

Market Watch



Spread the Health

Anne Ferro's departing message to the transportation industry this week is that the costs and responsibility of maintaining the health of truck and highway safety needs to be more evenly distributed throughout the supply chain. As *Heavy Duty Trucking* reports, Ferro insists that too much of the burden for safety falls on the trucking side, particularly drivers. Ferro, who will step down later this month as chief of the FMCSA, added: "We need to move that safety calculus back into the supply chain and move the costs earlier among those influencing it." She said that her experience showed her that a disproportionate share of the safety responsibility falls on drivers, while safe and compliant carriers are forced to compete against "low-end competitors in some markets dedicated to squeezing out costs." One theme Ferro returned to is the idea of compensating drivers for all time on duty, with the overall cost spread out throughout the supply chain to include, at the least, carriers, shippers and consignees. The pressure for certain carriers to deliver freight at the lowest possible cost is at the heart of the safety issue in the U.S. and part of the perpetual struggle over hours of service, Ferro said. "In an economic system that continues to try to drive the last penny out of the supply chain, transportation and trucking in particular gets squeezed the hardest because it has the least leverage," she said. She encouraged carriers to use today's market conditions, in which demand exceeds supply, to get better treatment for drivers. "Shippers that are abusive should frankly be shut out."



Outlook Bright, But Watch Out For ...

The economy, freight growth and the re-regulation of the trucking industry, should be the three main issues carriers should be monitoring closely in the coming years, says FTR president Eric Starks in a State of Freight Webinar. As reported by *Truck News*, Starks explained the economy is growing modestly but strengthening, leading to higher freight volumes, which could place further pressure on capacity and an acceleration of rates. "In the near-time, the risks continue to be on the upside," Starks said. "In general, things continue to be looking relatively healthy for the freight markets." Spot market rates seem to be leveling after a period of sharp growth. "I think we're in that point right now. The spot market is settling down and contract rates are starting to move higher," he said. However, impending trucking legislation and regulation in the U.S. could make it more difficult for carriers to hire drivers and perhaps bear some productivity losses. As a result, *Truck News* reports, there is another trend of increasing collaboration between shippers and carriers.

"Shippers are going to have to work with truck carriers to create more capacity, to free up drivers and equipment," Starks said. "That's the real area where we could see some productivity enhancements." Extreme weather, while it can't be controlled, is another area fleets need to do better at planning for, Starks said. "Our industry doesn't do a good job of planning for weather."

Manufacturing Drifting Back to Shore

A new report by KPMG predicts a rebound for Canadian manufacturing thanks to changes in global markets as well as cost cutting and new efficiencies introduced in the wake of the global economic crisis of several years ago. As *CBC* reports, KPMG's annual outlook says there's a coming shift from making goods in low-cost countries to producing them "on-shore" in North America. Rising energy costs, a continued lack of quality and consistency from China and India and shrinking lead times in developing and manufacturing new products will encourage more on-shore manufacturing, according to authors Laurent Giguère and Don Matthew. If the predicted trend proves true, it's good news not just for Canadian manufactures, but also the domestic transportation and logistics sectors that serve it. "I think we found, somewhat surprisingly, the number of manufacturers who are thinking about offshoring production has significantly decreased," Giguère told *CBC*. In 2014, only 14 per cent of manufacturers planned to source from China, compared with 31 per cent in 2013 and just three per cent were looking to India compared to 12 per cent last year. Manufacturers who survived the global recession are more now resilient. They are also experiencing some tailwinds of a stronger U.S. dollar that supports Canadian exports to the US, Giguère explained. "Canadian manufacturers are the busiest they've been in many years, and it is essential for these companies to remain focused on future success, thinking ahead rather than simply fighting to survive."

Diesel Prices

Ontario Average Diesel Rack Prices
January 2009 - August 2014

