ROAD TALK

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U.S. FREIGHT DEMAND

Where's The Surge?

The trucking industry is currently in a state of equilibrium, with supply and demand more balanced than in recent years. However, most sectors have cooled and there isn't a clear catalyst expected to drive a surge in demand.

Typical seasonal tightening, combined with an above-average tender rejection rate, has indicated tighter capacity. The imposition of tariffs on China, Mexico, and Canada has created uncertainty in global trade, which could potentially increase capacity by lowering freight volumes and driving down spot rates.

The U.S. economy is projected to grow by 1.7% year-over-year (y/y) in 2025 compared to 2.8% in 2024 and 2.5% in 2023 according to the Federal Reserve. The trucking sector is expected to grow at a slightly higher rate of 2.1% y/y*.

Historically, it takes a surge in demand to break free from equilibrium. Right now, the trucking sector is well-positioned for a growth cycle, but it is waiting for that elusive surge. However, federal trade policies, especially tariffs, could hold back any potential growth in 2025.

Freight demand in the trucking industry follows a cyclical pattern driven by several key sectors. Here's a look at some of the primary drivers and how these industries are affected by imports:

- Retail and e-commerce: This sector relies heavily on imports of finished goods, which impacts both full truckload and less-than-truckload shipments. Consumer spending was down -0.2% to start the year, but is expected to remain steady, providing a solid contribution to trucking demand in 2025.
- Manufacturing and industrial production - Machinery investment has been slow, and warehousing growth has seen a steep decline in recent years. This sector is highly dependent on raw materials imports and tariffs could hinder any potential recovery. As a result, manufacturing is not expected to be a major driver for trucking demand.
- Agriculture and food production - The agriculture sector is projected to remain steady in 2025. Overall imports are forecast to increase 6.5% while exports are expected to decrease 2% from November's projections. Still, shifts in global supply chains could affect certain sub-sectors.
- Construction/housing projects - The construction industry relies on imported materials such as steel, cement, and lumber, as well as certain machinery. While interest rate cuts have aided financing, high 30-year mortgage rates and elevated home prices are dampening home sales. Additionally, many homeowners remain locked into sub-3% mortgage rates, slowing overall housing demand.
- Energy and natural resources - Demand for energy is expected to increase in 2025, making it a steady contributor to trucking demand, especially for hauling energy products like crude oil and natural gas. *(see also FUEL UPDATE pg.3)*

Tariffs on imports from China, Mexico, and Canada are expected to have significant effects on both freight volumes and the overall competitiveness of U.S. industries. With these tariffs in place, the cost of various imported goods will rise, reducing the demand for certain commodities. Here's a breakdown of some of the most affected goods based on current trade patterns:

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Is your company prepared for a

LAWSUIT

In recent years, the trucking industry has seen a rise in lawsuits and large jury verdicts—many of which appear disproportionate given the facts. A motor carrier's defense is often covered by its insurance provider, but the carriers themselves must do their part in being prepared should that fight come their way.

Increasingly, civil litigation is being funded by undisclosed third-party interests as an investment for return. While this funding gives plaintiffs resources to pursue claims, it also raises red flags regarding the funder's influence over the case. With these financial backers fueling litigation, companies must take proactive steps to safeguard their operations from costly legal battles. Carriers can add strength to their defense by taking preventative measures before a claim arises.

Hire, train, maintain, and inspect with the expectation of an audit

Every claim has a unique combination of factors—driver/employee actions, road conditions, weather, mechanical issues—that contribute to an incident. Allegations of poor maintenance alone are not sufficient to establish liability. However, should the actual cause be clear, attorneys will then attempt to prove that poor hiring, improper maintenance and/or lack of training, directly caused or contributed to the incident. Attorneys focus on these areas to portray the company as reckless or negligent in a way that resonates with a jury. This can aid in driving up damages.

Unlike states such as Georgia, Texas, and Florida, which have tort reform to limit excessive verdicts, California has no caps on damages, making it a hotspot for high-stakes lawsuits. Motor carriers with a $750,000 minimum auto liability limit are prime targets for trial lawyers.

