

MARK WESTBY & ASSOCIATES, INC.

THE FREIGHT RECESSION: IS IT OVER?

MARK WESTBY

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In our last 2-newsletters, we talked a lot about the rapidly shrinking number of active trucks. I wrote about the layoffs at the major truck manufacturers, the 60,000 plus new trucks sitting on dealership lots, the high number of fleet failures and the estimated 35,000 unfilled driver seats. It makes perfect sense that even a modest increase in freight levels would soon be realized in tight truck capacity and higher freight prices.

I recently read an article written by Mark Montague, an analyst with DAT Solutions. His article is titled, **2017 Outlook: The Freight Recession is Over**. He reports that freight volume began to revive in May and turned positive in year-over-year comparisons in August. Instead of slowing down toward the end of the year, he reports that a “boom market” emerged in November and December. He goes on to say that spot market rates are already on the rise and will continue to rise through the New Year.

I know I have shared this before: It used to be that when truckload carriers saw an environment in which to take rate increases, they would ask for them. It was a negotiable, methodical, mostly friendly and sometimes lengthy process. The new pricing agreed upon would assure the customer that they could count on their freight being picked up at the same pace as before. However, as our economy has become much more volatile over the years, nobody counts on better times lasting for very long. As the spot market becomes more lucrative, carriers quietly walk away from their contract rates and jump on the highest paying freight they can find.

It's a good time to inform your sales group and managers that freight prices are trending up. The rise up may be accelerated by higher fuel prices and the ELD mandate. If the economy picks up any real steam, it could become very challenging to get trucks at times no matter the price.

Should you agree to any rate increases from larger asset based carriers, try to negotiate some volume commitments. Limit your list of brokers to those who have a history of bringing a group of steady carriers to your business. A good broker will help mitigate sudden and unreasonable rate hikes. A good broker will also help to keep carriers loyal to your business. Don't add more brokers thinking doing so will help find more /less expensive trucks. I shake my head when I see the same load from the same shipper posted on the internet by multiple brokers. Trust me; those shippers end up paying more.

A broker who takes a customer's freight just to turn around and post it on the internet only creates single-transaction carriers who hold no loyalty to the customer or broker. They will commit to a load up to the point where they see another load paying more money.

2017 looks to be a challenging year for managing transportation costs. We are committed to doing all we can to help.

All the best in the New Year,



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