

Harvesting and Transportation: Essentials for Georgia's Forest Economy

Presentation to the Georgia House of
Representatives Rural Development Council

Joe Conrad, PhD
Assistant Professor of Forest Operations
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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



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Average Georgia Logging Business

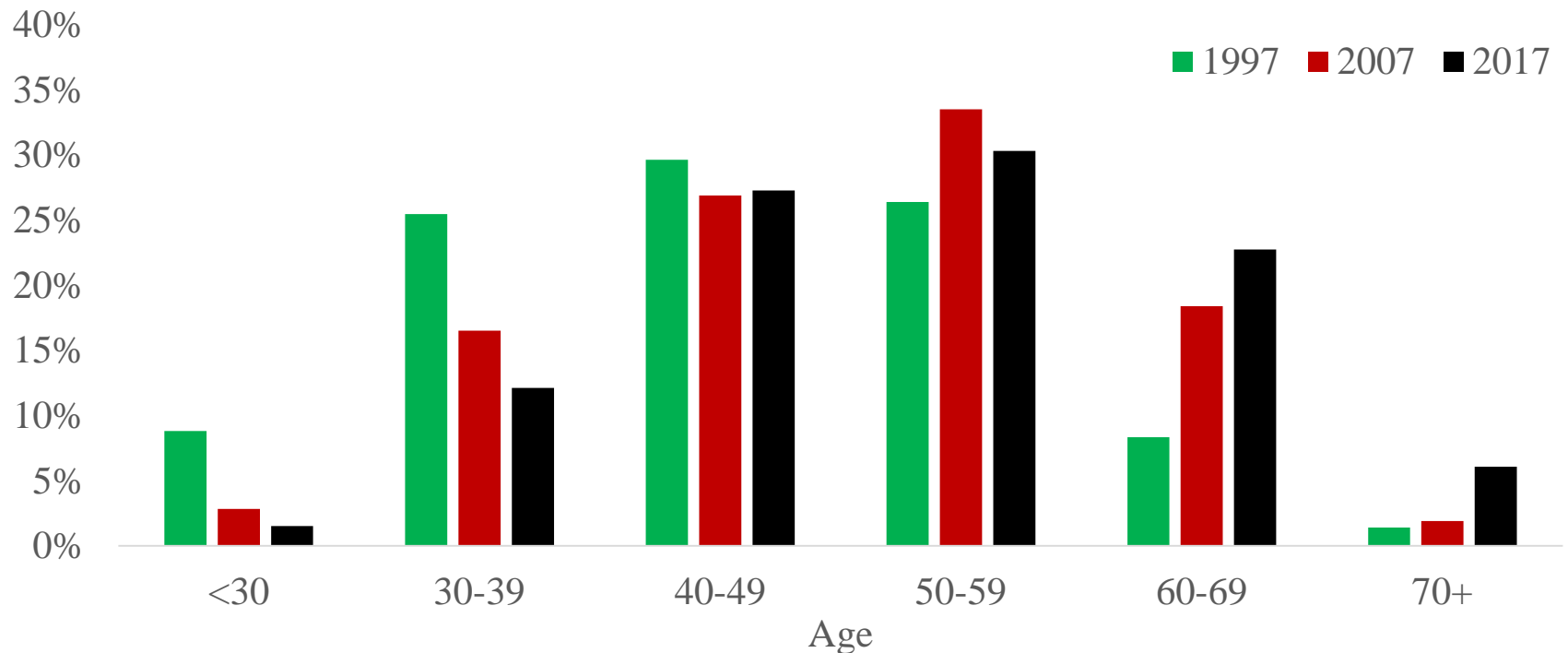
- Employs 10.6 people
 - 19% are relatives of the owner
- Average wage: \$34,940 per yr.
- Harvest 1,617 tons (65 truckloads) per week
- \$1.2 million investment



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Logging Business Owner Ages 1997-2017

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



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Logging Business Challenges

1. Trucking/insurance (43%)
 - Truck driver shortage
 - Increasing insurance rates
2. Quotas/inadequate markets (40%)
3. Workers (15%)

