



The Road Ahead

June 2020

Some predict the larger economy will recover in the shape of a "U." Others believe it will be more of a "V," and some describe a "Nike Swoosh." Regardless, many analysts predict that trucking is in for a dramatic recovery since any increase in freight volume will likely overwhelm today's truck capacity, and the carriers would then be in a position to set freight pricing.

In what was described as a "blood bath," 795 companies filed for bankruptcy in 2019... taking close to 20,000 trucks out of service. 2020 has been worse with several large carriers overwhelmed by debt and plummeting freight rates. Meantime, it is impossible to know how many are just parking their trucks until conditions improve or have ceased operations permanently.

New truck orders have been on the decline for 12 months. In April, only 983 Class 8 tractors were built for the US market. The normal build rate for this time of year is 11,000-12,000. New truck orders have also been anemic. Only 1,680 new trucks were ordered by American companies... down 80 percent from a year ago. Those numbers suggest the medium to larger sized fleets are extending their trade cycles instead of taking on new equipment as they did during the "Great Recession."

On June 8, the Federal Motor Carrier Safety Administration reported 1,288 carriers had been issued an "unsatisfactory" safety rating, while another 14,531 carriers received a "conditional" rating. Not working with unsatisfactory carriers is a no-brainer. Our company will not work with conditional carriers either despite arguments to the contrary. Finally, another 10,651 carriers are "pending revocation." In other words, close to 11,000 carriers are about to be put out of business. Granted, a majority of those are likely 1-3 truck operations, but it is still substantial.

The pipeline of new drivers entering the workforce was impacted in a way that may never be accurately measured. Truck driving schools were closed across the country and are just now re-opening in some parts. The closure of DMV offices meant that student drivers who had already been certified were unable to get licensed. Although DMV offices are opening, health guidelines and the backlog left them short-staffed and overwhelmed.

The bottom line is that conditions on the road are ripe for a capacity crunch even if the US economy improves at a modest pace. It may only take some shippers adding a few more loads a day to tip the scales.

Be safe,
Mark

