to suggest the relatively complete list of factors to be considered. However, the list presented may not be exhaustive of all of the factors. In addition to indicating the importance of the factors listed, the participants could also add other factors that were not included in the list. The open-ended responses were very valuable in ensuring content validity by not excluding some factors.

In addition to the absolute importance of factors, it is sometimes important to know the importance of factors relative to each other. Whereas Figure 9 illustrates a rating scale, Figure 10 provides a way for the participants to “rank” the factors relative to each other. In this case the participants would click on the factors (e.g., Repair Costs) and drag them up the page if it is more important than the factors above it. Again, space was provided for the participant to provide additional factors that were not included on the list.



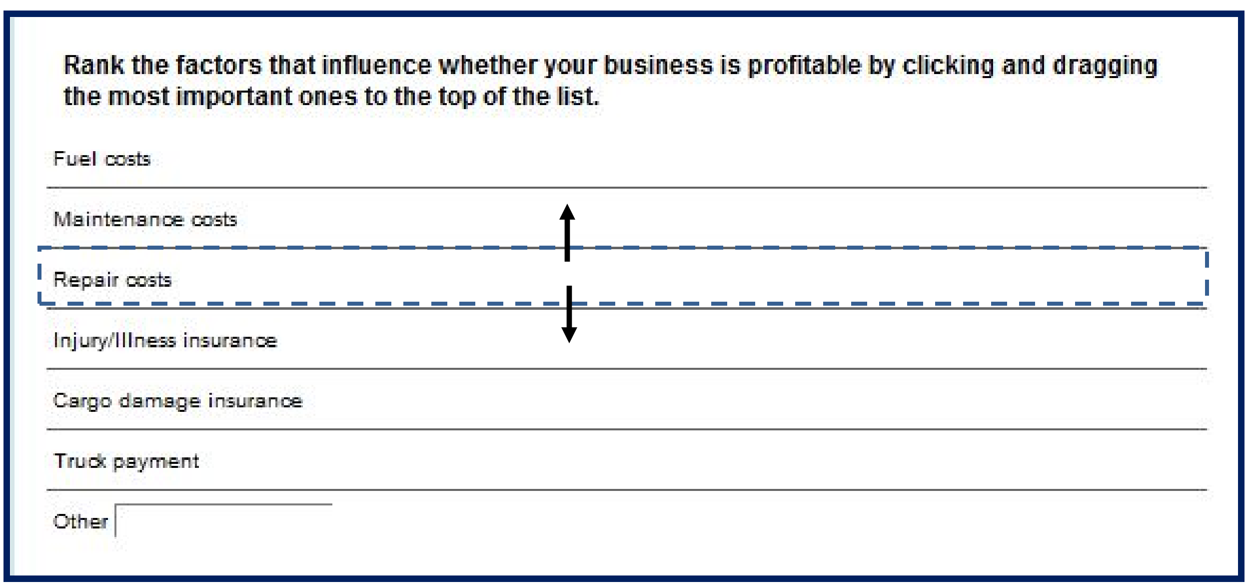
Rate the following factors in terms of their importance in selecting a carrier.

	Very Important	Somewhat Important	Not Very Important	Unimportant
Amount of freight (# of loads)				
Fuel surcharge policy				
Freight rates				
Purchasing programs				
Type of payment				
Fuel discounts				
Settlement speed				
Insurance programs				
Detention pay				
Home time				
Lanes of operation				
Claims handling				
Company reputation				
Company safety record				

What other factors, other than those listed above, are important in selecting a carrier.

Open ended response

Figure 9. Rated Responses



Rank the factors that influence whether your business is profitable by clicking and dragging the most important ones to the top of the list.

Fuel costs

Maintenance costs

Repair costs

Injury/Illness insurance

Cargo damage insurance

Truck payment

Other

Figure 10. Ranked Responses

Other questions were totally open-ended, with no factors being suggested. For example, in Figure 11, it was decided that more valid responses would be obtained by letting each driver state the consequences of refusing a load in their own words. The second question in Figure 11 illustrates how some questions were asked in an open-ended format, but still provided a relative ranking of the participants' responses by asking them to put the most important factors first.

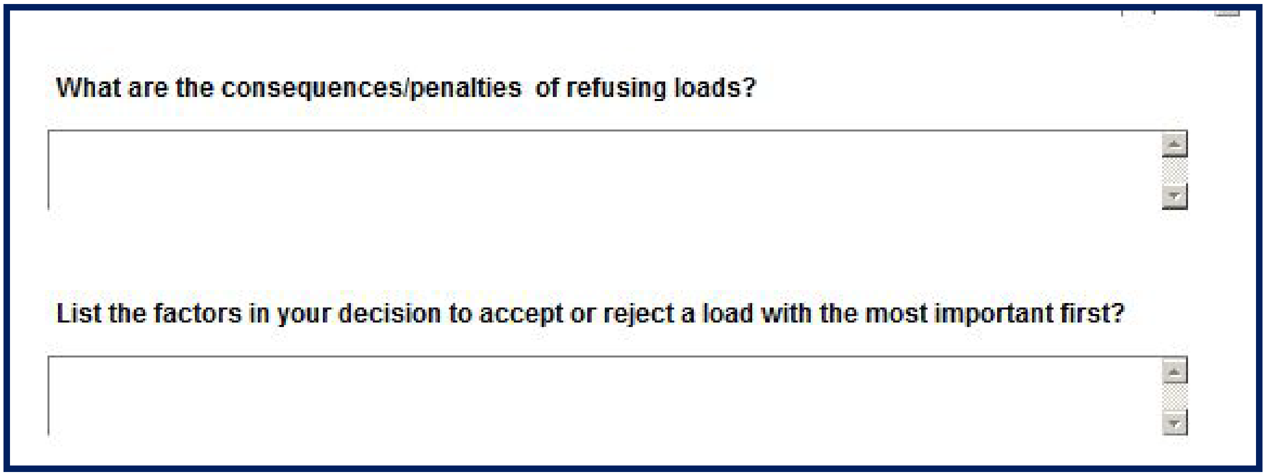


Figure 11. Open-ended and Ranked Open-ended Questions

Figure 12 illustrates the format of many of the questions in the survey that could be answered with a simple "yes" or "no."

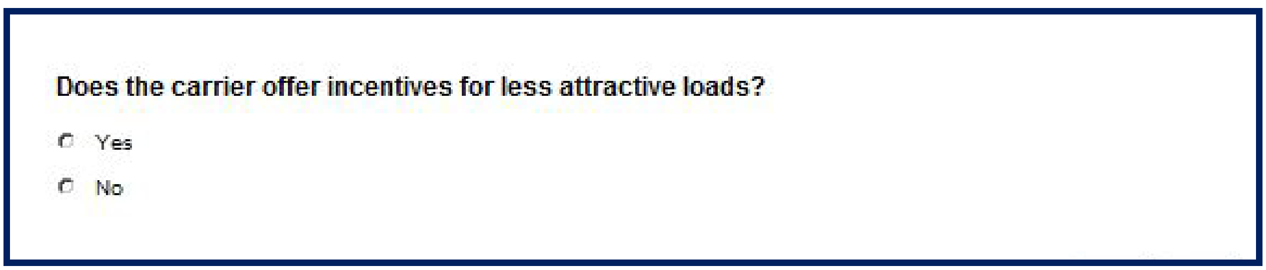


Figure 12. Yes-No Questions

At the bottom of each page, the symbols shown in Figure 13 controlled whether the participant wanted to continue, >>, or go back in the survey, <<. If the participant discontinued the survey, they could get back to the survey the same way they initially did and the survey questions continued from the point that they stopped.

Figure 13. Forward –Back Control

Number and Representativeness of Participants.

A total of 154 drivers responded to the survey. Four respondents chose not to participate after reading the Informed Consent. However, not all drivers that did participate completed all questions. For example, drivers that responded that they had never driven as a company driver for a carrier were not asked about when or how long it had occurred. Similarly, some of the drivers did not respond to the more intrusive questions about income and taxes. However, it is important to note that those questions did not cause the respondents to stop participating in the survey. They simply skipped the particular questions.

There are two important aspects of the sample of drivers participating in the survey. The first relates to the number of respondents and its impacts upon the statistical stability of the results. That is, it important that the sample size is large enough to keep some divergent responses from distorting the results and conclusions. The stability of the results is represented by the "confidence interval" provided for the data. For example, a 95 percent confidence interval gives the range within which you can be 95 percent confident that the "true value" is within. The confidence interval for proportion data, such as those presented here, is dependent upon two factors, the sample size and the actual level of the proportion. With a sample size of 150, the 95 percent confidence interval is approximately plus and minus five (5) percent if for a proportion of 10 percent and is approximately plus and minus nine (9) percent for a proportion of 50 percent. With a sample size of only 100, the 95 percent confidence interval is approximately plus and minus six (6) percent if for a proportion of 10 percent and is approximately plus and minus ten (10) percent for a proportion of 50 percent. For example the survey indicated that 11 percent of the drivers have other jobs, beyond driving. With the sample size of 150, it can be said that although the most likely true value is 11 percent, we can be 95 percent confident that the true value is between 6 percent and 16 percent (11 % ± 5 %). Similarly, we can be 50 percent confident that the true value is between 9 percent and 13 percent (11% ± 2%).

It is important to note that, although there were approximately 150 responses to most of the questions and more than 100 for each of the more intrusive questions, questions related to subgroups are sometimes much smaller. For example, 15 percent of the drivers stated that they operate using a "Trip Lease." These drivers were subsequently asked the question as to how often they operate using Trip Lease. The responses to this question (frequently: 13%; sometimes: 13%; and infrequently: 75%) are based on a small sample size and the specific values could be questioned. In this example, it is reasonable to conclude that most drivers that do use Trip Leases do so infrequently; but the specific numerical estimates (e.g., 75%) could very significantly. When the sample size is low for particular questions in this report, it will be indicated. If numerical estimates are of interest related to subgroups of drivers, more data would need to be collected focusing on that specific subgroup.

The second and, in fact the more important aspect of the sample, is whether the drivers that participated in the survey were "representative" of independent contract drivers, as a whole. This is dependent more on the way the drivers are selected, rather than the number of drivers participating. This affects the potential bias of the results rather than the stability. For example, the survey indicated that approximately five (5) percent of the drivers drove as teams rather than as individuals. The interviews at the truck stops all occurred during daylight (6:00 am to 9:00pm). It is possible that, if the interviews occurred during the middle of the night, there might have been a higher proportion of team drivers due to their different work cycles. However, the responses from the email requests for participation would not have had that bias and the data did not appear to be different for the two groups. Incorporating the contacts supplied by the thirteen organizations of different types and sizes, as well as the personal contacts with drivers at the nineteen truck stops across the country, helped ensure that the sample and the results were representative.

Results

The results of the survey will be presented in graphical format. The questions will be written above the graphic and the percentages for each category will be given. For data related to subgroups that have small sample sizes, the caution will be indicated in the discussion. Additional comments either included on the survey or as a result of the face-to-face interviews will be included after the graphic.

Driver Background

How long have you been driving over-the-road for a living?

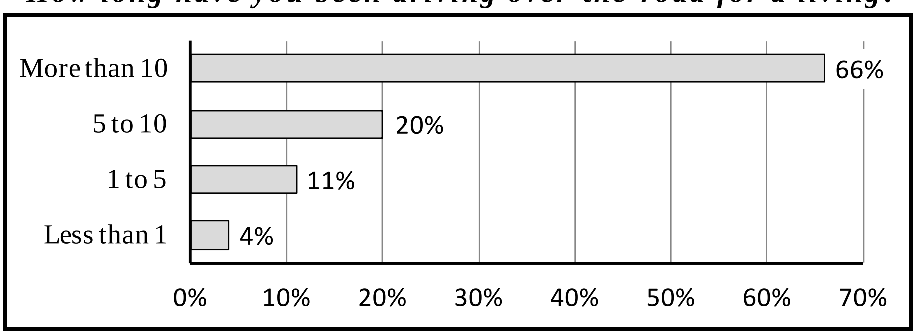


Figure 14

The results illustrate that many of the independent contract drivers are very experienced with more than (10) years. The original objective of this question was to determine if they were new drivers or experienced drivers. The value of ten (10) years was chosen as a threshold for very experienced drivers. This is an example of where a choice question is very efficient, but results in less information. The choice type of question was chosen for the survey because the time that it takes the responder to "click" on a range is less than the time required to key in a number of years. However, in retrospect, it would be interesting, although not necessary, to know the distribution of actual driving experience. Some information as to this distribution can be estimated from questions discussed later in the survey.

Do you currently or periodically have other jobs in addition to driving?

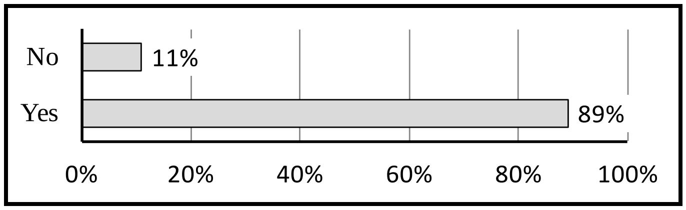


Figure 15

Examples of the types of additional jobs held by the drivers were construction, security guard, and mechanic. Only half of the responders that indicated that they did have other jobs indicated what types of jobs.

Are you currently driving under the carrier's authority?

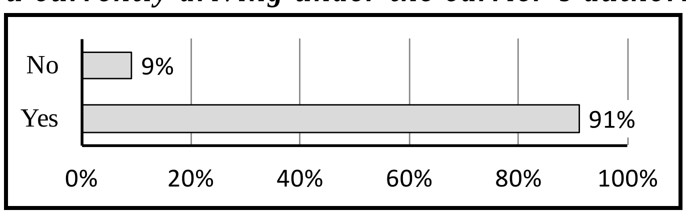


Figure 16

The survey focused only on the opinions of drivers that are driving under a carrier's operating authority. However, some of the drivers interviewed had previously been an independent contract driver for a long period of time, but were now company drivers. They were asked to complete the survey from their experience as an independent contract driver.

Do you sometimes drive on your own operating authority?