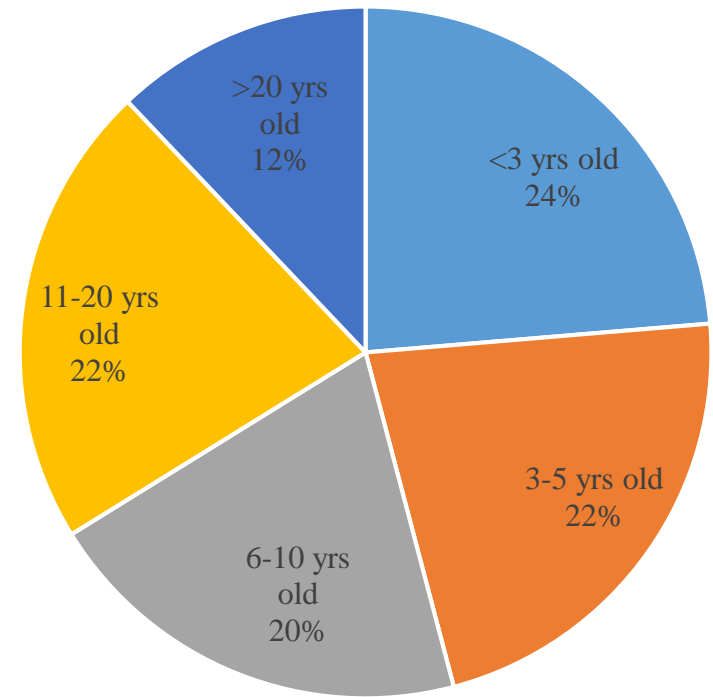


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Timber Transportation Infrastructure

- 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

Age of GA Log Trucks 2017



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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



USDA Forest Service Southern Research Station, Bugwood.org

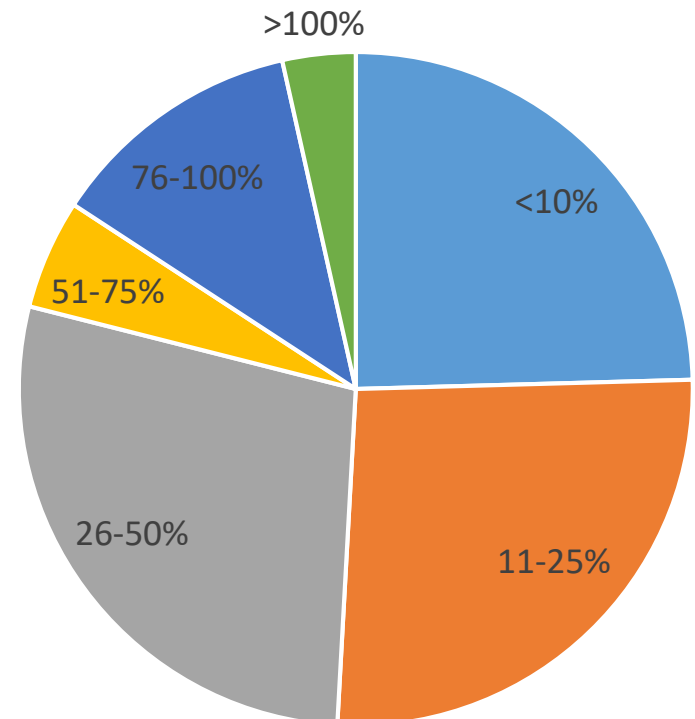


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Insurance Cost Increases

- 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



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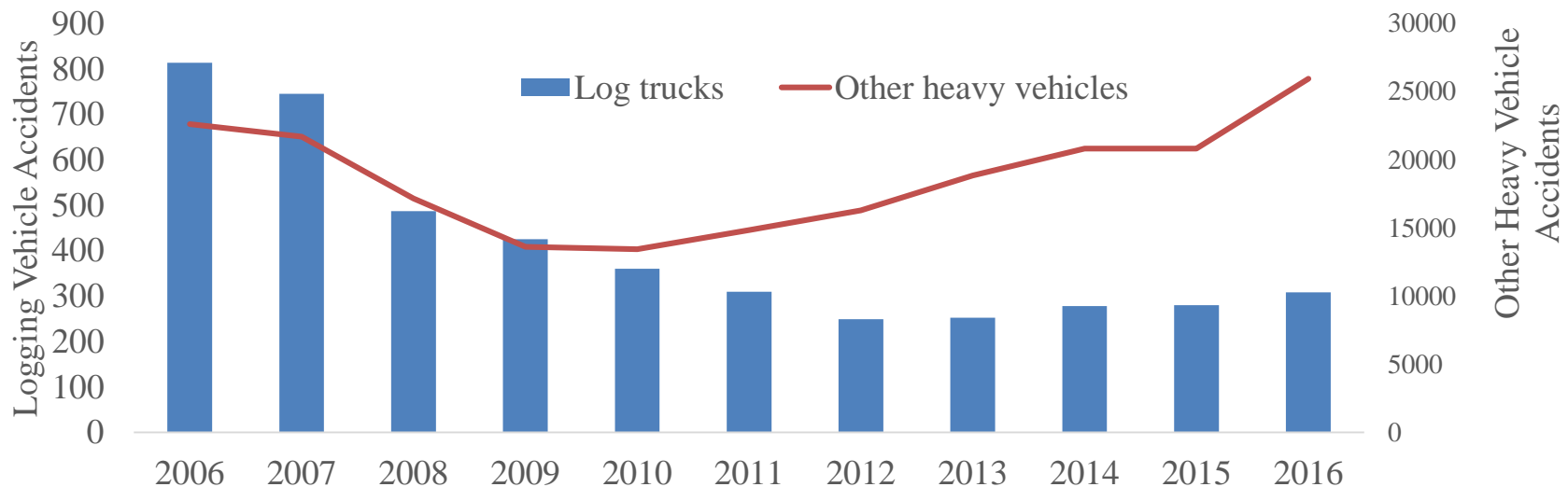
Sources:

