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Market Watch

Ontario Trucking Association

Four Disruptions Facing the Freight Industry

During a session titled, The Future of Trucking: Quantifying an Unknown Future, FTR Truck & Transportation Expert Noël Perry outlined four "exogenous" or outside "exposures" facing the freight economy. "In some cases, great opportunities, and in some cases really nasty things that people don't want to talk about," Perry said. "These could all throw a monkey wrench in the works. Some are positive, some are negative—but they're all real. The only issue is we can't quite figure out the timing. You need to be ready." As reported by *Fleet Owner* magazine, Perry mapped out his forecast for the freight economy. 1. **Recession:** The recovery from the 2007-2009 Great Recession is "getting stale," Perry explains. He charted the recovery periods following eight previous downturns, the current recovery has already outlasted four of those. The longest, following the 1991 recession, lasted eight years. That means that, even if the ongoing recovery makes it that long, the U.S. is due for another economic struggle by 2019. "Regardless of what's going on in the world, it would be historically unprecedented for us not to have a recession in the next three years," Perry said. And that's not the worst of what can happen: 2. **Depression -** Global sovereign debt continues to grow. The financial crisis in Greece (and to a lesser extent Japan) is just an early sign of problems to be faced by borrower countries around the world, including North America. "At some point, that bill is going to come due—and we don't want to face it," Perry said. "And that's only going to make it worse. "It's unlikely we will vote to solve the problem beforehand, because it means pain." 3. **Regulatory drag:** The impact of the DOT's regulatory agenda on capacity utilization will be unprecedented by 2019. Essentially, at the peak, the industry will not be able to find the additional drivers it needs to keep up with additional capacity required. The caveat is the demand side of the equation. A recession would likely mean that utilization will remain below the level of a capacity crunch. But any improvement in the economy would elevate that crunch to "the mother of all capacity crises" at well above 100% utilization. 4. **Productivity revolution:** Looking toward 2030, however, Perry points to the digital tools now being developed to more efficiently manage the supply chain and the range of trucking's operational costs. All in, these could add up to savings of more than $1 per mile. He pointed to the way ride sharing technology has turned the taxi market upside down—and no one saw it coming. But he had an even bolder prediction. "I'll be very direct: In 15 years trucks will be automated. Automation will lead a revolution as important to the economy—and to the industry—as the invention of the super-highway in the early 1950s."

Tips For Logistics Firms on Securing Capacity

A popular logistics magazine issues a message to the transportation supply chain: Make your policies more trucker friendly. *Inbound Logistics* magazine explained how demographic trends are constraining capacity in the trucking industry as the driver pool ages and most young people choose other careers: "Truck drivers are generally treated poorly … if that's not enough, the roads are crowded while others are endlessly under construction. After that, you have governments that pad their budgets by issuing as many tickets to carriers as they can." In response the publication issues some tips for the logistics sector. 1. **Partner with existing carriers**: If a carrier does a good job, find out what else you need. Build a relationship; ask your carriers what lanes they need help with. Build an electronic profile so you can help them when your business matches their needs. If you are helping a carrier by getting them loads out of a tough area, they are much more likely to want to help you with other less than perfect freight. **Respect the carrier's time**: To a carrier, time is money. Every minute a driver is delayed, it's a mile of revenue that wasn't earned. Make it your top 1 priority to get their trucks moving. **Faster payment**: Everyone likes to be paid fast. The faster the better. Many companies charge for quick-pay. If you want to stand out from the crowd, offer faster terms at no discount. **Pay more**: Carriers want what shippers would want: Higher pay.

Used Truck Inventory Rises as Demand Weakens

The used Class 8 truck market was mixed in January with a significant decrease in sales coupled with falling mileage, increasing average age and flat pricing, according to an ACT Research report. "Total used truck Classes 3-8 sales were down 11% year over year compared to January 2015, with retail and wholesale markets declining, while the auction market posted a significant gain on a year-over-year basis," said ACT. Used truck values have been falling and inventory levels increasing, signifying that supply is greater than demand and pulling truck prices down. The average mileage of Used Class 8 trucks has increased by 2% compared to December, but is at a lower level than a year ago.

Diesel Prices