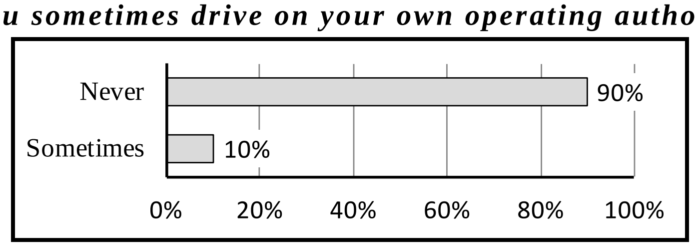


Figure 17

This question was only asked of the drivers that were currently driving under the authority of a carrier.

Have you ever been employed as a company driver by a carrier?

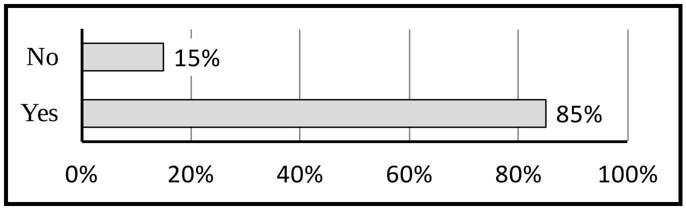


Figure 18

Most of the independent contract drivers had previously been company drivers (employees of a carrier). Although company drivers (employees of carriers) were not the focus of the study, during the face-to-face interviews at the truck stops many conversations occurred with them, either individually or in groups with independent contract drivers. One comment that was repeatedly heard from company drivers that were still in the training period was that they intended to become an independent contract driver when their obligation with the carrier was complete.

Another comment that was stated many times by company drivers related to why they moved from being an independent contract status to company employee status. The vast majority of the reasons involved the need for health insurance for either themselves or a member of their family. They could no longer get health insurance that they could afford; whereas they could be covered by the group plan at a carrier. From these comments, it could be concluded that if there were more accessible and affordable health insurance, there would be many more drivers operating under an independent contractor status.

How long ago were you employed as a company driver?

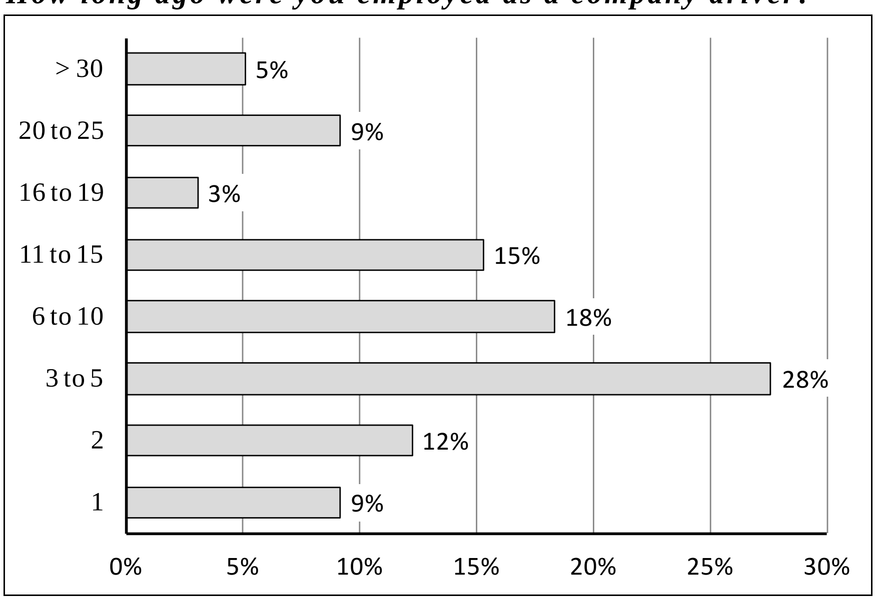


Figure 19

The distribution shown in Figure 19, above, gives additional information as to the length of time that the drivers have been in the industry. However, note that the data are based on only a subset of drivers that have previously been employed by a carrier. Therefore, conclusions can be drawn about the general distribution, but specific numerical percentages (e.g., 12 % from 16 to 19 years) may vary. Put in statistical terms, although the best estimate is 12 percent, we can be 95 percent confident that the true value is between 6 percent and 18 percent and 50 percent confident that the true range is between 10 percent and 14 percent.

How easy do you think it would be for you to be hired by a carrier as a company driver today?

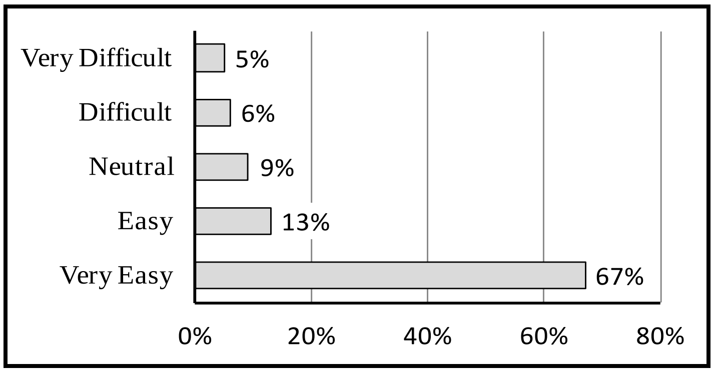


Figure 20

These results are very consistent with the interview opinions in that the drivers feel that they could transition to being a company driver if they wished. The drivers who indicated that it would not be easy to be hired all referred to their driving record (accidents or violations).

Do you drive as an individual or a team?

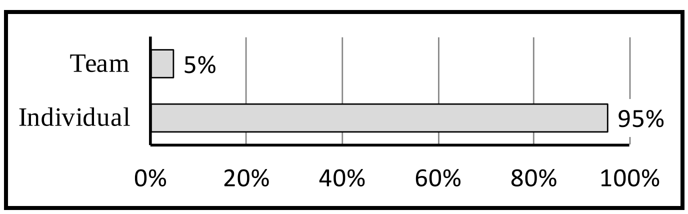


Figure 21

The proportion of team drivers in the sample might have been lower due to the visits to the truck stops being during the day (6:00am to 9:00pm) rather than in the middle of the night. Because team drivers tend to have a more continuous work cycle there might be more team drivers at night. However, the participants that responded to email requests would not have had this potential bias.

Driver Finances

What is the model year of your truck?

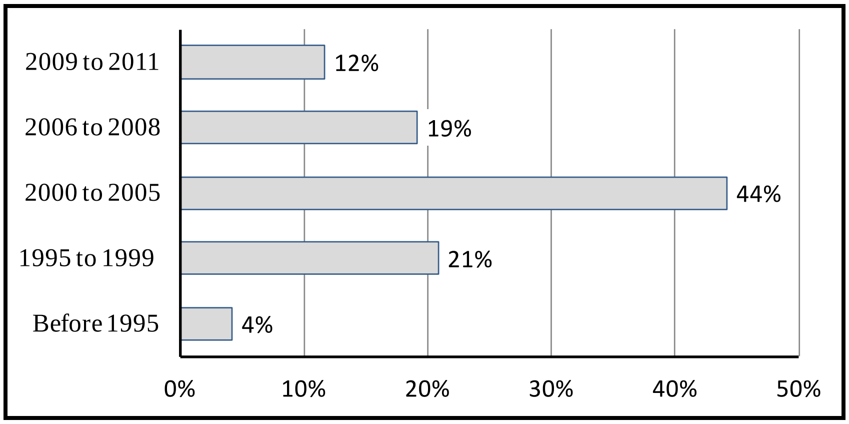


Figure 22

From the observations at the truck stops, it appeared that, in general, the trucks of the company drivers were newer than those of the independent contract drivers.

What is the manufacturer of your truck?

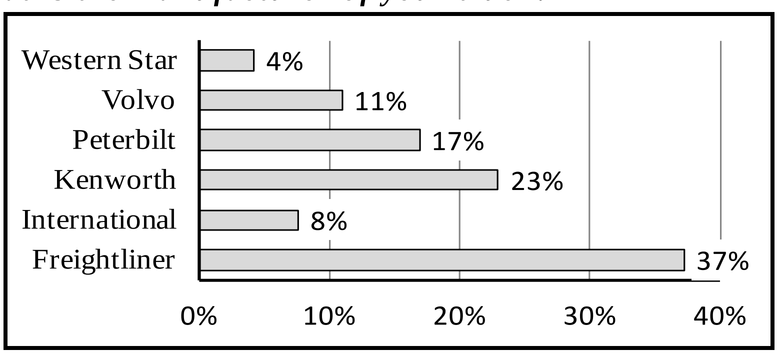


Figure 23

Which of the following apply to the truck that you are driving?

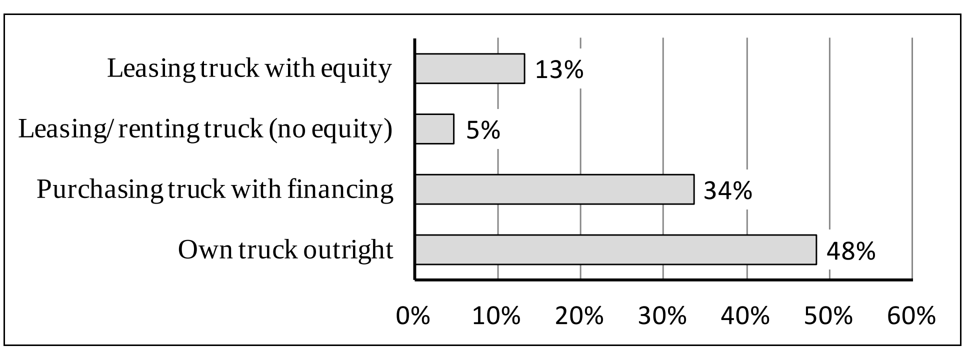


Figure 24

The Leasing truck with equity category above is often referred to as "lease to purchase" programs where the driver leases the truck from either a carrier or a third party (e.g., Penske). The drivers develop equity in the truck and have the option to purchase the truck at the end of the lease period. Notice that, although this category represents only 16 percent of the drivers, it represents almost one-third of the cases where the driver purchases the truck over a period of time.

Where did you obtain financing (for "own your truck, outright")?

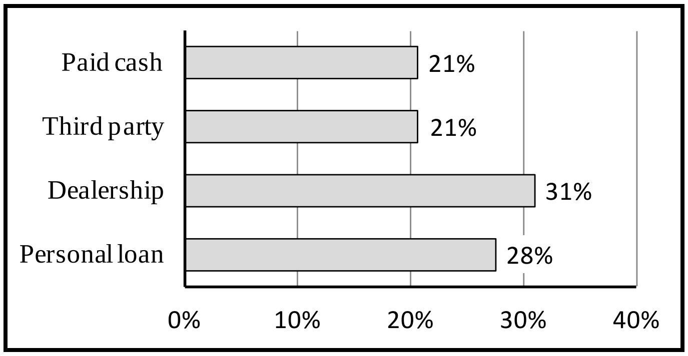


Figure 25

The data for the drivers that currently own their truck, outright indicate that about 20 percent of truck purchases are with cash and the other 80 percent involve financing. Again, for this group it appears that approximately one-third of the financed trucks involved third party or "lease to purchase" plans.

Where did you obtain financing (for "purchasing your truck with financing")

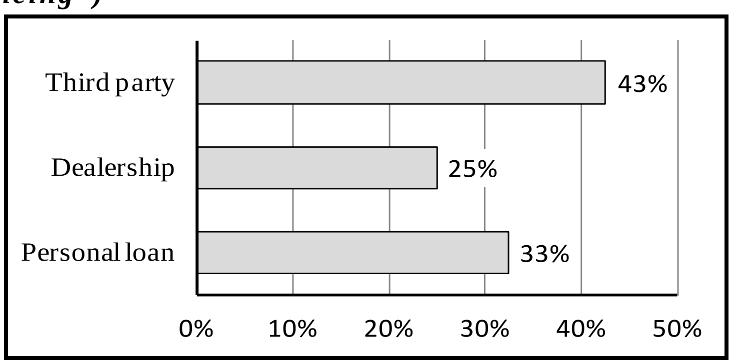


Figure 26

For the drivers that are currently purchasing their trucks, the proportion of third party financing is somewhat higher (43 percent). During the interviews, some of the drivers indicated that the difficulty of obtaining traditional financing and their lack of a down payment were causing them to increase their consideration of "lease to purchase" plans.

Where are you leasing from (for the "leasing, with equity")

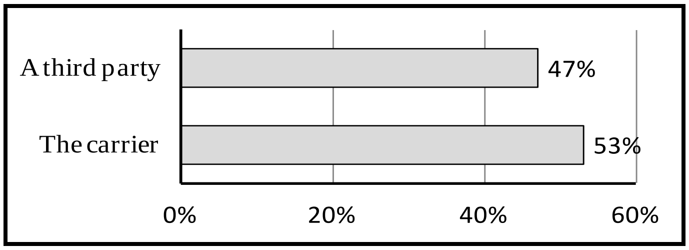


Figure 27

The drivers that were currently leasing their trucks and developing equity were relatively evenly split between those that leased from a carrier and those that leased from a third party (e.g., Penske). However, it should be noted that the sample size for this subgroup is very small with a confidence interval for these estimates of approximately ± 25 percent.

