A compilation of News About the Freight Market

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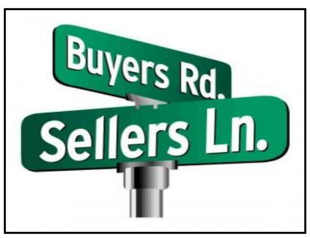
Market Watch

Ontario Trucking Association

Biz Consultants: M&A Activity Set for Take Off

Mergers and acquisition deal-making among global transportation and logistics companies is expected to soar past the $73 billion mark this year, according to consulting firm KPMG. That's up from about $67 billion posted for last year, and the fourth straight year of increased M&A activity in this sector, according to *Fleet Owner*. "We expect investment activities in the transport and logistics sector to remain high driven by the search for growth; changes in demographics and supply chains; evolution of business models; and changes to the regulatory environment," noted James Stamp, head of transport in the U.K. for KPMG, in a statement. "With interest rates remaining low, returns on asset acquisitions remain attractive, he added. Andrew Tipping, a principle with Strategy&, the strategy consulting business unit of PricewaterhouseCoopers (PwC), noted in research brief late last month that such "dynamics" are rooted primarily in the changing needs of commercial transportation and logistics customers. "Shippers' supply chains are becoming ever more complex, even in market segments where their needs have been relatively straightforward in the past," he said, pointing to five trends that are helping to fuel more M&A activity in the transportation and logistics industry: 1. The fracturing of supply chains, which increasingly feature a mix of offshore, nearshore, and onshore locations, and the expanding number of "nodes" in shipper distribution networks aimed at reducing delivery time to customers from days to hours. 2. The rising recognition among shippers that shipping is no longer a tactical decision influenced solely by cost, but rather a strategic consideration based on such factors as customer expectations, sales volume, and product mix. 3. The expanded presence of high-margin shippers selling valuable and sensitive products that require exceptional handling, security, reliability, and tracking procedures from their transportation companies. 4. The frequency and magnitude of disruptive events which are causing shippers to reevaluate their procurement tactics and the efficacy of their logistics networks. 5. The double-digit growth of e-commerce and the in-roads that it is making in the business-to-business arena, where shipment complexity is higher and transparency and tracking requirements are greater. "[Those] trends are creating new demand patterns for the commercial freight transportation and logistics industry," Tipping noted. "Shippers want logistics partners that can operate across their diverse supply chains and distribution networks and that are strategically inclined [and] particularly seek carriers that can accommodate spikes in volume and maintain a high level of performance during disruptions."



Truck Freight Pricing: It's a Bumpy Ride

Trucking companies and their shipper customers have been riding the peaks and valleys of a pricing "roller coaster" recently, explained Derek Leathers, president and COO of Werner Enterprises. He says he'd like to get off the ride. As reported by the *Journal of Commerce*, Leathers told the 2016 NASSTRAC Shippers Conference that "aggressive procurement behavior" on the part of shippers is driving truckload rates lower in a soft market. "I'm not casting blame, I'm questioning why we do it," he said. "We knowingly and willingly go into these cycle shifts with aggressive behaviour and there's a better way," he said. That better way involves collaboration to keep long-term shipping costs low and still provide remunerative rates. There is still more capacity in the truckload market than available freight, thanks to overly optimistic forecasts more than a year ago and a record-breaking round of new truck orders and sales in 2015. Pricing power has swung back to shippers and they're not afraid to use it, JOC points out. Logistics managers have told JOC.com they are being told by CEOs and CFOs to pursue double-digit savings from transport operators, the kind of savings which can gut partnerships and imperil value-added services carefully developed through collaboration in recent years. "All it takes is one executive to question why rates have not dropped as fast as fuel prices," one shipper told JOC.com. "You have to explain there's more to truck pricing than fuel costs." But that push for savings is harder to stave off when transportation is considered a "cost center." Knight Transportation President David Jackson expects truck capacity to contract even before the electronic logging device mandate takes effect December 2017. "We think we've hit the bottom, in terms of supply being added to the market," Jackson said. "We think supply is coming out of the market. We think we'll see a little bit of progress each month as time goes on. By the time we get to the fall things are going to feel a little bit different."

Diesel Prices