A compilation of News About the Freight Market

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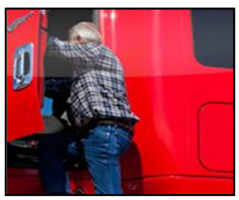
Market Watch

Ontario Trucking Association

Truckers' Good Mood Picks Up Where Left Off

There's no denying it any longer: The trucking industry in Ontario is returning to health as carriers report successively stronger freight and rate counts while projecting more optimism than they have in over half a decade. In the Ontario Trucking Association's second quarter 2014 survey of business conditions, carriers picked-up right where they left off last time – in what was a [very positive 1Q14 survey] – expressing unprecedented levels of business improvement. Moreover, for the second straight quarter, carriers indicate that rates are following volume increases – something of a rarity since the 2008 recession. Sixty-five percent of carriers said southbound freight volumes improved in the previous three months – the highest percentage ever recorded since OTA started the survey in 2008 and four times higher than the number of carriers who indicated improvements this time last year. After remaining flat in the last survey, carriers who indicated that intra-provincial volume had increased jumped to 59% – the second highest level recorded. Sixty-two percent of carriers saw a surge in U.S. northbound lanes – a rate unmatched since the mid of 2011.



Domestically, the number of carriers who suggested inter-Ontario freight had increased remained at 41%, which is still double the number this time last year. It appears that last survey's characterization about a slowly improving rate environment was not an anomaly. In fact, after bearish reports in most quarters since the recession, carriers now report back-to-back rate progression. The number of carriers indicating increases to US southbound rates jumped to 62% – a far cry from the single-digit grades between 2008-2010. Carriers who felt rates in all other lanes also improved significantly q-q: Inter-Ontario 23% to 31% (all all-time high); Intra-provincial 47% (matching high in 3Q11); and northbound US from 32% to 41%. Reflexively, the ripple of near universal volume increases brings with it ever-tighter capacity. There's more indication that companies want to add drivers and owner-ops (58%), but just where those drivers will come from remains in question. Rumbling tectonic plates underlying the trucking labour market shake the supply balance as 58% of carriers reported capacity contraction – nearly triple the reports from the 2Q13 survey and, once more, the highest number of carriers OTA has ever recorded. Looking ahead, 46% expect further tightening – 10 points higher than last quarter and about double this time last year. While tightening capacity is starting to lead to some demand for longer-term contacts, the pace that shippers prefer to lock-in freight is still remarkably slow considering the current environment. Despite a capacity crunch and higher transportation costs for customers, over 80% of carriers indicate contract timeframes are not changing.

Nine Lives of Capacity

Shippers are coming around to paying more to secure truckload capacity even as the extreme capacity contraction seen this past winter eases. As reported by the *Journal Of Commerce*, truckload contract rates in May rose between 2.5 and 4 percent in the US, according to BB&T Capital Markets. The range of those rate increases is a bit below expectations voiced by carriers and analysts in the first quarter, noted JOC, when contract rates seemed ready to soar. However, the rate of increase is higher than many people predicted before the severe winter cut into capacity. Arguably, a better measure of supply-demand synchronization is reflected in spot market rates that, for dry van tractor-trailers at least, have been fairly consistent, says DAT. Meanwhile, contract rates are rising as carriers struggle to hire drivers and shippers look to lock in truck capacity. "We heard of one [shipper] striking a nine-year contract with a carrier, something we have never heard before," says BB&T analyst Thomas S. Albrecht.

The New Normalizing

A healthier trucking industry has reflected extremely tight capacity in the truckload sector, but there may be a period of modest relief in sight, according to newly released report from the freight forecasting firm FTR. "There is a possibility for some relief of the tight truckload capacity over the next few months if freight growth slows as expected in the second quarter," the group said. "The stressed supply situation of today is caused, primarily, by regulatory drag on shipping capacity along with the winter disruptions." Although trucking capacity will stay tight throughout 2014, it looks like much of the supply-and-demand balance is normalizing "as shippers are finishing their spring freight season and the backlog of loads caused by the winter weather has largely subsided." Jonathan Starks, FTR's director of transportation analysis, noted 'normal' remains a relative term, since the industry continues to be operating at much higher levels of utilization than in the past.

Diesel Prices