What was your down payment ($, for "own your truck, outright")

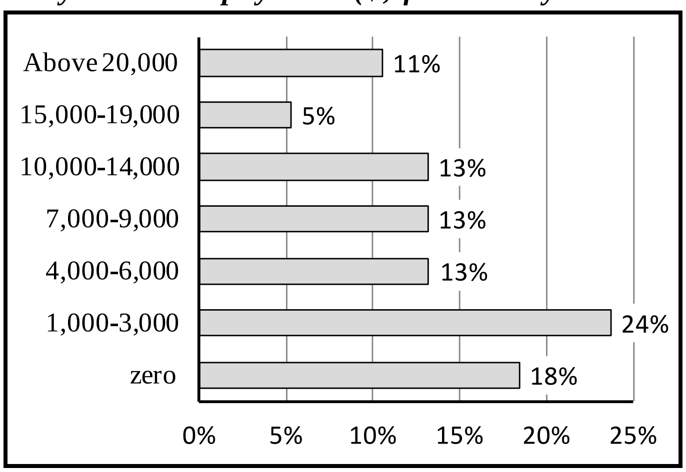


Figure 28

What was your down payment ($, for "purchasing your truck with financing")

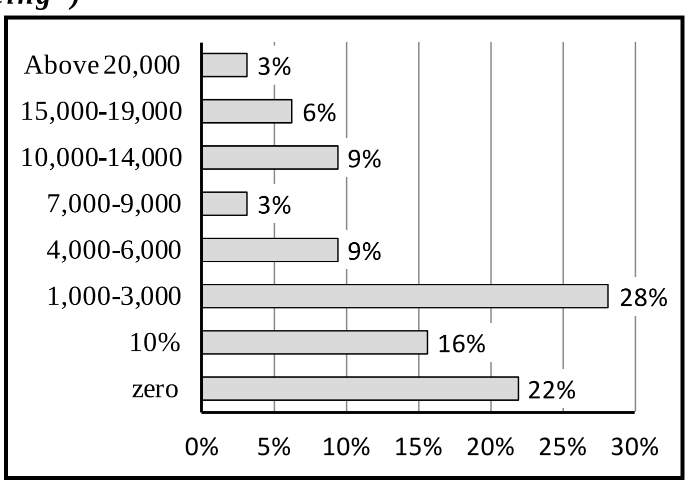


Figure 29

Comparing the distributions of the down payment amounts for the “own truck” and “purchasing truck” groups, it appears that the amount of the down payment may be lower today that it was when the “owners” originally purchased their trucks. Although the question was intended to solicit a dollar amount, unfortunately some of the drivers indicated that they paid a 10 percent down payment. Therefore, the actual down payment values for this 20 percent of the “purchasing” group are not accurately documented in the distribution. In addition, the possible inclusion of the value of a trade-in as a down payment also complicates the interpretation of these data.

What was the duration of your loan? (months, for “own your truck, outright”)

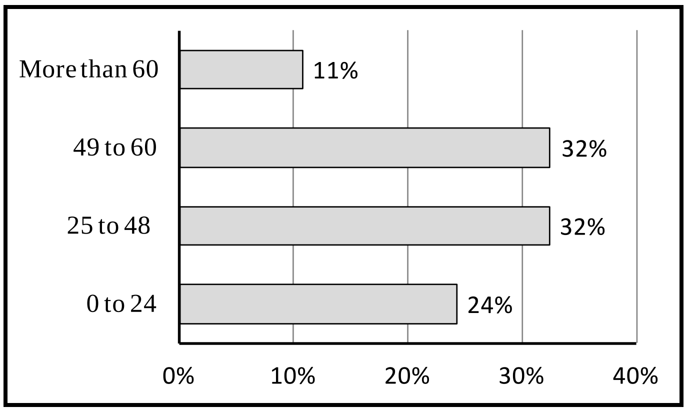


Figure 30

What is the duration of your loan? (months, for “purchasing your truck with financing”)

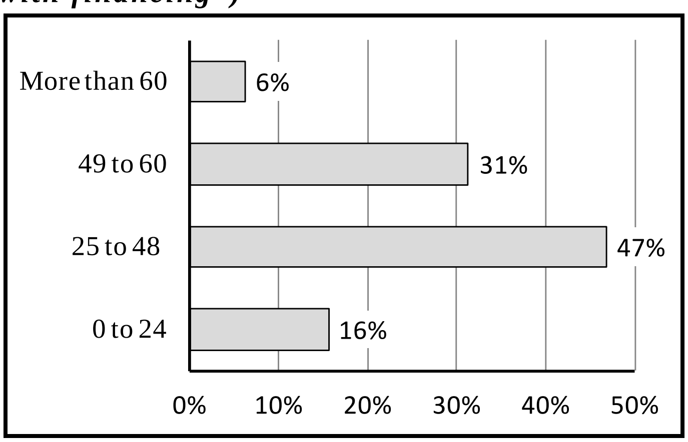


Figure 31

The distributions of the data related to the duration are relatively consistent for the “own truck” and “purchasing truck” groups. If anything, it appears that there are fewer short-term loans for the drivers currently purchasing their trucks. It might also be possible that there was confusion among some of the respondents that chose the category of “purchasing your truck with financing” when they were actually “leasing their trucks with equity (lease to purchase).

What was your monthly loan payment ($, combined, "own your own truck, and purchasing a truck with financing

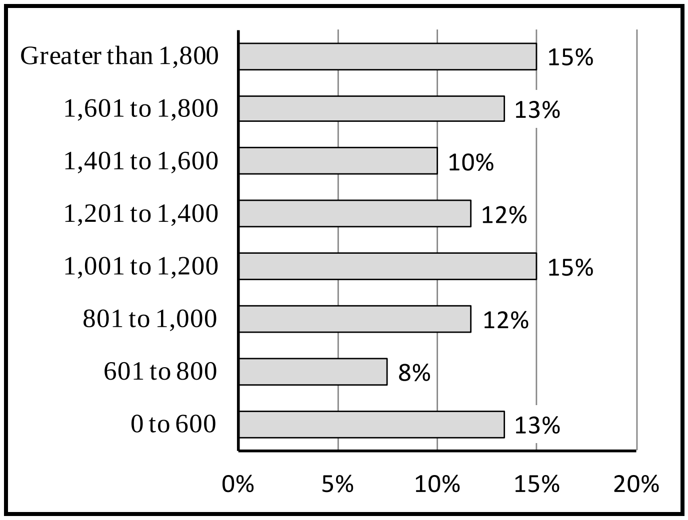


Figure 32

There was wide variability in the monthly payments for both the "own truck" and "purchasing truck" groups. The payments ranged from $350 to $3,575 per month. These values are difficult to interpret due to the fact that they are obviously related to the cost of the truck, the down payment and the duration of the loan. The average monthly payment for the "own truck" group was $1,447 and the average monthly payment for the "purchasing truck" group was $1,330.

When did you purchase your truck (combined, "own your own truck" and "purchasing a truck with financing")

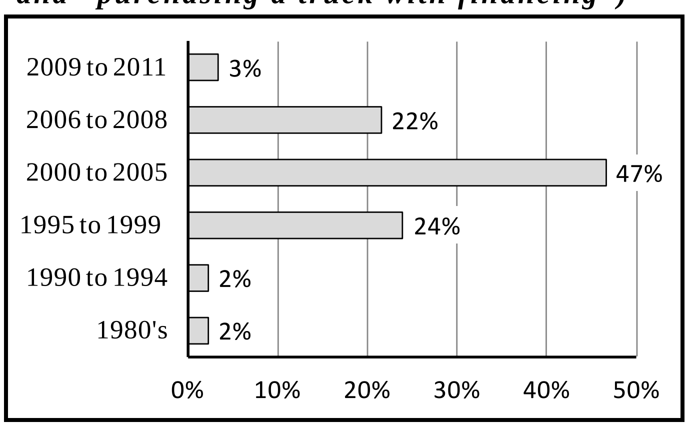


Figure 33

As previously discussed, it appears that the trucks owned by independent contact drivers are somewhat older than carrier trucks, particularly for the larger fleets.

The cost data for the leases for the drivers that were leasing their trucks (with or without equity) are not reported here due to the low sample size. In addition, it became obvious during the face-to-face interviews that the items considered in the "monthly lease price" varied widely. For example, some drivers reported only the cost of the lease; whereas, others included in their "lease costs" items deducted from their settlement such as insurance, maintenance escrow, etc. The "payments" for the leases ranged from $550 to $3,575 per month. The duration of the leases ranged from two to five years. The drivers that are leasing and developing equity from carriers were asked why they chose that alternative over a third party. The primary reasons stated were convenience, security, and lower personal credit constraints when leasing from a carrier. The primary reasons stated for choosing a third party over a carrier were the ability to change carriers and cancel the lease.

Is there a lease termination penalty?

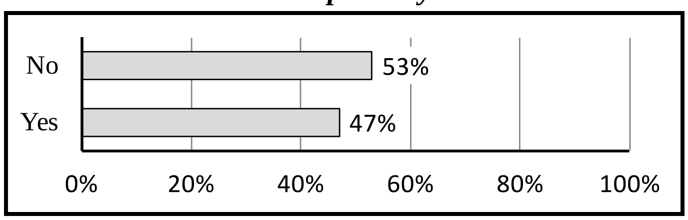


Figure 34

Is there a lease completion bonus?

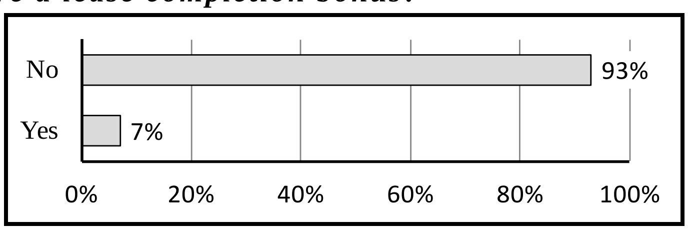


Figure 35

Is changing carriers allowed by your lease?

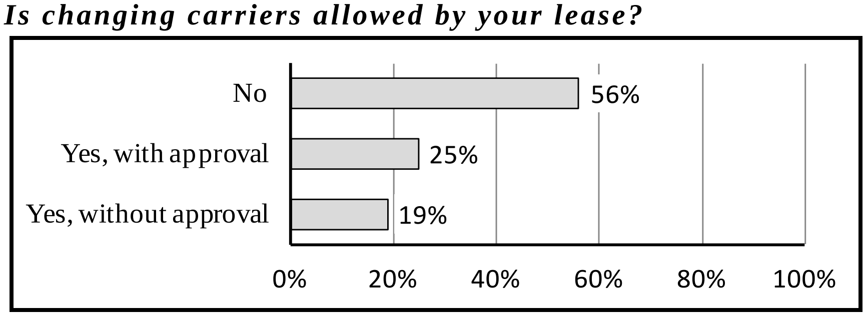


Figure 36

Figures 34, 35 and 36 illustrate the responses of the drivers who were leasing their trucks and developing equity (lease purchase). Although the number of responses for this subgroup is too low to make confident estimates of the exact proportions, the general magnitude of the results is valid. That is, about half of the people had a lease termination penalty. However a lease completion bonus does not appear to occur very often. Lastly, about half of the leases allowed changing carriers, with half of those requiring approval.

Have you ever owned more than one truck at the same time?

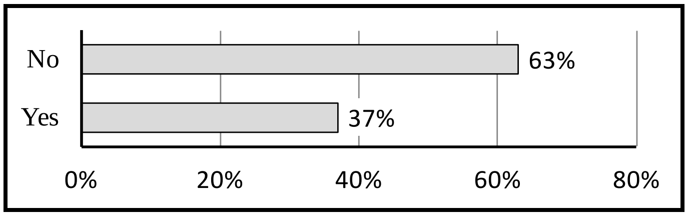


Figure 37

Do you currently own more than one truck?

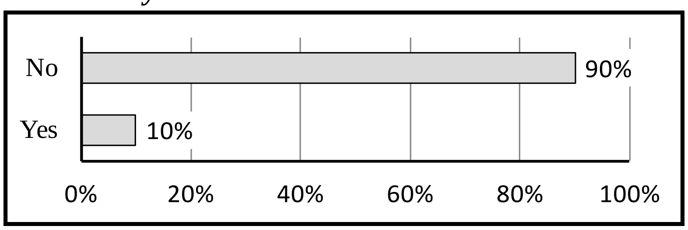


Figure 38

What was the maximum number of trucks that you owned at one time?

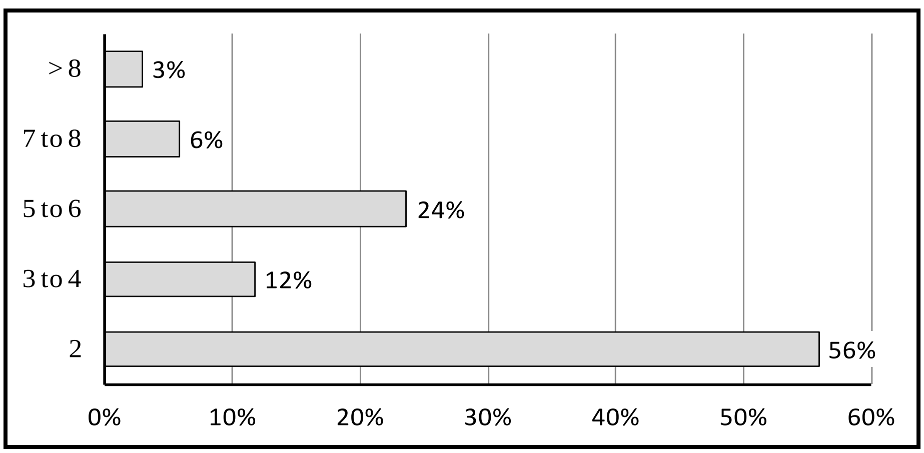


Figure 39

Figures 37, 38 and 39 illustrate that about a third of the drivers had previously owned multiple trucks, but relatively few do now. During the interviews, when asked why they no longer had multiple trucks, the response was consistently "lack of ability to find qualified, reliable drivers." It appeared to be the problem of finding drivers rather than the direct financial aspects of operating multiple trucks that changed their operations. About half of the drivers that had multiple trucks had only two. When asked specifically if they hope to expand their business to more than one truck, approximately one-fourth (23%) replied that they did.

Experience with Carriers

The decision to join with a carrier/partner is one of the most important decisions for an independent contract driver. The responses important factors were clustered into six groups. The factors are listed below with the most important first (freight rates) and the least important last (purchasing programs). There tended to be small differences (i.e., similar ratings) within the groups and larger differences between groups.

Rate the factors in terms of their importance in selecting a carrier.

Group A:	Freight rates Fuel surcharge policy Amount of freight (# of loads)
Group B:	Settlement speed Company safety record Company reputation Fuel discounts
Group C:	Home time Lanes of operation
Group D:	Type of payment Detention pay
Group F:	Insurance programs Claims handling
Group G:	Purchasing programs

Figure 40

When the drivers were asked if there were factors, other than on the list, many of the responses referred to: communication, flexibility, friendliness and respect for the drivers. It is important to note that the company's reputation and, particularly the company's safety record rated very high on the list. During the interviews, it was indicated that CSA 2010 has resulted in the company's rating having an impact on the individual driver's records.

The driver's decision to discontinue a partnership with a carrier is also important. Although this is somewhat of the mirror question to the previous one, it brought up different points. In the responses clustered into four groups. Again they are listed with the most frequently mentioned response first.

What would be the primary factors that would cause you to discontinue a contract with a carrier?

