Harvesting and Transportation: Essentials for Georgia’s Forest Economy

Presentation to the Georgia House of Representatives Rural Development Council

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Wood Supply Chain: The Essentials

- Landowners actively managing forests
- **Profitable loggers**
- **Efficient timber transportation**
- Markets for timber
- Customers for wood and paper products
Average Georgia Logging Business

- Employs 10.6 people
  - 19% are relatives of the owner

- Average wage: $34,940 per yr.

- Harvest 1,617 tons (65 truckloads) per week

- $1.2 million investment

Logging Business Owner Ages 1997-2017

• Median owner age: 53 yrs
  – 1/3 of owners 60+ yrs old

Source: 2017 GA Logger Survey
Logging Business Challenges

1. Trucking/insurance (43%)
   - Truck driver shortage
   - Increasing insurance rates

2. Quotas/inadequate markets (40%)

3. Workers (15%)

Source: 2017 GA Logger Survey
Timber Transportation Infrastructure

- Median fleet size
  - GA log trucks = 4 trucks
  - Other industries = 76 trucks

- Average truck age
  - GA log trucks = 9.5 yr
  - Other trucks = 5.5 yr

Sources: 2017 GA Logger Survey, Torrey and Murray (2016)
Driver Shortage

• Nationwide driver shortage

• Log truck driver requirements
  – 25+ years old
  – 2-3 years of log truck driving experience

• Aging log truck drivers, inability to recruit new ones

Insurance Cost Increases

• 50% increase in average liability insurance premium cost since 2012

• Greater variability between companies
  – Premium range 2012 = ~$1,500-$4,000
  – Premium range 2017 = ~$3,000- $13,000+

• Average Georgia log truck premium
  – 15% higher than Alabama
  – 94% higher than North Carolina

Log Truck Insurance Rate Increases
GA Loggers 2012-2017

Sources:

2017 GA Logger Survey
Log Truck Accidents

• Accidents down 69% 2006-2012
• Accidents up 24% 2012-2016

Log Truck Accident Rate

• 16 accidents per million tons hauled in 2006

• 6.3 accidents per million tons hauled in 2016

Reasons for Insurance Rate Increases

- Losses in commercial auto insurance
  - Nationwide, an unprofitable segment since 2011
- Loss of log truck insurance carriers in Georgia

Profits on commercial auto policies 2006-2015.

Sources: A.M. Best (2017), NAIC (2017)
Reasons for Insurance Rate Increases

• Increases in costs per claim – Why?

1. Litigation
   – Settlements
   – Legal defense costs
   – Losses in court

2. Increased cost of medical care

3. Increased cost of vehicle repairs

4. Cell phone use by automobile drivers

Reasons for Differences Between States

1. North Carolina Reinsurance Facility

2. Mill locations
   - Large GA mills: Augusta, Macon, Savannah, etc.
   - Large NC mills: New Bern, Plymouth, Riegelwood

3. Other
   - Regulatory environment
   - Number of insurance carriers
   - Claims history
   - Social factors

Reasons for Differences Between Individual Businesses

1. Claims history

2. Drivers
   - 25+ years old
   - 2-3 years experience driving a log truck

3. Compliance, Safety, Accountability (CSA) program
   - Federal Motor Carrier Safety Administration

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Solutions

• Goal: reduce claim costs
  ➢ Reduce number of claims
  ➢ Reduce cost per claim
  ➢ Improve transportation efficiency
    – Reduce number of trucks needed

Legislative and Law Enforcement Solutions

1. Tort reform

2. Insurance coverage reform

3. Maintain or expand log truck driver training programs

4. Enforce laws against cell phone use while driving

5. Improve relations between Department of Public Safety & log truck owners

Log Truck Owner Solutions

1. Invest in technology
   - Drive cameras
   - GPS tracking
   - Cell phone disabling devices

2. Invest in driver training

3. Change mindset: trucking as a critical line of business

4. Improve log transportation efficiency
   - Increase % loaded miles
   - Reduce payload variability
   - Improve turnaround times

Forest Products Industry/Wood Dealer Remedies

1. Ensure haul rates cover entire cost of safe and efficient timber transportation

2. Evaluate policies for trucks delivering to mills

3. Reduce truck turnaround times at mills

4. Avoid quota systems that incentivize unsafe driving

Summary

- Forest economy relies on logging and trucking
- Loggers are innovative, productive, produce timber at low cost
- Logging business owners, employees, truck drivers are aging
- Weakest link: timber transportation
  - Driver shortage
  - High insurance costs
  - Low weight limits = more trucks needed
- Reasons for optimism:
  - Abundant timber, strong markets, innovative loggers
  - Actionable solutions exist to solve problems

Acknowledgements

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    • Procurement foresters