

11/10/16

LOOKING FORWARD

// DEMAND AND PRICE FOR
TRANSPORTATION



Newsletter

Like Americans everywhere, I am relieved that it's over. The signs in our yards and streets will start coming down and we longer have to endure all the campaign rhetoric that has consumed our country for over 500-days.

It is clear that our country is divided nearly perfectly in half when it comes to how and where we believe the federal government should be involved in our lives. Regardless, some things we should count on going forward are a renewed focus on energy independence and real investments in infrastructure. Some of the top headlines this morning were about how the election results bode well for oil and steel.

We know that one-day, freight levels will be on the rise. It's just hard to know when or how much. What we can measure is the shrinking number of active trucks. I already wrote about the 60,000 new trucks sitting on dealer's yards. We also talked about truck manufacturers cutting their labor force due to the lack of new orders. A more recent concern is the number of failing truckers in spite of lower fuel prices.

Fleet failures have been an issue all year. What is alarming about the trucking companies who closed their doors in the 3rd quarter of this year was their average fleet size of 24-trucks. 97.2% of for-hire carriers operate less than 20-trucks. A company with 24-trucks is a relatively large carrier.

I was up in Wisconsin a few months ago to see a good customer of ours and I shared some of what I was reading back then. He said, "Mark, I have been hearing about a truck shortage for years and it never happens." He was right. We have all had several false alarms.

However, I have never seen such mounting information all pointing to the same conclusion. It will not take much of an increase of freight for there to be a noticeable shift in truck availability. We only have to look back at the last half of 2014 when our economy was hovering around 3% GDP. The lack of truck availability was pronounced and freight rates skyrocketed.

It used to be that if we sensed a change coming, we could start negotiating contract rates and expect carriers to honor them. However, as our economy has become more volatile over the years, nobody expects better times to last very long. Carriers are now better known for immediately raising contract rates and quietly jumping into the spot market where they can name their price on each load.

If nothing else, it's just a good time to start talking to those carriers and brokers who you tried to keep busy over the past two-years when you had others banging on your doors looking for work. It's also a good time to start sharing information with your sales group. The demand and price for transportation may initially outpace the demand and price for products.

Be safe and God Bless America,

Mark



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