A carrier's part is to be proactive and hire, train, maintain, and inspect with the expectation of an audit. Taking action now can help prevent costly litigation. Special attention should be given to the following areas.

1) Hiring and training practices - Hire qualified drivers/employees and regularly enhance their skills. The credibility of company personnel can be questioned in an attempt to paint a picture of incompetence. While no one is perfect, thorough hiring decisions reduce the risk of being caught off guard. Answer the following questions: Did the driver/employee have any brushes with the law, previous accidents, or citations? What qualified the driver to operate this vehicle or piece of equipment? Is any special handling required, and does the driver/employee have training? Knowing all of this information, should you have even hired them?

2) Equipment maintenance - When was the last audit of your maintenance records? Documented regular maintenance not only extends equipment life but also demonstrates your commitment to safety. When liability is clear, maintenance records will likely be scrutinized to demonstrate delinquency in conducting repairs. Attorneys will scour those records to support a pattern of irresponsibility.

3) Inspections. Are inspections conducted regularly and are repairs made promptly? Performing regular inspections and repairs helps to avoid not only accidents but downtime due to out-of-service issues. Whether or not a repair that wasn't made had any factor in a crash, it may be used to show a culture of irresponsibility.

By prioritizing safety, training, and compliance, trucking companies can mitigate risks and defend against unwarranted lawsuits. Do your part and get prepared.

New bill to expose litigation investors

Progress is being made at statehouses around the country to address tort reform that could affect truck drivers, unfortunately California is not one of them. Still, a new bill (H.R.1109) has been introduced in the House of Representatives which seeks to remove the vail from those financing civil lawsuits in an attempt to promote transparency and fairness.

Increasingly, civil litigation where plaintiffs receive financial compensation for their claim of being harmed, is funded by undisclosed third-party investors. Having an anonymous third-party financing a lawsuit often makes reaching a reasonable agreement more difficult due to the financial stake they maintain in the case.

On February 7th, Congressman Darrell Issa introduced a new bill (H.R.1109) in the House of Representatives. The bill seeks to provide disclosure of investors receiving payment based on the outcome of a case. The bill will also require disclosure of the financing agreement between investors and the parties involved.

Drayage Truck Regulation

It's important to note that operating a truck in any of California's seaports requires adherence to the Drayage Truck Regulation (DTR). Currently, the DTR requires truck engines to be 2010 or newer. As of January 1, 2024, only ZEVs can be added to the port registry. Finally, on January 1, 2035 trucks doing business at the ports must be ZEVs.

A spokesperson for the Port of Los Angeles stated that the Port continues to encourage transition to ZEVs including charging a $10 fee per TEU for trucks that are not ZEVs or near ZEVs. The port is also offering incentive vouchers for the purchase of ZEVs as part of the CALSTART program. Additionally, one of the terminals at the port provides a "Green Lane" for ZEVs which allows for preferential access to the terminal, and additional terminals are considering similar programs.

California vs. Congress

Zero-Emission Regs At Risk

Critics argue that California's stringent zero-emissions rules—including Advanced Clean Cars II, Advanced Clean Trucks, and the Omnibus NOx rules—effectively create an electric vehicle mandate. As a result, the state is facing increasing political scrutiny. The Trump Administration has shown dissatisfaction with the power granted to California through the waiver process and is attempting to revoke those powers and the rules they've enabled. The Administration may have identified a legal pathway to doing just that.

The Environmental Protection Agency (EPA) claims that the rules bypassed the legal process for review and is preparing to address this 'error' by sending the rules to Congress for official review. Because these regulations significantly impact vehicle emission standards, understanding the legislation that shaped this policy debate is important. Let's take a look at a few key pieces of legislation that led us to this point.

Under the Clean Air Act (CAA), states are generally prohibited from setting their own vehicle emissions standards. However, the CAA includes a provision allowing the EPA to grant waivers to states like California if they can demonstrate the need for stricter standards due to 'compelling and extraordinary conditions'. For many years, this waiver process has enabled California to implement stringent air quality regulations, including its ambitious zero-emission vehicle goals. Once a waiver is granted, other states can then adopt California's stricter standards instead of federal regulations.