Conrad, J. 2017. Log truck liability insurance in Georgia: costs, trends, and solutions. Georgia Forestry Association Center for Forest Policy Studies. Forsyth, GA. 49 p.

2017 GA Logger Survey

Log Truck Accidents

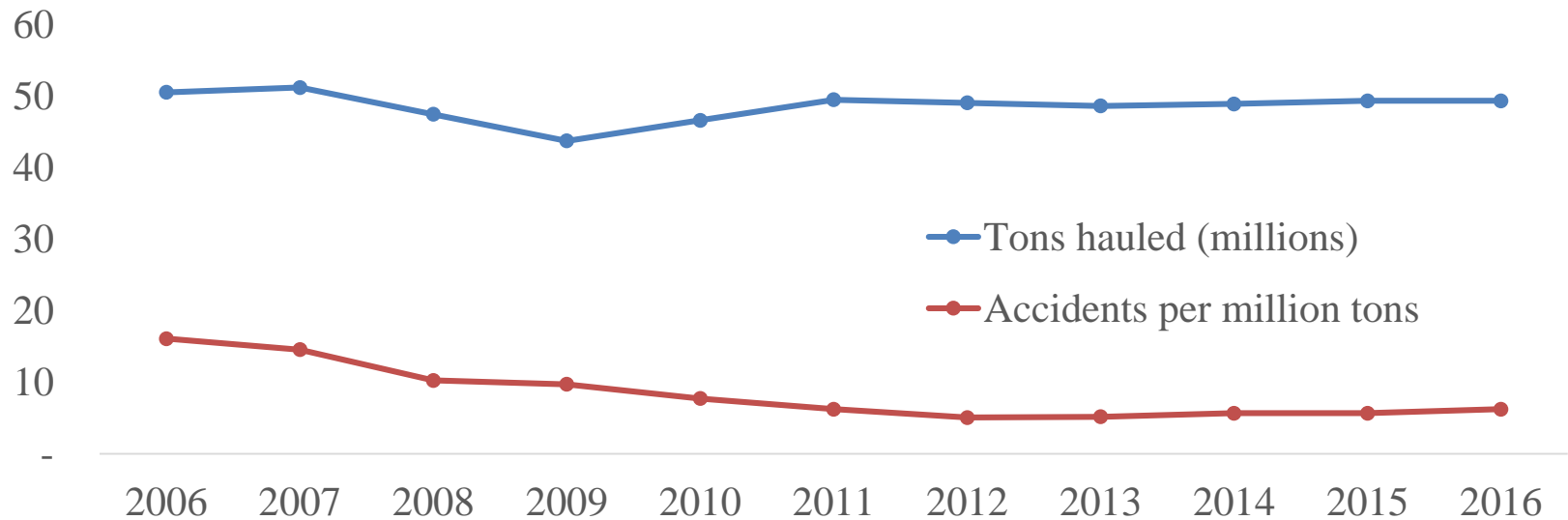
- Accidents down 69% 2006-2012
- Accidents up 24% 2012-2016



