



## Truck Leasing Task Force (TLTF)

### **Task 24-2: The Impact of Truck Leasing Agreements on the Net Compensation of Commercial Motor Vehicle (CMV) Drivers, Including Port Drayage Drivers, and Specific Agreements Available to Drayage Drivers at Ports Relating to the Clean Truck Program or Similar Programs to Decrease Emissions from Port Operations**

*FMCSA asks TLTF to review truck leasing agreements and their impact on the net compensation of CMV drivers, including port drayage drivers, and specific agreements available to drayage drivers at ports relating to the Clean Truck Program and other programs to decrease emissions from port operations.*

#### **I. Initial Discussion of Task 24-2**

- A. How inequitable lease agreements benefit motor carriers at the expense of drivers.
  - 1. Motor carriers/lessors control working conditions and earnings.
  - 2. Motor carriers/lessors deduct lease payments and related fees from earnings.
  - 3. Motor carriers often lease older or poorly maintained trucks.
  - 4. Motor carriers sometimes lease trucks with inaccurate vehicle histories.
  - 5. Many motor carriers require maintenance through proprietary repair shops.
  - 6. Motor carriers sometimes unfairly dictate and deduct maintenance and operational expenses from driver earnings.
  - 7. Motor carriers may not follow the terms of the lease agreement.
- B. How inequitable lease agreements reduce driver autonomy and income and affect safety.
  - 1. Drivers make payments on a truck and pay for fuel, insurance and other costs, yet often fail to gain ownership of the truck after a lease ends.
  - 2. Drivers often must work exclusively for the motor carrier/lessor.
  - 3. Drivers often accept loads that pay a low rate from the motor carrier/lessor because of pressure to meet lease payments.
  - 4. Drivers who refuse a load from the motor carrier/lessor risk retaliation. Motor carriers may offer drivers no loads or fewer loads, making them more likely to fall behind on lease payments.
  - 5. Drivers work long hours to make lease payments. Lack of sleep and an erratic sleep schedule slow driver reaction time, which leads to crashes.
  - 6. Drivers do not have effective or timely recourse to challenge the terms of a lease.
  - 7. Drivers unknowingly may lease an unregistered truck.
- C. Additional challenges of being a driver.
  - 1. Lack of access to information about load rates.
  - 2. The high cost of purchasing a truck.
  - 3. Lack of financial education.
  - 4. Some motor carriers post job openings for employees but instead hire drivers as independent contractors.
  - 5. Some factoring companies for trucking have predatory practices. [Factoring companies buy account receivables from drivers at a discount. When done fairly, the practice provides drivers with more predictable cash flow.]

- D. Obstacles to finding alternative sources of CMV financing.
  - 1. Some large banks do not market their lending services to drivers.
  - 2. Many drivers may not qualify for a lease because of credit history.
  - 3. Third-party leasing companies also may engage in predatory behavior.
  - 4. Drivers who believe that truck ownership is a key to success will continue to be an easy target for predatory lenders.

## **II. Information that Could Shed Light on Terms of Inequitable Leases**

- A. How drivers receive compensation and their cash flow under lease agreements.
- B. The amount of compensation that motor carriers promise potential lessees compared with the amount lessees actually receive after working under an inequitable lease.
- C. Motor carriers' financial statements.

## **III. Recommendations**

- A. Create a policy that governs the conduct of lessors.
  - 1. Motor carriers and other leasing companies must provide drivers with accurate estimates about net income rather than gross revenue.
  - 2. Motor carriers and other leasing companies must provide clear information about additional fees and costs tied to leases and truck operation.
  - 3. Financial literacy training for Commercial Driver's License holders may help drivers better understand leasing obligations.
- B. Define best practices for fair CMV leasing.
- C. Structure leases so drivers can work for the motor carrier of their choice.
- D. Structure leases so drivers can gain ownership of the truck by following the contract's terms.
  - 1. Create model contracts to ensure fair language.
  - 2. Unions and associations can review contracts and support drivers. The International Brotherhood of Teamsters has experience negotiating contracts for motor carrier employees, other drivers, and owner-operators.
- E. Restructure pay so that drivers have autonomy to prioritize a lease payment over other obligations, such as rent or a mortgage, rather than the motor carrier/lessor being paid first by default.
- F. Create new CMV financing models.
- G. End leasing of trucks by motor carriers.
  - 1. Drivers would borrow from banks or other lenders independent of the motor carrier industry.
  - 2. Drivers would be free to work for any motor carrier.
  - 3. Drivers would be able to choose to work for motor carriers that pay more per load, and offer more work, steadier work, and better working conditions.