MARK WESTBY COMPANY

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WOW! It's hard to believe we are nearly halfway through 2022! I have recently been thinking about the year 2019. During much of 2017 and all of 2018…the manufacturing economy was strong, and truckers were ordering new equipment like crazy. The smaller carriers could buy road-worthy, used trucks for less than $40,000. In 2019, freight levels softened, and the truckers were caught with more trucks than there were loads to haul. Contract rates started to fall, and spot market rates collapsed. There followed a record number of larger carriers going bankrupt while the smaller trucking companies parked their trucks and quit answering their phones.

None of us have ever fought so hard and paid so much in the past 18 months to put a truck on a load. Again, the larger fleets ordered new trucks at record levels to keep up with the demand. However, due to a shortage of parts… only 65 percent of the trucks ordered were delivered. While the larger fleets held on to equipment they would typically trade in or resell, the smaller carriers bought up all the decent, used trucks they could find. The average used Class 8 truck now sells for over $100,000.

There is evidence that truckload freight is slowing down a bit. Load tenders from TMS systems are being more readily accepted. That would mean contract rates are working and less freight is hitting the spot market. I think we all feel it in our bones that truck capacity is becoming more balanced. In fact, some say that if all those new trucks were already on the road, freight pricing would already be easing if it were not for the insane price of fuel.

So, here are my concerns. The average carrier buys used trucks and only has 5 or 6 of them. Any carrier who bought a used truck in the past several months paid 70 percent more than what they were selling for a year before. The national average for a gallon of diesel hit $5.61 this week…up $2.88/gallon from last year. The smaller carriers don't have the advantage of newer, fuel-efficient trucks. They don't benefit from bulk fuel prices. Every day, they pay whatever the pump says. They have few or no contract rates in place that automatically adjust with fuel prices. In short, they live and die in the spot market.

As soaring inflation hits every part of our economy and any post-pandemic related freight demand has passed, there is no doubt that there will eventually be more trucks on the road than there are loads to haul. Although some sense of normalcy and balance to the truckload market would be welcomed by us all, I worry about those smaller, family-owned trucking companies that are truly the backbone of the entire industry. They will be stuck with less freight to haul in trucks they can no longer afford, and fuel prices that seem to have no end in sight.

Stay safe,
Mark

mwestby.com | 918-604-3043 | 5335 S. Sheridan Rd., Tulsa, OK 74145