Group A: Honesty issues
Lying
Poor dispatcher relationship

Group B: **S**low pay/settlement
Pay held up

Group C: Lack of freight
Poor freight rates
Poor lanes

Group D: No home time
Forced dispatch

Figure 41

It is evident that, although the financial and operational aspects are important, the personal trust and communication with the company are even more important. Factors related to the "trust" category were mentioned far more frequently than were the financial factors.

How many different carriers have you contracted with in your time as an independent contractor?

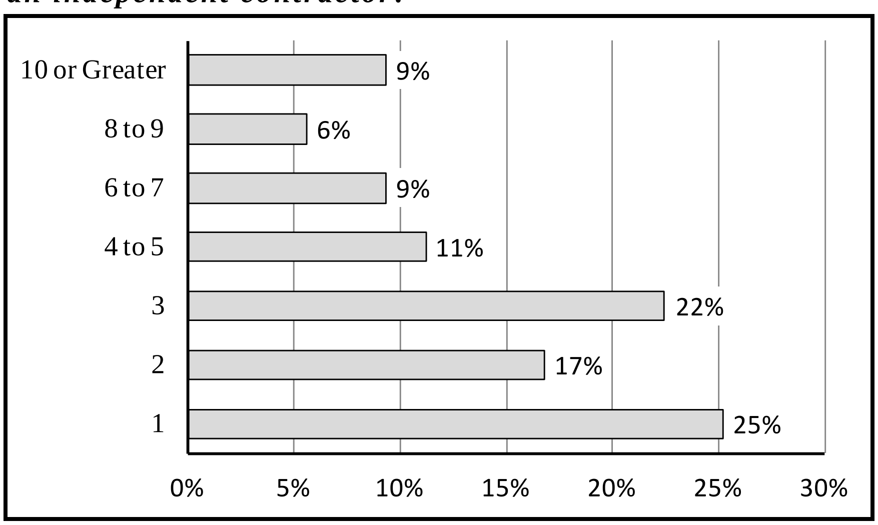


Figure 42

Approximately one-quarter of the drivers have contracted with only one same carrier. However, approximately two-thirds of the drivers have been with three or fewer carriers. Figure 43, below illustrates that, although some drivers still move among carriers, almost half have been with the same carrier and 75 percent have been with one or two carriers during the last five years.

How many different carriers have you contracted within the last five (5) years?

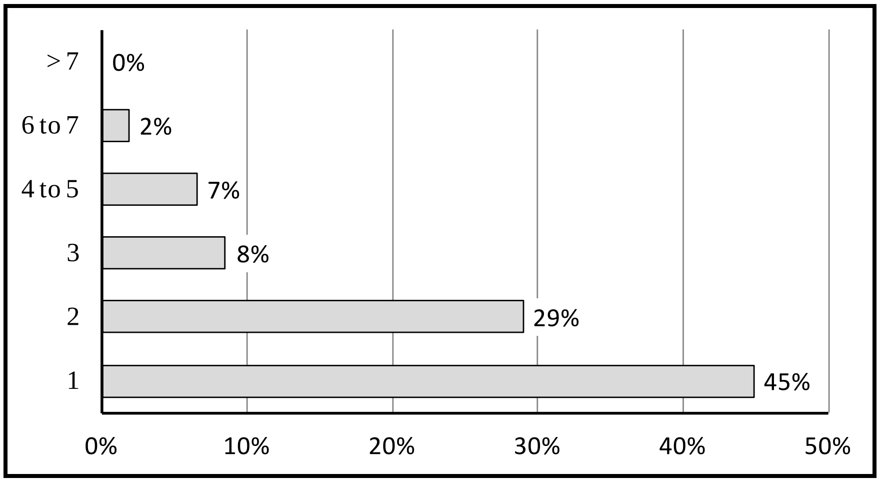


Figure 43

Figure 44 shows that approximately one quarter of the drivers have spent ten (10) years or more with the same carrier. These data are made more difficult to interpret in that it is not known how long the person has been driving as an independent contractor. That is, the longest they have spent with one carrier might be one or two years because they have only been driving for one or two years.

What is the longest time that you have spent with the same carrier?

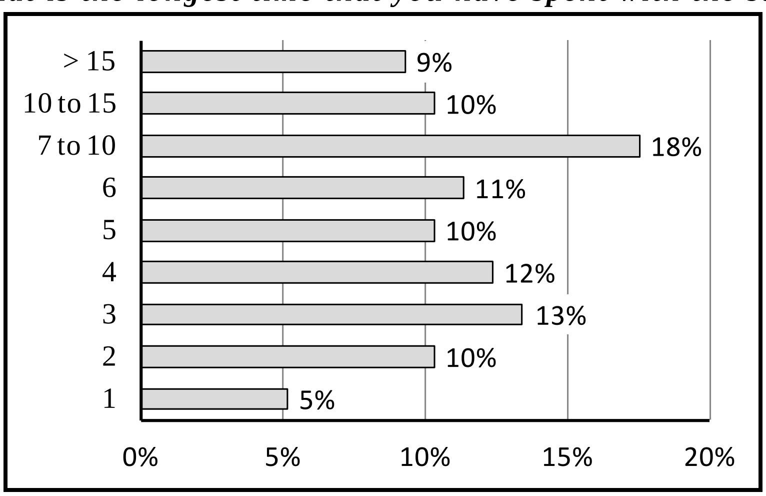


Figure 44

The question was asked of the drivers that had contracted with more than one carrier: "What is the shortest period of time that you have spent with the same carrier?" Virtually all of the responses were in months, weeks or even days. It appears that it takes a very short time for drivers to decide that they do not want to partner with a particular carrier.

Do you ever operate using a trip lease?

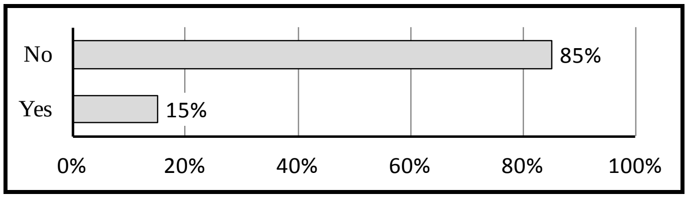


Figure 45

If you do use trip lease, how often do you operate using a trip lease?

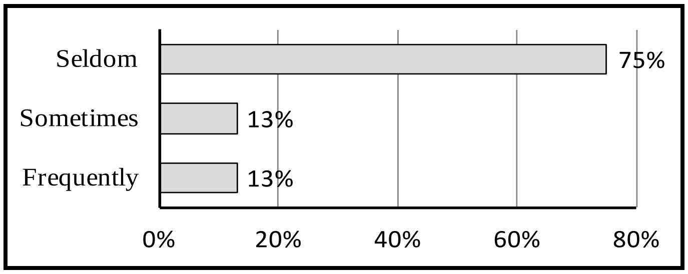


Figure 46

Trip leases appear to be used by a relatively small proportion of the drivers (15%). Even for those that do use trip leases, they are seldom used. Note that the data above for the subgroup that do not use trip leases involves very few responses. Therefore, the general trend (e.g., seldom used) is appropriate, but the exact percentages are not statistically stable.

Characteristics of the Business

How is your business organized?

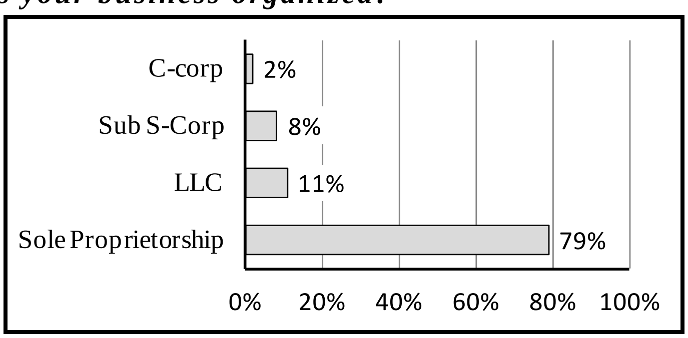


Figure 47

Most of the independent contract drivers operate under a sole proprietorship status with the Internal Revenue Service. None of the drivers were organized as a "Partnership." Some of the drivers did not answer this question, potentially because they did not understand the terminology. It would probably be the case that these drivers would be organized as sole proprietorships. Therefore, the true value might be slightly lower for all independent contract divers than is shown.

Where do you have you business office?

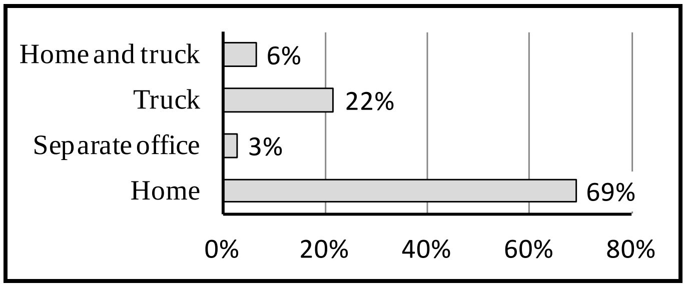


Figure 48

Most of the drivers conduct their business at home when they are there and in their trucks when they are on the road. The important aspect of this question is that very few drivers have an office in a location separate from their home.

What records/paperwork are involved with operating your business and what do you keep (store) for three years?

Item	Involved	Keep
DOT physical	75	52
Maintenance records	70	73
Truck inspection records	69	64
Driver log book	68	76
Federal Form 2290	67	72
Fuel receipts	64	78
Bills of Lading	62	41
Contracts with carriers	61	63
Financial records	61	71
Fuel tax records	59	72
Truck finance records	56	65
IFTA license	53	46
Budget	47	32
HazMat documentation	40	29
International Reg. Plan	34	27
GPS records	14	8

Figure 49

The data shown in Figure 49 give the percentages of positive responses to the two questions as to whether the documents were "involved" and "kept." The documents are ranked from the most important to the least. The drivers were also asked what other records/paperwork are involved beyond those listed above. The only frequently cited items were: drug tests, insurance documents, trip sheets and scale receipts.

Do you have business cards?

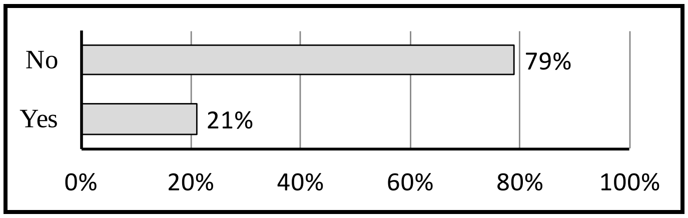


Figure 50

Do you have letterhead?

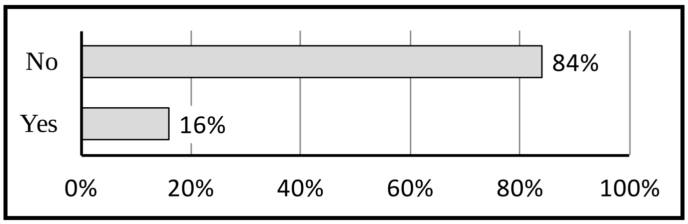


Figure 51

Business cards and letterhead are general indications that the drivers consider themselves as business enterprises. Many of the drivers that were interviewed and did not have business cards and letterhead indicated that most "contact" (including billing) was conducted through email and the internet. A number of the drivers referred to their **Facebook** page as the means by which they give others information on how they can be contacted.

Do you use a tax preparer?

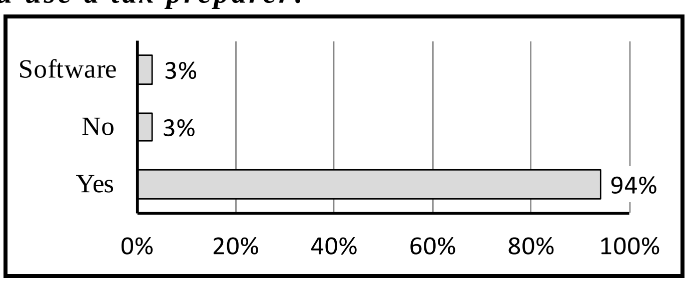


Figure 52

Almost all of the drivers use a tax preparer. During the development of the survey, it was observed that some of the drivers considered using "tax software" as "using a tax preparer." Therefore this alternative was added to the question to eliminate that confusion.

Is your tax preparer an accountant or a tax specialist?

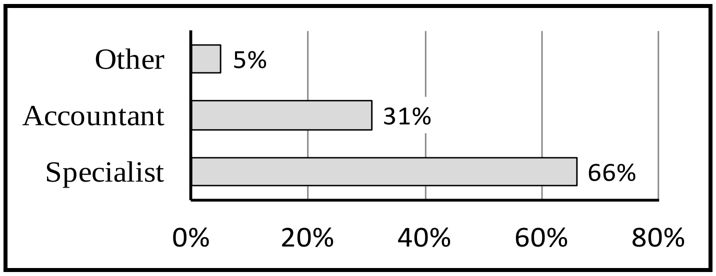


Figure 53

Do you file estimated income tax during the year?

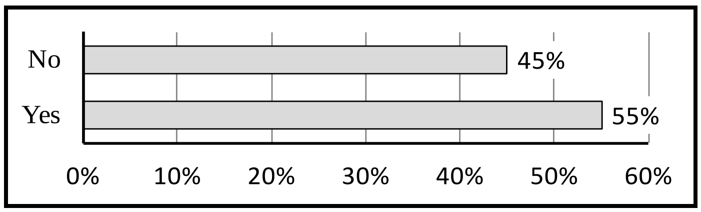


Figure 54

Approximately half of the drivers file estimated income tax throughout the year. This is consistent with data presented later in this report on the amount of taxes paid by the drivers.

What name is on your bank account?

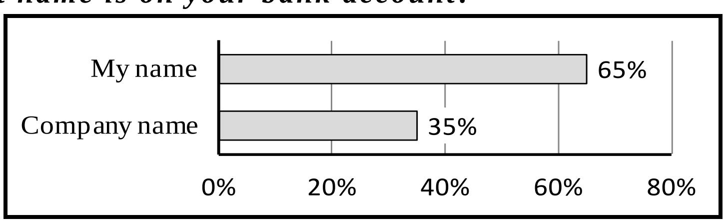


Figure 55

Whose name is you base plate registered in?

