A compilation of News About the Freight Market

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Market Watch

Ontario Trucking Association

Experts: Caving Up NAFTA Bad for U.S. Truckers Too

While Canadian carriers in an export-based economy benefit mightily from the North American Free Trade Agreement, their U.S. counterparts stand plenty to lose as well, according to several American trade experts who spoke to *Heavy Duty Trucking.* President Donald Trump has made reexamination of international trade agreements a top priority. While it's still unclear what the president has in store for NAFTA, several economists and academics agreed the North American trucking industry as a whole has benefited greatly from various free trade agreements, namely NAFTA; and although some U.S. carriers would face less competition if NAFTA were curtailed, even more would be negatively impacted as a result of the loss in overall freight demand. "Trade and trucking are synonymous, and the increased movement of freight yields more good paying jobs and growth in American companies," said Bill Sullivan, exec vice president of advocacy for the American Trucking Associations. "We want to help the administration and Congress build a trade framework that helps grow our economy, including the trucking industry. "Since 1995, the value of goods traveling between the U.S. and Canada has risen dramatically – nearly 168% to $712 billion, supporting thousands of jobs in the trucking industry … We will work to support any trade policies that help grow good-paying American jobs and the trucking industry." Marina Whitman, professor of Business Administration and Public Policy at the University of Michigan, contends some aspects of Trump's economic plans would benefit truck fleets, such as reforming corporate taxes and certain moves to deregulate the industry; however, "the strong protectionist slant taken by the Trump administration is, I think, significantly damaging to industry in general and trucking in particular," since trucking is highly sensitive to any disruption in this highly integrated market. "There are no other markets trucking can look to if these agreements end," she added. "Digital commerce cannot make up the shortfalls that will occur in the trucking industry if that happens." Greg Wright, a professor of economics at the University of California, Merced, said U.S. fleets should be "wary" of any moves that undo such agreements in haste. "Upwards of 60% of NAFTA trade is truck-based … so thereis probably little replacement for thistrade coming from anywhere. There is of course a simultaneous growth in internet-based commerce which certainly can be good for trucking … but I see this as separate from NAFTA, meaning that losing NAFTA would be a pure loss of demand for trucking." The reality today is that the global supply chain is incredibly sophisticated and NAFTA is emblematic of that. "Auto transmissions are made in Canada and brake lights in Mexico, etc. and trucking keeps the whole process going," he said. NAFTA benefits American trucking companies in two ways, Charles Hankla, associate professor of Political Science, Georgia State University, says NAFTA has greatly facilitated the ability of American trucking companies to move freight across the border, significantly increasing the market for those services. "Of course, NAFTA has also allowed Canadian, and more recently, Mexican truckers to carry freight into the United States, increasing competition for American trucking companies," Hankla noted. "But the overall growth in business has certainly offset this effect."

Price Pendulum Swings Back and Forth

As the traditional bid season heats up, some shippers are trying to take early advantage of the loose capacity from earlier in 2016, rather than base negotiations on tighter capacity in the fourth quarter and expectations of a more robust 2017, say some trucking execs. *Transport Topics* reports that while most industry analysts have said they expect 2017 contract rates to go up in the low single digits, trucking executives believe shippers are trying to use the lag effect between spot and contract rates hikes to their advantage. "We saw a bunch of touch-feely bids go out in November and December to see how high the rates were going to go," said Bo Keith, president of FirstExpress. "Anyone who is thinking or asking for a 5% reduction this year has lost their minds … We're not giving you a 5% reduction, so there's no sense in wasting my time." Added Joseph Cowan, CEO of Cowan Systems: "Some people are quoting some rates that really shocked me," said. "We have not experienced flexibility by the shippers to pay us what we need to get." On driver pay, the trucking executives expected a 5% increase in the first quarter due to the anticipated rebound and growth opportunities ahead. "That's our number one problem, bar none. It's heads and tails above every other issue we have in the business," said Keith. "Our market is available to get; it's all going to be dependent on drivers. No longer are we searching for areas to grow into where there is freight. We are searching for areas where there might be a mass of drivers to hire."

Diesel Prices