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Trucking Company Receives Bailout During COVID-19 Economic Crisis

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The Kansas-based trucking company, YRC Worldwide, had a difficult year in 2019. It had lost more than $100 million and was being sued by the Justice Department for allegedly defrauding the federal government. But, as The New York Times reports, YRC received a $700 million loan in exchange for a 30 percent stake in the business.

The bailout was approved on national security grounds and makes YRC one of the largest recipients of COVID-related taxpayer money intended to support businesses and workers during the pandemic.

The trucking industry has played a major role in the coronavirus response this year. As the supply chain has struggled to keep up with demand from both consumers and the healthcare industry, regulations have been relaxed so that trucking companies could quickly transport supplies across the country.

There is another side to this coin, though – safety. The trucking industry has struggled with a poor safety record. Last October, the National Highway Traffic Safety Administration reported that trucker deaths were on the rise, reaching their highest level in 30 years.

Non-trucker fatalities also increased for the fourth year in a row, with pedestrian deaths rising by 13% in 2018. This runs counter to an overall trend of improved highway safety over recent years. The increase in trucking fatality rates has been a concern for watchdogs as the industry has rolled back requirements. Specifically, hours-of-service requirements have been relaxed and trainee drivers without their CDL are allowed to take to the road as long as they have a certified driver in the vehicle with them.

Ongoing Safety Concerns

For YRC, safety risks come in the form of a decaying fleet. Last year, the company had a net loss of $104 million and by the end of March 2020, it had $880 million in outstanding debt. The cause of their financial difficulties? According to analysts, YRC has been mismanaged and running a fleet of out-of-date vehicles.

Amit Mehrotra, a Deutsche Bank analyst, pointed out that YRC's fleet was twice the age as the industry average, which was 7.87 years old for a heavy-duty truck in 2018. In recent years, YRC has retrofitted its 14,000 tractors with new safety technology, yet it's fleet is notorious within the trucking industry for its aging vehicles.

While older trucks can be safely operated by drivers, they still pose significant safety risks. Poor or improper truck maintenance is one of the major causes of trucking accidents. Brake systems are particular threats to safety; tractor-trailers have complex braking systems and issues with braking equipment can cause the entire system to fail. Other age-related problems include unsafe tires, outdated safety technology, and cargo space that can't be effectively secured.

In The New York Times article, Mehrotra points out that plenty of YRC's competitors have thrived during the COVID-19 pandemic. In fact, there have been fleets that have seen growth due to the relaxed regulations. The fact that YRC's struggles have continued into the period speaks to ongoing long-standing problems, particularly a failure to prioritize fleet maintenance and vehicle safety, not the effects of the pandemic on the economy.

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