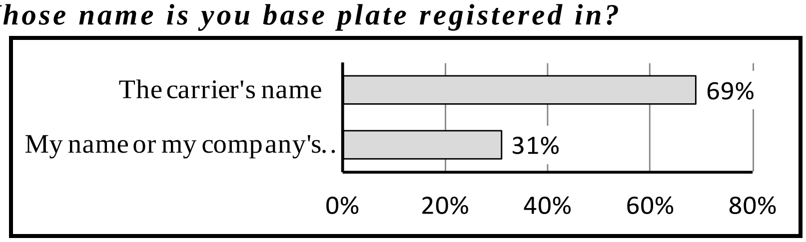


Figure 56

About one-third of the drivers have their bank account and their base plate in their company’s name. Both of these support the contention that the company is a business entity.

Do you have a documented business plan?

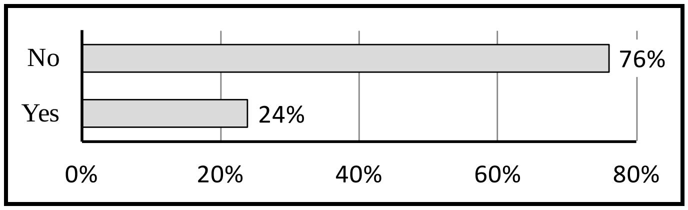


Figure 57

During the face-to-face interviews it was observed that many of the drivers did not know what was meant by a "business plan" or they had very different concepts. The next question was asked of only the drivers that previously indicated that they had a documented business plan. The question included the list of elements shown in Figure 58. It would have been better to provide this list to all participants for better understanding.

Which components of a business plan do you include?

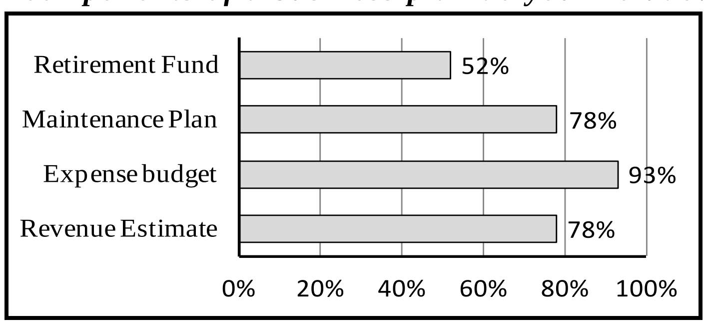


Figure 58

Has a potential source of a loan ever asked to see a business plan?

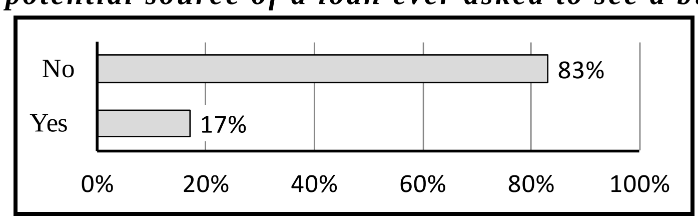


Figure 59

The question about whether the drivers had been asked for their business plan was given to all drivers, those with plans and those that did not. It appears that requests to see the business plan are relatively rare. Again, one of the reasons that this might be so low is that the drivers had not asked for a loan that pertained to their business plan. The question was also asked as to whether potential carrier/partners had asked to see their business plan. Only two (2) percent of the drivers had been asked for a business plan by a carrier.

Support Personnel

Do you have any full time or scheduled part time paid persons that help you in your operations (other than filing income tax)?

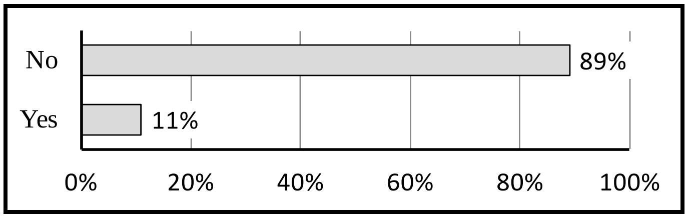


Figure 60

Drivers generally do not have paid support personnel, other than income tax preparation. The only activities listed that were performed were book keeping and maintenance.

Do you carry health insurance for these people?

Figure 61

Do you carry Occupational Accident Insurance (OAI) or Workers Compensation on these people?

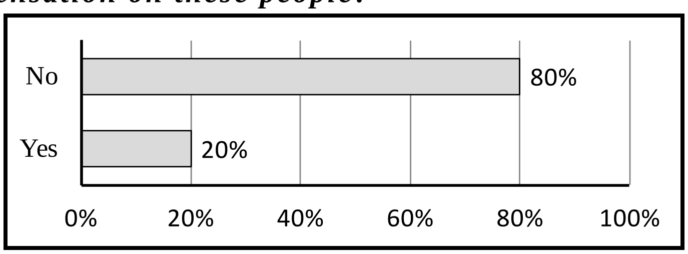


Figure 62

It should be noted that the subgroup that has paid support staff is very small and that the particular values shown on the charts should be interpreted with caution. It should always be remembered that there is no check on the honesty of the responses for this question and, in fact, all of the questions. The research hope and expectation is that, due to the responses being anonymous, there would be no reason to respond other than truthfully.

Do you regularly use an accountant?

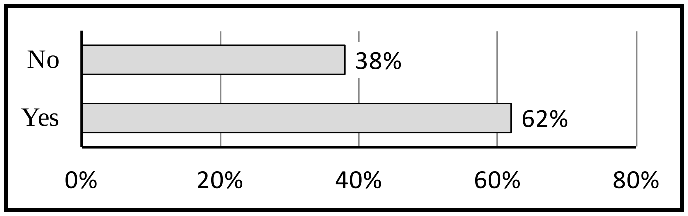


Figure 63

Approximately two-thirds of the drivers regularly use an accountant. This is another indication that they operate their businesses in a manner similar to other small enterprises.

Have you ever hired drivers to drive trucks that you own or are purchasing?

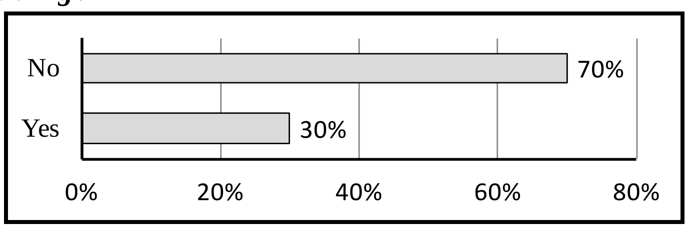


Figure 64

Do you currently have drivers hired to drive trucks you own or are purchasing?

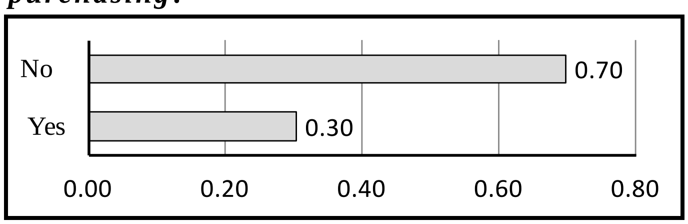


Figure 65

The second question (Figure 65) was asked of only the drivers that indicated that they had previously hired drivers to operate their trucks in the previous question. Although 30 percent of the independent contract drivers had previously hired other drivers to drive for them, only 30 percent of those still did so. The opinions provided during the face-to-face interviews indicated there were two primary reasons for their not continuing to hire other drivers. One was the downturn in the economy, but the second, and actually more important reason, was the perceived difficulty in finding (and keeping) qualified, reliable drivers.

What is the maximum number of drivers that you hired at one time?

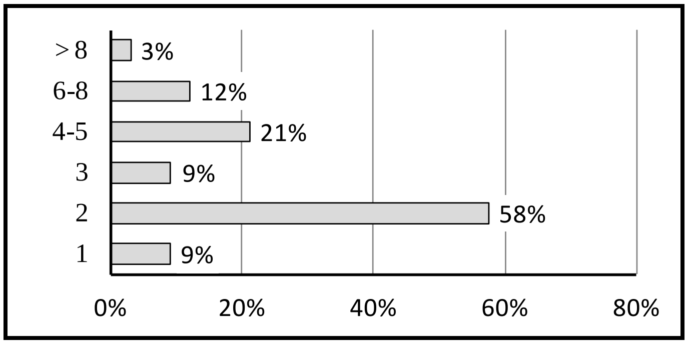


Figure 66

More than half of the drivers that hired other drivers to drive for them had a maximum of two trucks. The very low number of responses of hiring one driver might indicate that there was confusion with the question. The respondents might have included themselves and responded "2" when they actually hired only one driver. There were very few drivers that hired more than eight (8) other people to drive for them.

How many drivers do you currently hire to drive trucks you own or are purchasing?

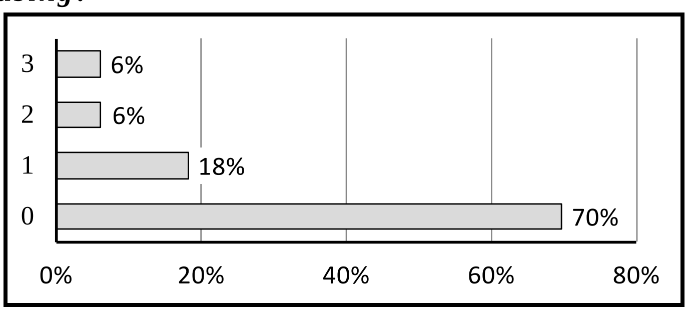


Figure 67

Comparing the data in Figures 66 and 67 also illustrates that the number of drivers hired is much lower today. Again, this question was asked of only the participants that had indicated that they had previously hired people to drive for them.

Do all of the drivers that you have hired drive for the same carrier?

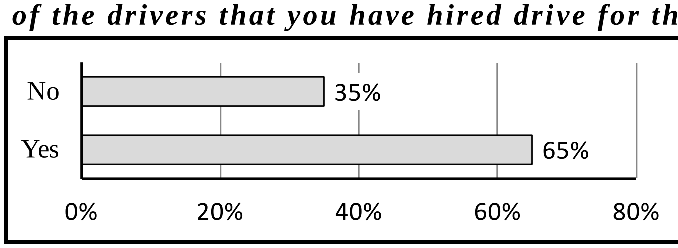


Figure 68

Approximately two thirds of the people that the drivers had hired drove for the same carrier. This is another example where the relative value can be judged, but the absolute estimate of the percentages should be interpreted with caution due to the low sample size for the subgroup.

Have you ever hired other people to drive their own trucks?

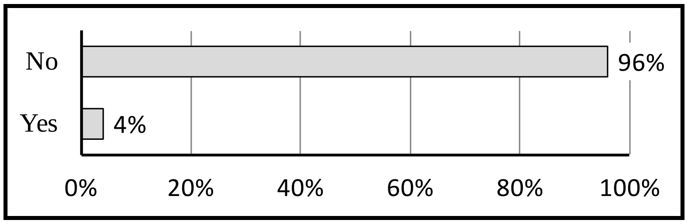


Figure 69

Figure 69 indicates that drivers very seldom hire drivers that use their own (the hired driver's) equipment. Discussions of this item at the interviews indicated that this was more of an issue of a lack of supply of drivers with their own equipment willing to be in that status, rather than not wanting to hire drivers that use their own equipment. They appeared to consider this arrangement to have a "middle man" that did not provide additional value but reduced earnings potential.

Factors in Profitability

Rank the factors that influence whether your business is profitable.

1) Fuel costs
2) Maintenance costs
3) Repair costs
   Truck payments
4) Injury/illness insurance
   Cargo damage insurance

Figure 70

One of the more important questions for the survey related to the drivers' opinions as to what factors most influences their profitability. They were asked to rank order the six factors shown in Figure 70. Again the responses could be grouped based on their relative importance with gaps between the groups. Fuel costs were consistently rated as the most important factor by the drivers. Second, were maintenance costs, although there was a gap between it and fuel cost. Repair costs and truck payments received a similar ranking, again, being separated from maintenance costs. Lastly, the insurance costs were rated as the least important factors, given on this list.

Rank the following income factors by importance to profitability.

1) Freight rates
   Freight availability
2) Fuel surcharge
3) Detention pay

Figure 71

To ask the question in a different context and to verify the result from earlier questions, the drivers were asked to rank the "income" factors with respect to profitability (Figure 71). They are presented in the figure in the order of importance. Although freight rates was rated as the most important, freight availability was very close second. Subsequently, fuel surcharge and detention pay were rated lower, with a gap between the two.

Rank the following expense factors by importance to profitability.

1) Physical damage insurance
2) Non-trucking (bobtail) insurance
3) Liability insurance
   Cargo coverage insurance
4) Occupational Accident/Workers Compensation

Figure 72

The drivers were asked to rank the "expense" factors associated with insurance that are listed in Figure 72. Again the factors are listed in rank order of importance according to the drivers' opinions. Liability and cargo coverage insurance were rated very similarly. There were gaps between the four groups.

What insurance do you carry on yourself?

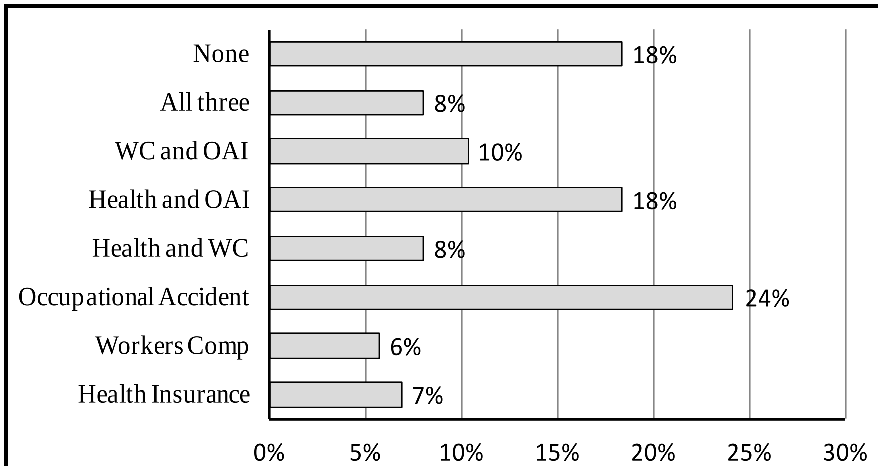


Figure 73

Eighteen (18) percent indicated that they had no insurance. The type of insurance that is required by regulation is dependent upon the driver's state. However, the fact that some drivers indicated that they were covered by both Workers Compensation (WC) and Occupational Accident Insurance (OAI) indicates a potential confusion. Approximately 30 percent of the drivers had WC or OAI and do not have additional health coverage. From these data, it appears that approximately 40 percent of the drivers have health insurance, either alone or in combination with WC or OAI.