Under the Congressional Review Act (CRA), federal agencies are required to submit rules to Congress for review. Republican lawmakers state that these regulations were not properly submitted to Congress and should be paused until they go through that official process. However, there is legal debate whether the CRA applies to waivers, as the CRA typically applies to federal agency rules of general applicability, while waivers are considered case-specific administrative actions. The Administration is now maneuvering to pause the rules.

These regulations are part of California's broader efforts to cut emissions and transition to zero-emission vehicles. Listed below is a quick overview of key California trucking regulations facing scrutiny:

1) Advanced Clean Trucks: Requires manufacturers to sell an increasing percentage of zero-emission vehicles (ZEVs) in classes 2b to 8, beginning in 2024 and reaching 100% by 2036.

2) CARB Omnibus regulation: Aims for a 75% reduction in NOx emissions and a 50% reduction in particulate matter from heavy-duty trucks (model years 2024-26).

3) Advanced Clean Fleets (ACF): This rule did not receive a federal waiver and the state is only able to enforce the state and local government fleets portion of the regulation which requires all Class 2b-8 vehicles sold in California to be ZEVs.

Because California failed to secure a waiver for its ACF rule, other states cannot adopt similar mandates—marking a significant shift in regulatory power. The state's authority to enforce its current ZEV standards remains unclear. However, it appears its power to set such aggressive standards has ended.

The outcome of these disputes will have lasting implications for the trucking industry. Stay tuned for more updates.

FUEL UPDATE

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

EIA forecasts U.S. crude oil production to average 13.6 million barrels per day (b/d) in 2025–a 3% increase over 2024. And while global oil inventories are expected to remain tight through mid-year 2025, those inventories are forecast to build and place downward pressure on crude oil prices in late-2025 and through 2026.

Alaska is a major source of California crude oil imports. Two new oil developments in Alaska—the Nuna and Pikka projects—are expected to boost crude oil production in the state after decades of decline. EIA forecasts crude oil production in Alaska will increase by 1,000 b/d in 2025 and 16,000 b/d in 2026. The increased crude oil production will go to supply refineries in Alaska, the Pacific Northwest, and California.

03/24/2025

3.567

National O-H Diesel Avg

3.115

National Gasoline Avg

On-highway Diesel Fuel Prices

Region	03/24/25	02/24/25	03/25/24
East Coast	3.675	3.795	4.125
New England	3.987	4.043	4.321
Central Atlantic	3.872	3.962	4.294
Lower Atlantic	3.569	3.708	4.042
Midwest	3.491	3.615	3.986
Gulf Coast	3.265	3.420	3.717
Rocky Mtns	3.415	3.495	3.986
West Coast	4.229	4.358	4.666
California	4.776	4.877	5.224

Prices listed above are diesel averages in dollars per gallon.

Up-to-date statistics are available from the Department of Energy at www.eia.gov.

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FREIGHT DEMAND (Continued from pg.1)

Imported Goods Most Affected:

China: Electronics (e.g., smartphones, computers, consumer electronics), pharmaceuticals, medical equipment, textiles

Mexico and Canada: Automobiles and auto parts, steel and aluminum, agricultural products

Exported Goods Most Affected:

China: Agricultural products (e.g., soybeans, corn, and grains), electrical machinery and equipment

China and Canada: Aircraft and aviation parts

Mexico and Canada: Petroleum and refined products

China, Canada, and Mexico: Automobiles and auto parts, pharmaceuticals and medical equipment, chemicals and petrochemicals, machinery and industrial equipment

2025 Outlook

Freight volumes are expected to remain stable but subdued, with a forecasted 2.1% y/y growth in Q1, and potentially rising slightly by year-end. However, excess capacity remains a challenge, delaying the surge in demand that the industry desperately needs. Spot rates have moderated but are expected to rise by 5.5% to 6% by the end of 2025.

A significant concern is the regulatory uncertainty surrounding clean truck standards. Smaller carriers, in particular, may struggle to afford the necessary equipment to comply with new emissions regulations, adding additional pressure to an already constrained market.

Note: Current forecasts have not taken into consideration persistent or exacerbated trade policies.

*www.actresearch.net