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Log Truck Accident Rate

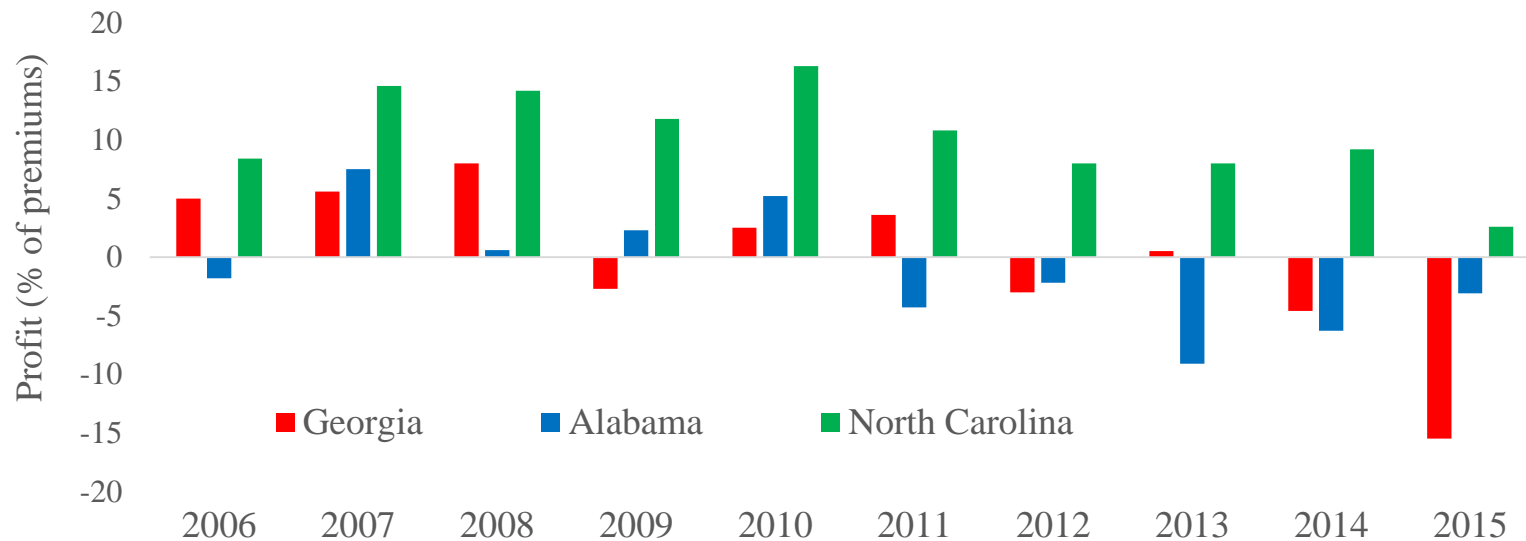
- 16 accidents per million tons hauled in 2006
- 6.3 accidents per million tons hauled in 2016



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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.



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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



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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



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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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Source: Conrad, J. 2017. Log truck liability insurance in Georgia: costs, trends, and solutions. Georgia Forestry Association Center for Forest Policy Studies. Forsyth, GA. 49 p.



Get Road Smart.

SMS Safety Measurement System

A&I CSA SMS **OVERVIEW** SEARCH TOOLS HELP CENTER

Search Motor Carriers: Type Name or U.S. DOT#

Report			Vehicle		
Inspection Date	Number	State	Plate Number	Plate State	Type
6/19/2017	[REDACTED]	GA	[REDACTED]	GA	Straight Truck
5/16/2017	[REDACTED]	GA	[REDACTED]	GA	Truck Tractor
Violation: 393.9 Inoperable Required Lamp					
3/29/2017	[REDACTED]	GA	[REDACTED]	GA	Straight Truck
3/16/2017	[REDACTED]	GA	[REDACTED]	GA	Straight Truck
1/13/2017	[REDACTED]	GA	[REDACTED]	GA	Truck Tractor
11/28/2016	[REDACTED]	GA	[REDACTED]	GA	Truck Tractor
Violation: 393.78 Windshield wipers inoperative/defective					
Violation: 393.82 Speedometer inoperative / inadequate					
Violation: 393.201(a) Frame cracked / loose / sagging / broken (OOS)					
Violation: 393.207(a) Axle positioning parts defective/missing (OOS)					
Sum of Violation Weight => Inspection Severity Weight (SW)					
11/22/2016	[REDACTED]	GA	[REDACTED]	GA	Truck Tractor
2/16/2016	[REDACTED]	GA	[REDACTED]	GA	Truck Tractor
Violation: 393.53(b) CMV manufactured after 10/19/94 has an automatic airbrake adjustment system that fails to compensate for wear					
Violation: 393.47(e) Clamp or Roto type brake out-of-adjustment					
Violation: 393.11LR No Lower rear retroreflective sheeting or reflex reflective materials as required for vehicles manufactured after December 1993					

Safety Rating & OOS Rates

(As of 10/09/2017 updated daily from [SAFER](#))

Not Rated

Out of Service Rates

Type	OOS %	National Avg %
Vehicle	18.2	20.7
Driver	0.0	5.5
Hazmat		4.5



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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



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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



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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



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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



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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



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 - Procurement foresters



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