

Market Watch



Grade 'F' For Friendliness

Carriers are most swayed by how shippers affect them financially and operationally and most of the time that's rooted in how customers impact driver productivity, according to a survey conducted by 3PL provider, Transplace, of its own preferred shipper program. How shippers treat drivers goes a long way in determining whether a carrier will assign them "preferred shipper" status, which could become a huge benefit for companies as the driver supply tightens and capacity shrinks in the coming years, the survey suggests. As reported by *Fleet Owner*, the survey says that along with providing competitive rates, fair fuel surcharges and acceptable payment terms, carriers are beginning to



rank shippers on how positively they impact driver productivity and on how 'driver-friendly' they are. "Shippers are looking for ways to improve their transportation operations, and a significant way to do so is by aligning efforts with their carrier partners to improve efficiency and overall benefits to all parties," said Ben Cubitt of Transplaces. Cubitt said how shippers affect driver productivity "continues to be a focus for carriers and one of the most critical factors in shipper freight profiles or practices." Nearly all respondents indicated that providing market-competitive rates and fair fuel surcharges are "critical" or "important" factors. Payment terms and average length of time until payment was also concern, with 63% of the carriers ranking it a "major factor." However, a whopping 97% of carriers consider dwell time as an "important" or "critical" factor in determining the preference status of a shipper with in-transit delay the second-most important. The ability to use drop trailers, shipper load count and type of freight were also seen as key elements.

Acquisition Trail Heating Up

The mega announcement by [TransForce to acquire Contrans](#) is a significant accentuation on a mergers and acquisition market that is starting to catch fire, according to analysts. After several slow years, mergers and acquisition activity is on the rise again in the Canadian trucking industry, according to PwC's Capital Markets Flash. As *Truck News* reports, PwC points out that big trucking firms are getting bigger, while some mid-sized companies are being acquired or struggling, PwC explained. Reached by *Truck News* for reaction on the proposed TransForce-Contrans deal, Mike McCarron, head of the Wheels Group's M&A, said the deal is further evidence that the race to consolidate the aging Canadian trucking industry by its biggest players is heating up. "The smart operators understand that the scale they will

need to survive in the future can't come from organic growth, but must be bought. I expect the recent Vitran and Contrans deals will trigger more deals in the slow-moving mid-market as more and more baby boomers will take advantage of their strong balance sheets and get out while they can. The landscape of the Canadian trucking industry is going to look a lot different five years from now." Doug Nix of Corporate Finance Associates says the deal also creates space and demand for new Canadian publicly traded transportation companies. "It will be interesting to see how this ripples through the industry and how it impacts valuations." Mark Borkowski, president of Mercantile Mergers and Acquisitions Corporation, noted the transaction is indicative of widespread consolidation. "While integration synergies are not typical in TL acquisitions, we nevertheless expect upside from added scale and the powerful operating expertise of the combined entity."

Fleet: Signs of "Extreme" Driver Shortage Emerging

Some fleet managers are reporting signs of an extreme driver shortage in certain areas, reports *Heavy Duty Trucking*: "For several years now, trucking industry analysts have been predicting we were getting close to the edge of a cliff when it comes to the driver shortage – a point where drivers will become so scarce in relation to the freight to be hauled that some ends up sitting on the docks, and carrier rates go up," the article states. One fleet exec told the magazine he thinks we're already there. "If you talk to shippers, you are going to find they are in fact paying higher rates and have been for the past six months," says a safety director for a 160-truck regional fleet in the Midwest. "I get emails every day from larger carriers or 3PLs begging for trucks. This has been going on since late last fall." He says his advertising cost per hired driver has gone from \$75 to \$1,100. "The drivers are just no longer here."

Diesel Prices

Ontario Average Diesel Rack Prices
January 2009 - July 2014