Do you carry liability insurance for your business, separate from truck insurance?

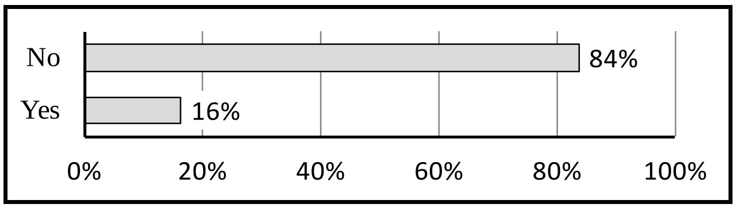


Figure 74

An open-ended question was asked whether the drivers carried any of the business insurance, separate from their truck insurance. No other insurance was reported other than one driver indicating his house insurance.

What are the four highest cost truck maintenance items that you perform regularly?

1) Tires
2) Oil Change
3) Brakes
4) Miscellaneous

Figure 75

The items listed in Figure 75 are listed in order of cost for regular maintenance items, with the highest being tires. There was significant consistency in the ranking of the top three (tires, oil, brakes); however, although four items were requested, there was no particular item that was consistently mentioned other than those three. Items, such as batteries, tarps, etc., were mentioned, but not by very many drivers.

Income and Taxes

What is your approximate average dollars per year in maintenance costs.

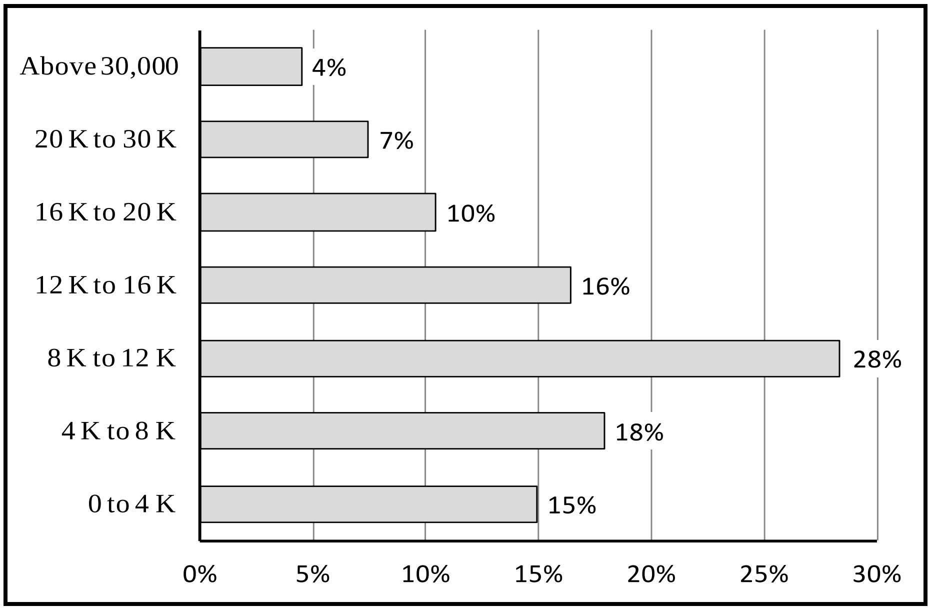


Figure 76

The average (mean) annual maintenance was $12,275 and the median was $10,000. Half of the respondents indicated values about $10,000 and half indicated values below that level. When the mean is above the median, as it is in this case, that indicates that there were some responses that were very high

What were your approximate gross receipts for last year?

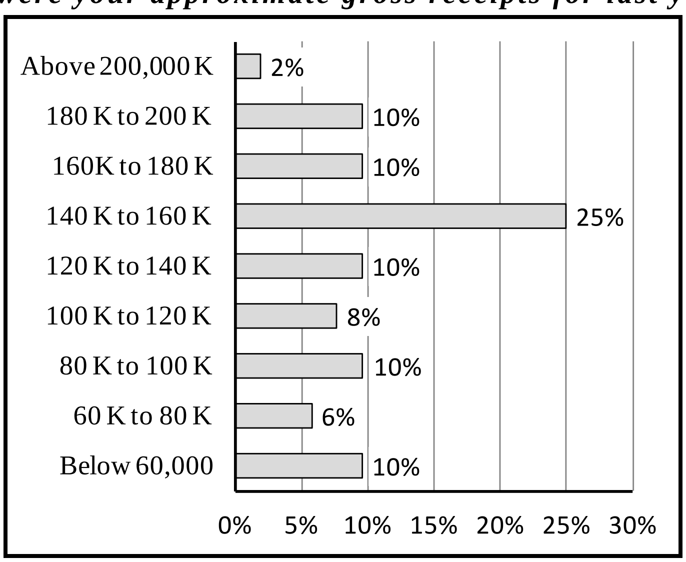


Figure 77

It might have been better to ask about average gross (and net) income over a five year period to reduce the time variation (good years and bad years); however, during the interviews it became obvious that the data would actually be more stable if only last year's income was requested. It should be noted, however, that the estimate does represent coming out of a very severe national recession. On the other hand, the drivers surveyed were the "survivors" who were able to stay in business during the downturn. The average (mean) gross income was $142,539 and the median (50th percentile value) was $146,000. One reported income of $650,000 was deleted from the calculation of the mean because this case may not be representative of what most independent contract drivers haul.

What was your approximate net income (after expenses) for last year?

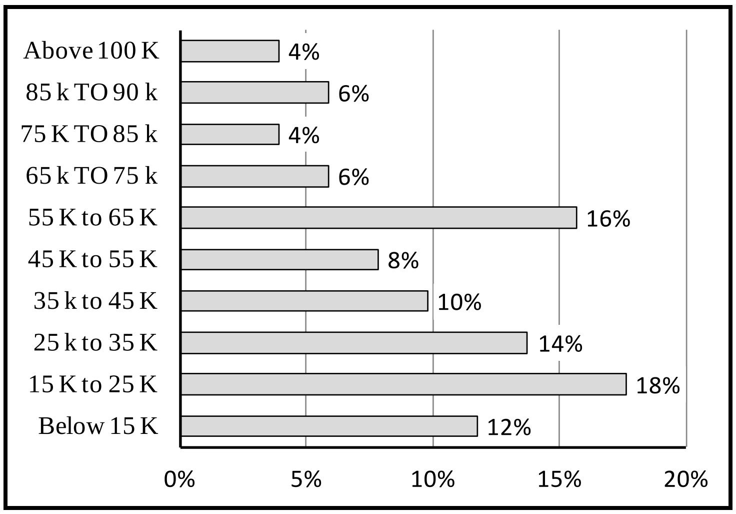


Figure 78

The average (mean) net income was $46,536 and the median (50th percentile) net income was $42,000. The fact that the mean gross income was higher than the median gross income, but the mean net income is lower than the median net income would indicate that the drivers with higher incomes also had higher expenses.

What was your approximate federal income tax for last year?

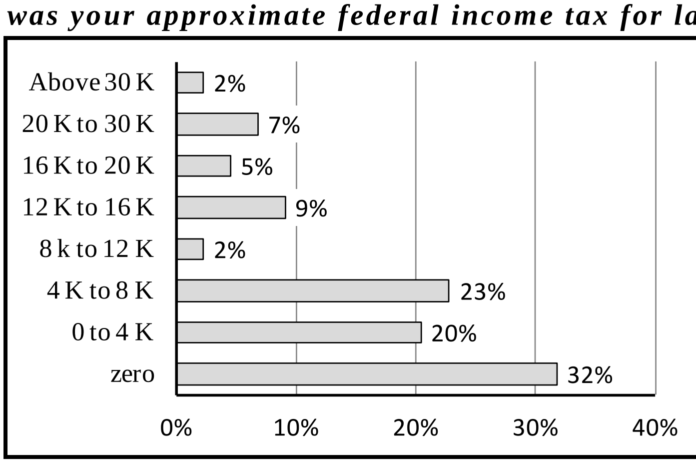


Figure 79

Approximately one-third of the drivers reported paying no income tax. The relatively low amount of taxes paid indicates the amount of deductable expenses that are incurred by the drivers. The average (mean) income tax paid was $8,828 and the median (50th percentile) value was $3,200. Again, this indicates that, although many drivers pay low or no taxes, some drivers pay very high amounts. The very high amounts affect the mean, but not the median.

The drivers were asked an open-ended question: “What other taxes do you pay on your company’s behalf?” The responses included: property, state income tax, state franchise, state entry, social security, and license. There were no responses that were mentioned more than others.

How are you most frequently paid?

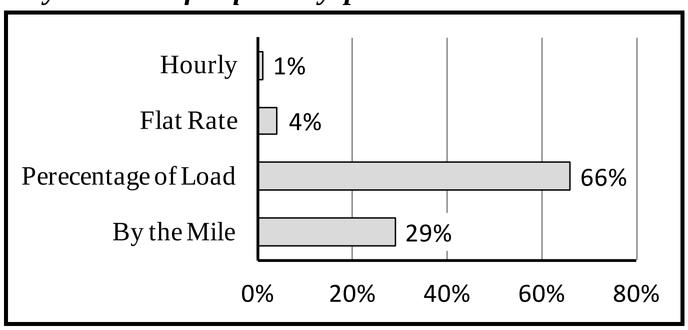


Figure 80

During the face-to-face discussions, some confusion surfaces as to “flat rate” and “percentage of load.” Some of the participants might have stated flat rate if they get a “flat percentage of the load.” Given the low number of flat rate responses, this does not seem to be a large problem.

Do you have income sources other than truck driving?

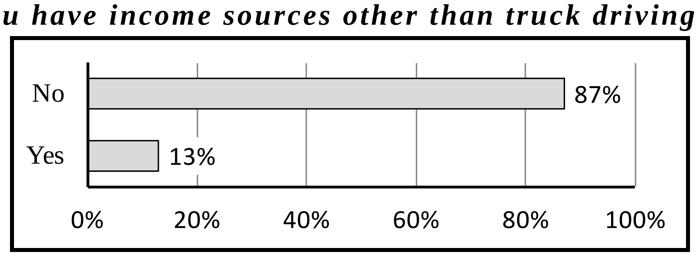


Figure 81

These responses were consistent with the question about other jobs that was asked at the beginning of the survey (Figure 15). The types of jobs were discussed earlier.

Is there a "market rate" (standard pay rate) for independent contract drivers?

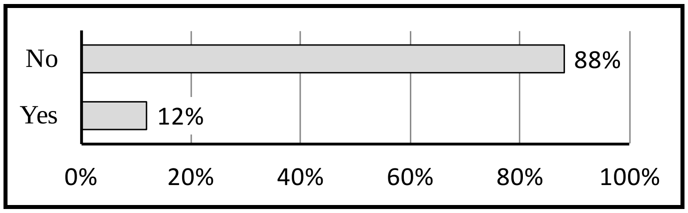


Figure 82

Although at the beginning of the effort it was thought that this question might not be understood by the drivers. However, during the face-to-face interview sessions at the truck stops it was evident that the term "market rate" was understood.

Are there aspects of your compensation that you negotiate with your carrier?

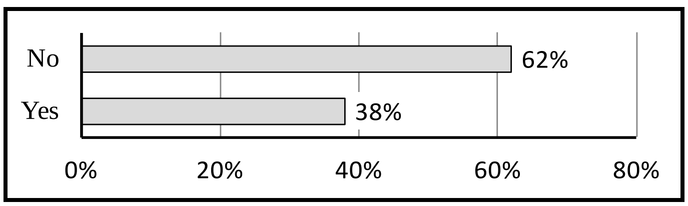


Figure 83

What aspects of you compensation are you able to negotiate with the carrier?

Rate for the load

Layover
Bobtail
Tarp fees
Deadhead pay and miles
Detention time
Pay over size permit fees
Some mileage pay
Fuel surcharge
Unload and load

Figure 84

The number one item listed on the aspects of compensation that can be negotiated was "rate of the load." The other items listed were mentioned much less frequently.

Are there other aspects of your contract, other than compensation, that you negotiate with the carrier?

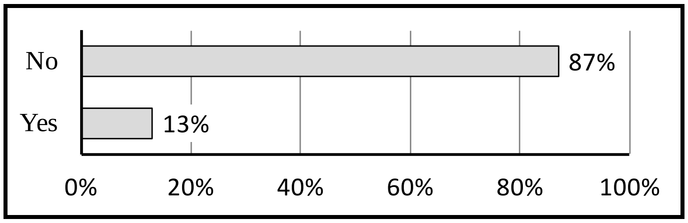


Figure 95

The only two items listed were pick-up and delivery requests and home time. The avoidance of such things as layover and deadhead were mentioned in this category as opposed to the pay involved for those activities in the previous question.

Do you maximize income or are other things more important than income?

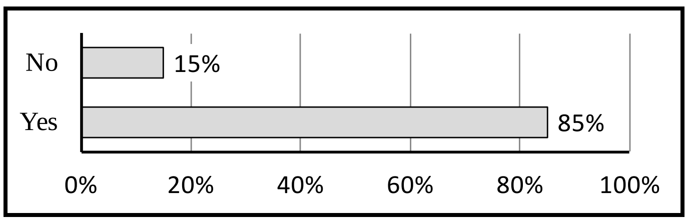


Figure 86

The only things mentioned that were more important than income were: home time, free time and not being "hassled."

Time Management and Control

How are you planning for retirement?

