

# Market Watch



## The Americans Are Coming

The Canadian trucking industry should expect more consolidation among carriers in the future, including the arrival of some major US players, predicted Mark Seymour, president of Kriska Holdings. As *Truck News* reported, he said ongoing domestic consolidation and the potential arrival of new competitors from south of the border were a couple of the reasons Kriska chose recently to enter into [an investment agreement](#) with Mullen Group. "I think the Americans are coming," he told attendees at the Surface Transportation Summit in Toronto. "They'll buy their way into Canada or find their way in some other way. Building mass and building scale puts us in a better position to defend against what it is they are likely to do." Seymour said Kriska has tried growing organically for the past three to five years but has been unable to add capacity due to the shortage of drivers. David Newman, equity research analyst with Cormark Securities, agreed with Seymour's outlook of the M&A landscape. "Smaller carriers face a whole host of challenges and it's going to get tougher," Newman said. "You've got US carriers kicking tires." Newman said he wouldn't be surprised if at least one major Canadian carrier was eventually broken up into several divisions and parts sold off; and there could be more Canadian trucking companies going public as well.



## Driver Shortage About the Facts of Life

Want to solve the driver shortage? Than look to addressing driver lifestyle issues, says one prominent industry analyst. Speaking at session on the subject at TMW Systems' annual user conference, John Larkin, managing director and head of transportation capital markets research at Stifel, Nicolaus & Co., says driver pay is an obvious factor in the driver shortage, but as pay levels increase, the problem fleets have recruiting and retaining drivers goes beyond monetary compensation. "The demand is not as price elastic as people think," *Heavy Duty Trucking* magazine quoted him as saying. Other factors contributing to the shortage include an aging population, micro management and regulation, and the lifestyle long haul drivers must lead. While young people are less likely to be truck drivers, people coming out of high school who are in fact interested have not developed enough maturity or decision making skills to be given the keys to a large truck, says Larkin. On top of multiple regulations drivers are faced with, the lifestyle long-haul truckers must lead discourages many from entering the profession, he added. Drivers endure poor sleeping conditions, they typically don't eat well, and worst of all, much of their time is spent waiting

for loads and shipping facilities and in traffic. Larkin said there probably isn't a single-bullet solution to solve the shortage, but a combination of changes and initiatives, such as a more flexible and transparent compensation system or modified mileage scheme. Fixing lifestyle would go a long way, he added – providing drivers with some nights in a motel to improve their sleep, offering a more social environment for drivers, promoting and supporting healthier lifestyles, and most of all, getting drivers home on a regular basis. Larkin said some companies are using relays successfully to get drivers home more regularly, but that can't work in all instances due to the irregular-route nature of the truckload business.

## Adding Capacity on Optimistic Truckers' Wish List

Growing optimism about the strength of the U.S. economy, freight demand and their ability to increase rates to offset rising costs has more trucking companies thinking expansion. That's the wish. But tight profit margins, rising operating costs and a shortage of truck drivers are likely to check potential growth, according to a GE Capital Transportation Finance survey. About 45% of trucking companies surveyed by said they plan to increase the amount of new equipment they add to their fleets this year, with 55 percent planning to finance new equipment with loans. Those expansion plans are driven by increased tonnage and revenue. However, even the most optimistic expansion plans may hit roadblocks getting off the drawing board. "These companies may want to expand, but the driver situation is such that they can't," Dan Clark, president and general manager of GE Capital Transportation Finance, told *JOC.com* in an interview. "You can buy the equipment, but if you can't put drivers in the trucks, you can't expand."

## Diesel Prices

Ontario Average Diesel Rack Prices  
January 2009 - October 2014

