

# Market Watch



## Freightpocalypse Now: 'Shippers Break Out P Word'

Partnership. Collaboration. Shipper of Choice. These are a few buzzwords transport professionals should get used to as they look to overcome the capacity crunch. The issue was top of mind at the FTR Transportation Conference as trucking providers, shippers and others discussed the landscape of the freight industry. As reported by *Heavy Duty Trucking*, a panel of industry execs warned shippers who "don't behave well," (by wasting drivers' time to load or unload) and who are "transactional," (those fixated on hammering down rates) that they'll be the most hurt by the driver shortage. This capacity situation has led to what FTR's Noel Perry called "one of the hallmarks of this era — increased discrimination among carriers." Don Broughton, an analyst and managing director at Avondale Partners, noted that "the thing we're seeing widely happening is the discernment of 'I'm not going into that shipper because it will take too long to get loaded, or I'm not going into that receiver because it will take too long to get unloaded.'" Scott Arves, president and CEO of Transport America, pointed out that younger freight planners and purchasers may never have experienced a cycle like this, since the last pronounced driver shortage was nearly a decade ago. "... A final sign the apocalypse might be close – the 'transactional' customers are breaking out the P word, partnership. Frankly it's been a long time since we sat down with a lot of transactional customers and talked about partnerships." Craig Brown of Maverick Transportation says more shippers are suddenly interested in talking about ways to eliminate driver irritants and wasted time. The carriers advent of e-logs, detention surcharges are becoming somewhat easier to justify, but such fees still aren't enough to make carriers whole. "By the time you look at the truck and trailer, forget the driver, you've got \$150,000 worth of capital sitting out there and you're going to get paid \$60 (an hour) for three hours (waiting). You can't run a Weedeater for that," quips Broughton. Brown noted the administrative headaches to collecting detention. "I don't want to get paid detention," he said. "I want to eliminate detention."



## US Detention Pay Proposal Proceeds

On that note, the FMCSA is [asking for comments](#) on a plan to study a connection between industry pay practices and safe driving. As reported by *Heavy Duty Trucking*, the issue arises from FMCSA concerns that drivers who are not paid for downtime, such as waiting excessively to load or unload, are forced into unsafe practices in order to make a living. The study could support a provision in the Obama administration's pending highway bill that would require drivers being paid at least the federal minimum wage for supply chain retention such as time spent waiting to be loaded or unloaded. In a

recent Federal Register the agency said it intends to "analyze the possible unintended consequences of the various methods by which (commercial) drivers are compensated." The agency also intends to look at how the type of operation – long-haul versus short-haul, and big carrier versus small carrier – factors into the pay question, among other things: The agency will look for how pay and other variables could affect drivers and vehicle out-of-service rates as well as crash rates. If the study finds a connection, that information will help carriers "make informed decisions about their compensation practices," the agency said. Comments on the proposal are due by October 28.

## ELDs to Worsen Driver Shortage, But Improve Turnover

The widening shortage of truck drivers in North America is an issue getting increased play among media outlets. Recently, *Yahoo Finance* online outlined the problem in a feature article, pointing out the recent HOS rule changes and an incoming electronic logging device mandate could exasperate the shortage in the coming years. With 75% of the industry still on paper logs, a segment that finds it difficult to live with the automated oversight of hours-of-service compliance could eventually hang up their keys, it says. However, while an initial exodus of drivers in the wake of ELDs, the driver turnover rate (currently 92% for large truckload carriers in the U.S.) could decline in the long-run as there will be penalties for working drivers harder and longer than the rules allow. Enforcing the use of ELDs on all carriers could reduce supply by 4% to 8%, write Brad Delco and Ben Hearnberger at Stephens firm, but they believe that universal use of ELDs will level the playing field, "which would give no carrier/driver a distinct advantage over another due to falsifying log books." "We believe this would result in a more rational pricing environment where best-in-breed carriers would win based on service/value." The good news for truck drivers is trucking companies and their customers are beginning to take note of their troubles and working toward improving pay and overcoming other obstacles in their way.

## Diesel Prices

Ontario Average Diesel Rack Prices  
January 2009 - September 2014