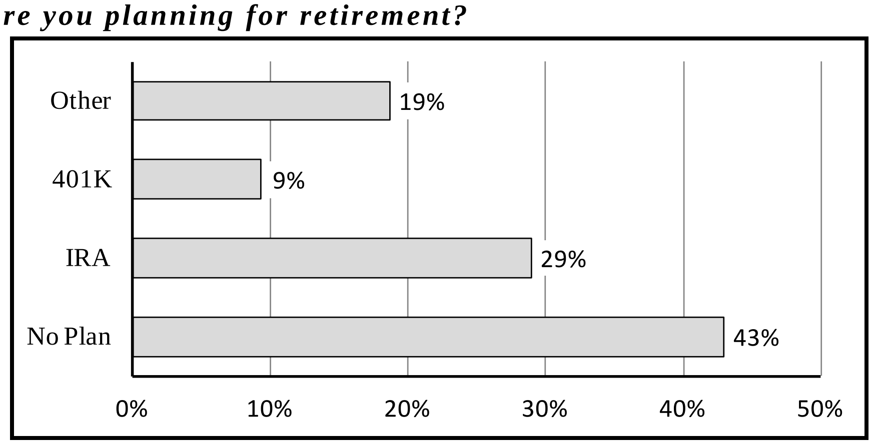


Figure 87

In open-ended responses that were listed for the "other" category were: military retirement, savings and investments, property investments, and "work till I die."

What has been the approximate average number of "on-duty" hours per week that you have worked during the past two years?

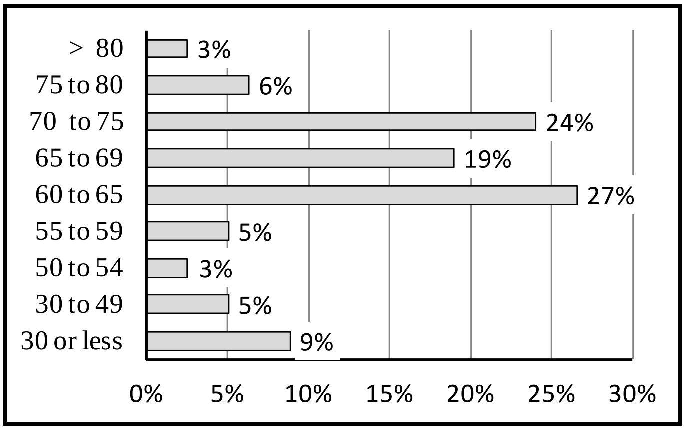


Figure 88

In general, the drivers appear to work between 60 to 75 hours of "on-duty" time per week. The average (mean) time was 61 hours and the median (50^{th} percentile) was 60 hours. The low values (e.g., less than 30 hours per week) might be due to personal or health issues.

What has been the approximate average number of hours per week you spend actually driving (behind the wheel) during the past two years?

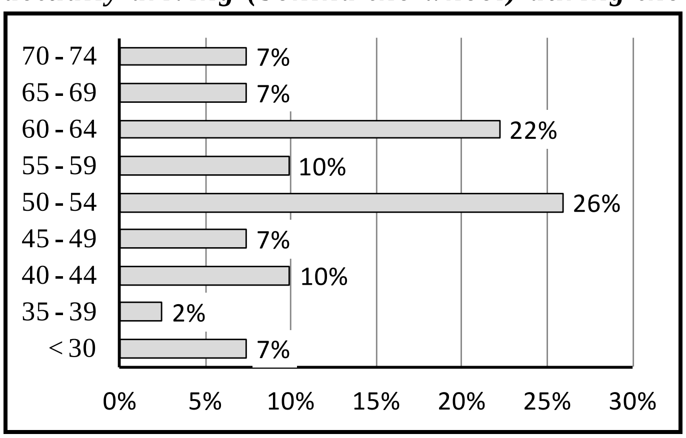


Figure 89

The average estimate of the time spent driving was 51.6 hours and the median was 50 hours. All of the responses in the 70-74 hour category were actually 70 hours.

What are the factors that enter into your choice of the number of hours worked?

Regulation (HOS)
Need or money (bills)
Load availability

Figure 90

The most frequently stated factor that determined the number of hours worked was the hours of service regulations. With respect to their own control of the hours worked, the need to pay the bills (money) was the dominant factor. Load availability was noted, but at a much lower rate. The only other responses referred to home time and family commitments.

Are you able to work as many hours as you want, (not related to hours of service)

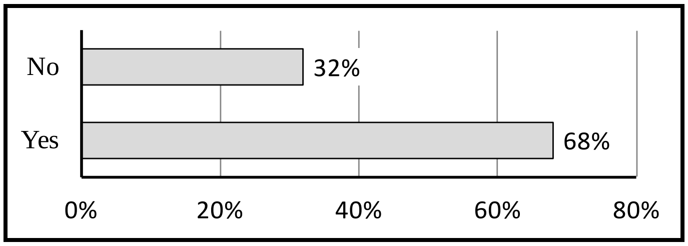


Figure 91

When the drivers were asked what factors keep them from working the number of hours than they would like, the primary response was obviously hours of service regulation. The only additional responses were: fatigue, lack of freight availability and personal/family commitments.

How often do you work more hours than you would like?

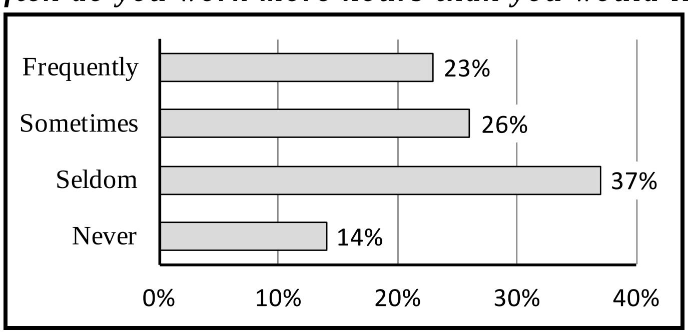


Figure 92

The responses that indicate that half of the drivers seldom or never work more hours than they would prefer indicates the flexibility that is often mentioned by independent contract drivers.

What is the average number of days that you take off per month?

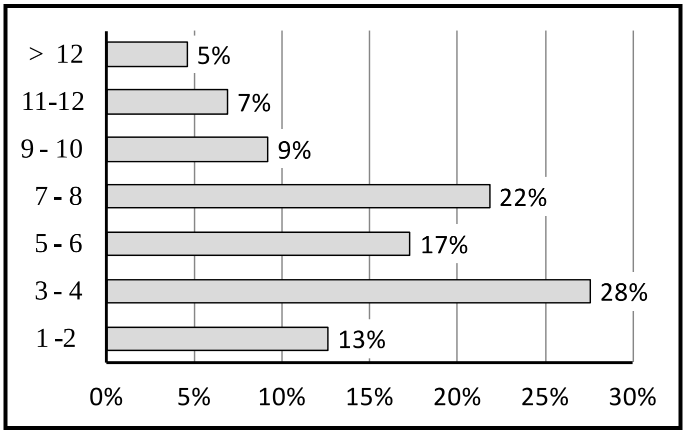


Figure 93

During the discussions with drivers, it was evident that this question was interpreted differently by different individuals. Some drivers responded with only days that they "voluntarily" took off during a month. Others included the "involuntary" days taken off due to lack of freight. That might be why some of the responses appear to be inconsistent with the hours of service regulations.

Do you take vacations?

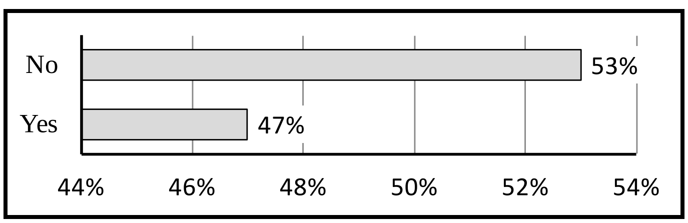


Figure 94

Again, this question is somewhat confounded by the concept of "voluntary" and the issue of whether the vacation is "scheduled". Some "time off" is dictated by the lack of freight moving during certain times. The normal vacation schedules were: one or two vacations per year with a duration of one or two weeks, each.

Do you take holidays off?

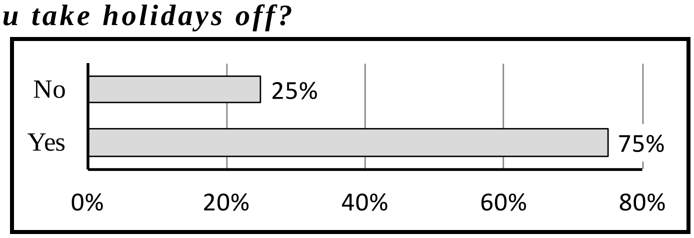


Figure 95

Many of the drivers indicated that they scheduled their “vacations” around holidays. The rank order of the holidays is given below.

Which holidays do you take off?

Christmas
Thanksgiving
Birthday
New Years
Memorial
Veterans

Figure 96

Control of Loads

Can you refuse loads that are offered by the carrier?

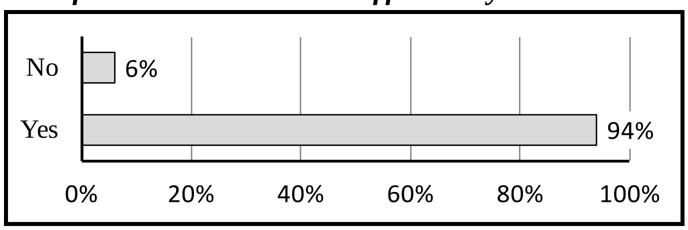


Figure 97

Are there consequences/penalties for refusing loads?

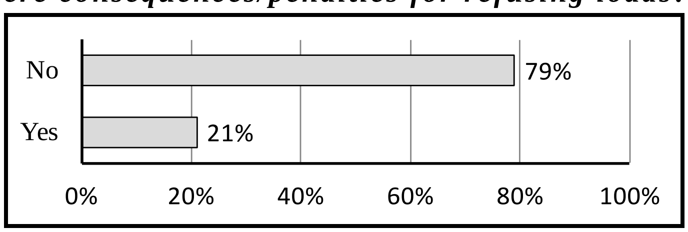


Figure 98

Almost all of the drivers felt that they could refuse loads. However, it might be possible to refuse a load, as per the lease contract, but there can be negative consequences. Note that there are no negative consequences according to approximately 80 percent of the drivers. In discussions with the drivers during the face-to-face interviews at the truck stops they emphasized the importance of their relationship with the dispatcher. The most frequently stated consequence was that they might have to wait a period of time for a load. A frequent comment referred to being “put on the bottom of the list.” Other consequences involved receiving poor paying loads, deadhead, poor schedules or lanes, etc. A more long-term consequence mentioned was a negative on the driver’s DAC report. All of the drivers interviewed addressed the issue of “repeatedly” refusing a load versus the infrequent refusal for a reason. The former has negative consequences, the latter generally does not (often followed by – “if you have a good dispatcher”).

Does the carrier offer incentives for less attractive loads?

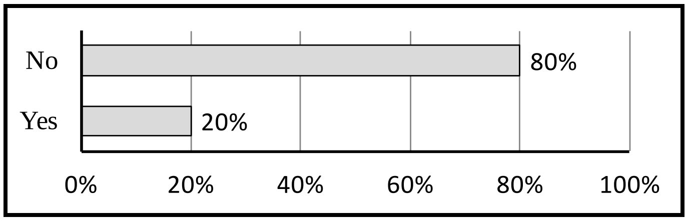


Figure 99

The primary incentive related to increased pay for the load. Other incentives included: increased pay for the load, increased pay for future loads, pay for deadhead, detention pay. Another, non-financial benefit of taking a load was to have “non-tarp” deliveries in the future.

What are the factors in your decision to accept or reject a load?

Profitability
Pay/freight rate
Congestion on route
Length of haul
Availability of backhaul
Ability to run legal

Figure 100

Profitability of a load is the primary factor in deciding on whether to accept or reject a load. This is obviously affected by the pay rate, which was frequently listed. The other factors in Figure 100 were stated, but at a much lower frequency.

Are you able to choose your route from origin of the load to the designation?

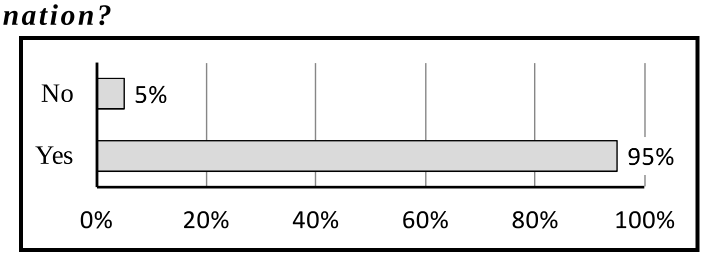


Figure 101

Only five (5) percent of the drivers indicated that they were not able to choose their route. The primary limitation placed by the carriers was related to the avoidance of tolls. In addition, other restrictions were mentioned that are not under the control of the carrier (e.g., HazMat and other DOT route restrictions).

Rate the factors that you consider in choosing a route.

Toll roads
Congestion
Trip duration
Fuel stops (cost)
Distance from home
Weigh station

Figure 102

The factors that are important to the drivers when choosing their routes are listed in order of importance in Figure 102. The first four, tolls, congestion, trip duration and fuel stops are similar in ratings. The other two are mentioned, but much less frequently.

How important is it to you to be able to choose your route?

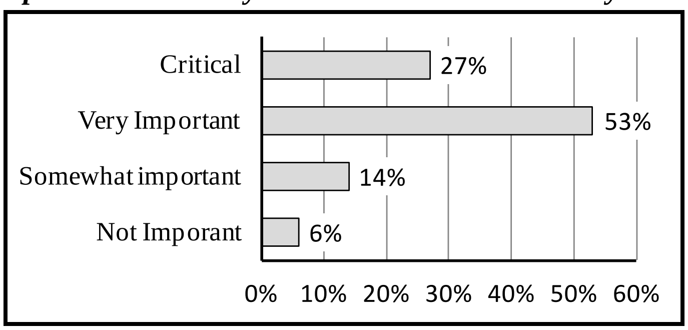


Figure 103

Communications

How are instructions given to you?

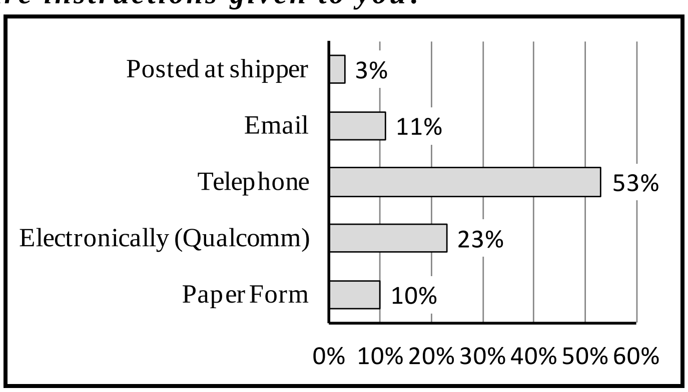


Figure 104

The obvious instruction indicated by virtually all of the drivers was the pick-up and delivery times. Beyond that there were no types of information that were reported often. Some examples include, tie-down instructions (chains only or straps only), parking for high dollar loads, information if it is a "permit load" or has DOT restrictions. Almost all of the drivers indicated "none" other than pick-up and delivery times. The only additional instruction, from the customer, was related to "dress" requirements for delivery.

Are you required to use any specific type of communications equipment?

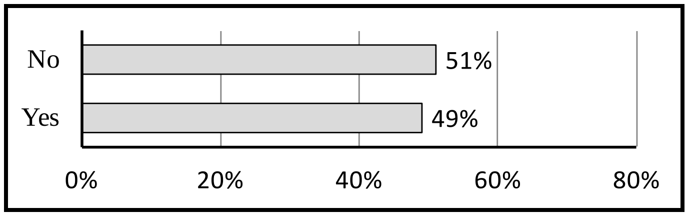


Figure 105

What specific type of communication equipment is required?

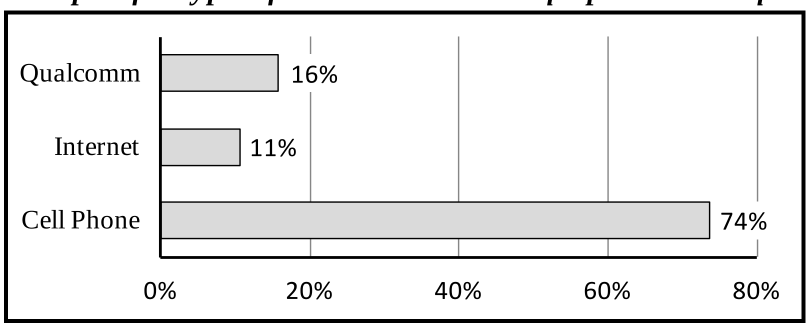


Figure 106

Half of the drivers indicated that there was no specific type of communication equipment required. However, discussions with the drivers during the interviews indicated that the cell phone (mobile phone) is the current and future mode of communication. This is particularly the case with "smart phones" from which the drivers can access the internet and their email.

If you have satellite communications, who provides it?

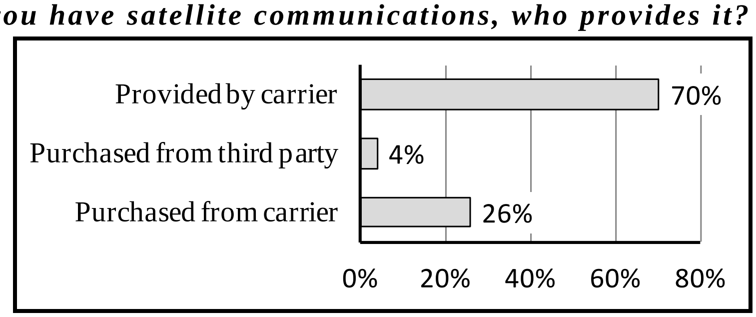


Figure 107

Although the extent of the differences are illustrated by the graphic (Figure 107), this is an example of where the subgroup sample size is small enough that the exact percentages should be interpreted with caution.

If the satellite communication is provided by the carrier, is there a fee for use?

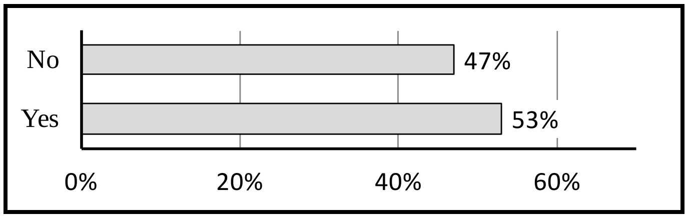


Figure 108

If you have satellite communication do you rent the service from the carrier?

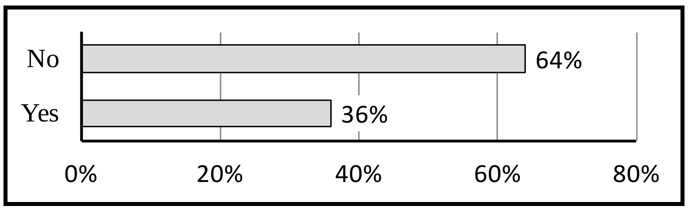


Figure 109

One issue related to the interpretation of the data shown in Figures 108 and 109 is that the drivers often do not pay the fee directly, although it is taken out of the settlement. The driver may not rent the service from the carrier but the cost is deducted for payment from the settlement by the carrier. That distinction could have caused confusion in this question.

Are you required to contact the carrier periodically when you are on duty (under load)?

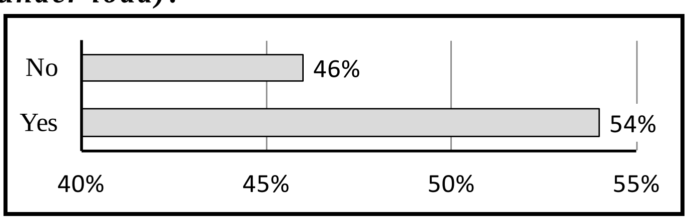


Figure 110

Are you required to contact the carrier periodically when you are off duty (between loads)?

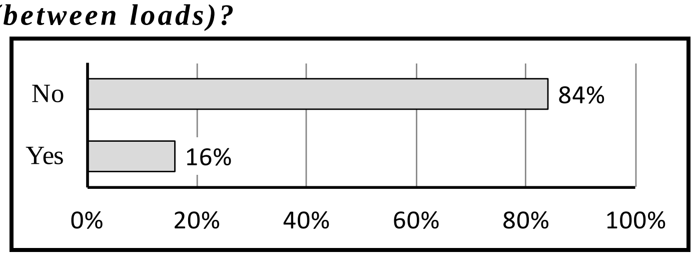


Figure 111

Are you required to be available for contact for the carrier when on duty?

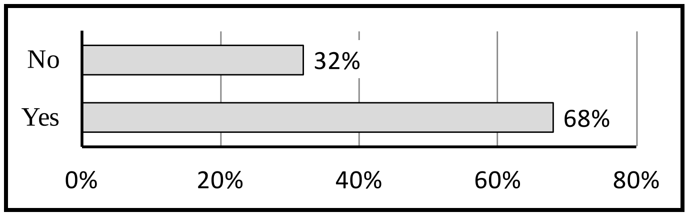


Figure 112

Are you required to be available for contact for the carrier when on duty?

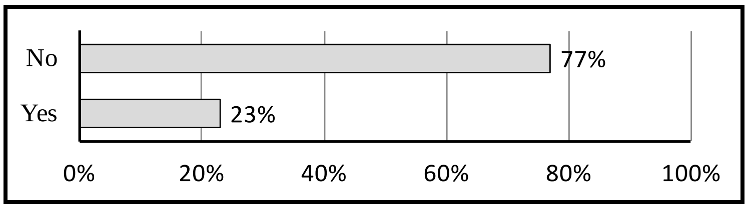


Figure 113

The use of cell/mobile phones has made contacting the carrier and being contacted by the carrier much more convenient, both when on and off duty. During the face-to-face interviews many drivers demonstrated their ability to communicate with the carrier using their smart phone and the internet.

What type of identification do you use to comply with the carrier or customer requirements?

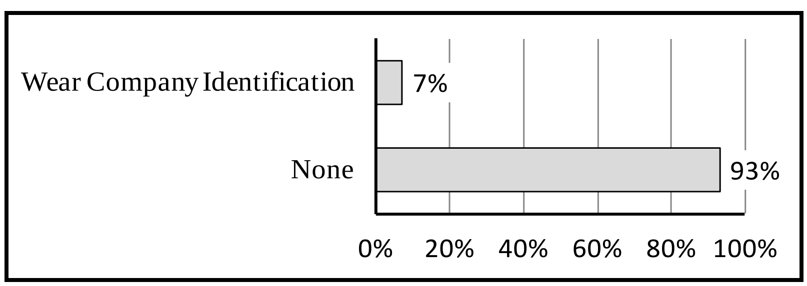


Figure 114

Although wearing a uniform was one of the alternatives for the question in Figure 114, none of the drivers indicated that it was a requirement.

Paperwork and Approvals

What types of paperwork do you provide the carrier for freight billing?

Bill of lading
Delivery receipt

Figure 115

What types of information do you proved the carrier for government reporting?

Driving logs
Vehicle inspection reports
Fuel information

Figure 116

If you hire drivers, are there restrictions by the carrier?

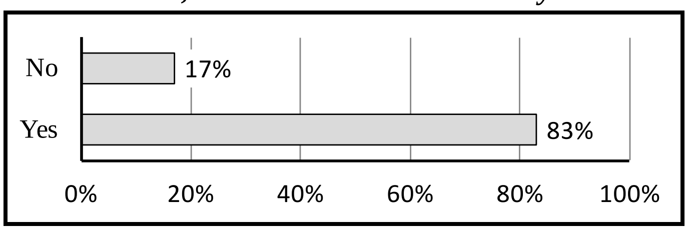


Figure 117

Most of the drivers that had hired other drivers indicated that the restrictions were the same as they were for them to contract with the carrier. These include: medical, license, drug test, etc. Some carriers have age, accident, and no felony restrictions.

Are there restrictions by the carrier as to who can conduct safety maintenance and repairs on your equipment (other than being certified)?

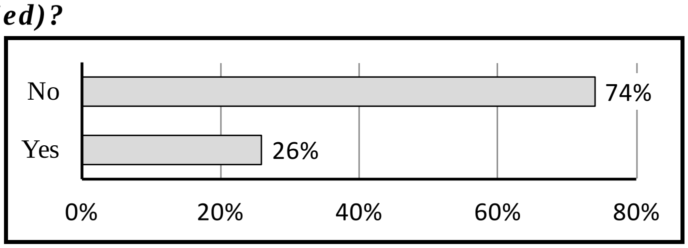


Figure 118

Some of the drivers indicated that their maintenance was restricted to certain truck stops by the carriers. This could be based a recommendation by the carrier based on a lower cost of maintenance, rather than a strict requirement. Other carriers required the maintenance to be performed at the dealership.

Are there restrictions by the carrier as to who can conduct non-safety maintenance and repairs on your equipment?

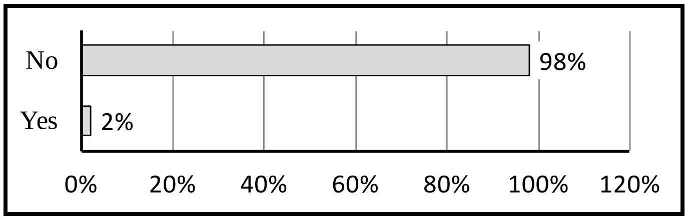


Figure 119

This statistic (95%) illustrates that the independent contract driver appears to have flexibility in terms of how they run their company, as long as it does not affect the carrier safety record. Discussing the issue of who performs that maintenance with the drivers during the interviews, it became apparent that this issue is very important to them. They see this as very much of a financial issue in controlling their operating costs.

Why Do You Choose to be an Independent Contract Driver?

What are the principal advantages you see in terms of being an independent contractor rather than an employee driver?

1) Independence
   Freedom
   Control

2) Money
   Free time

3) Decide where I go

4) Like being my own boss

Figure 120

All of the drivers that responded to the survey completed this question, many with extensive and colorful detail. The bottom line is that the reason that the drivers prefer to be an independent contract driver is because they like being “independent.”

The words independent, freedom and control were mentioned, in one form or another by virtually all of the drivers. This is also consistent with the opinions obtained during the face-to-face interviews across the country. The second grouping, which was separated from the first, included the income (money) and time (free-time). It is interesting that, although money is a very important factor, it definitely ranks after freedom and control. The third area, stated by a large number of the drivers was the ability to go where they want (often adding: "when they want"). Lastly, the general idea of being one's own boss surfaced in many of the responses.

Other statements that capture the feeling of some of the drivers include:

> "By owning my own equipment, I can maintain and run and be more profitable than a carrier."
>
> "I have the ability to fail or succeed of my own free will."
>
> "Having my own business"
>
> "Owning my own small business is my dream and now I am doing just that."
>
> "It's my business and I'm good at it."

Statements similar to these were repeatedly made during the driver interview sessions.

Summary and Conclusions

As discussed in the Introduction, at the onset of the effort the decision was made to try and get as much detailed information as possible. There is a trade-off between a short topical survey and a long, more comprehensive survey. As evidenced by the large number of results reported in this report, the survey covered many different aspects of the operations of independent contract driver. In addition, the extensive face-to-face interactions with hundreds of drivers at truck stops across the country provided both verification of the opinions on the topics in the survey, as well as, additional information that could not be included.

In summary, it is evident that independent contract drivers operate in that status because they see more advantages than disadvantages. This is specifically illustrated in the fact that 80 percent of the drivers felt that it would be “easy” or “very easy” to be hired on as a company driver. Only ten (10) percent felt that it would be very “difficult” or “very difficult.” As stated in the report, the interviews indicated that the primary reason for those that thought it would be difficult was related to their safety record.

As indicated in the report, most independent contract drivers have a basis for comparison in that 85 percent had previously been company drivers. Many company drivers that are still in the training stage with a carrier stated that they have intentions of pursuing independent status when they complete their obligations to the company. Although it was not the focus of this effort, the discussions with the current company drivers that had previously been independent contract drivers were also interesting. With almost no exceptions, the reason that drivers indicated that they had left being an independent and had joined a carrier was due to health insurance. Either they or a relative had experienced a health issue that resulted in them not being able to obtain or afford health insurance. A carrier’s group policy allowed them to be covered.

An observation from both the web-based survey and the face-to-face interviews is that the success of an independent contract driver is, to a very large extent, dependent upon their own health and the health of their truck. That is, if they remain healthy (both physically and mentally) and lose only the days that they voluntarily choose as free time, they can be profitable. Similarly, if they do not experience maintenance/repair costs for their truck, particularly related to accident damage, they can be profitable. However, either their health issues (keeping them from working) or problems with their truck (high costs and also keeping them from working) can make profitability, and in fact survival, difficult. The success of the independent contract driver, like all small businesses, is very dependent upon their managing their resources wisely.

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