CURRENT STATE OF DRAYAGE ISSUES ACROSS THE US

IN GENERAL:

“Repricing” is a word U.S. shipper are hearing frequently as they sit down with trucking and logistics partners to negotiate annual contracts — repricing as in raising rates. With the economy growing steadily, truck capacity tightening, and high freight demand and spot rates; trucking operators and third-party logistics (3PL) operators are demanding, and getting, higher contract rates.

Increasingly, shippers find themselves caught between higher trucking costs and tougher customer requirements, especially delivery schedules with narrow time windows. Businesses are looking for ways to reduce the cost of shipping goods, but those delivery targets in effect tighten truck capacity and enable trucking companies to command a premium.   Several large trucking companies report prices increasing by 15 per cent in the 4th quarter alone.

Why do we have a truck capacity shortage?

The industry’s current shortage is driven by four major issues:

- A strong economy which boosts demand
- Unfavorable winter weather throughout the East and Midwest (Inclement weather in Detroit and Chicago is already impacting shipments with greater frequency.)
- The ELD mandate
- Driver shortage – a chronic problem that exacerbates issues one through three.

The economy and the weather will change over time but the driver shortage is likely to persist and even worsen.   Every truck needs a driver — and even if the promise of autonomous trucks delivers, high cargo theft rates mean it may take a long time for shippers to accept leaving a shipment unguarded on the road. In other words, despite regulation or advances in technology, the number of trucks on the road will always follow the number of drivers in the labor market. *According to experts, lack of drivers is the real problem the industry faces.*

What is the ELD mandate?

ELD – This change (electronic logging device) in the way trucking is being done in the U.S. is having a large "negative" impact on driving time. The regulation mandates that truckers and trucking companies must record driver's hours of service digitally and cease us of paper logs to track drivers' time behind the wheel. As such, layover fees are being enforced as needed by many truckers. They are starting to become more consistent, which will lead to a blanket increase in said rates for non-local moves. From talks with various truckers across the nation, ELD has negatively impacted their driving time by 20-40 percent or more. From the looks of things, we believe 40% is becoming more the norm. What this means for all of us, is that 40% of the ability to move a container has been abruptly excised from the market overall. Compound this with increased volumes since the start of November. Note that April starts the time for ELD when drivers will not only be fined for going over hours, but they will receive points against their CDL (?). This will just make things more interesting when companies will start receiving conditional or unsatisfactory ratings, due to this initiative.

There are also significant Equipment/ Chassis Related Issues:

There are currently several service locations (Cleveland, Indianapolis, Columbus, Louisville, Omaha, Minneapolis, Atlanta, Nashville) that have some severe chassis shortages impacting shipments that have been dispatched and scheduled. Due to the shortage of chassis this can affect appointments, cut offs, and last free days. As chassis are released on the same day as equipment pick up, in many cases truckers do not know in advance if a chassis can be secured until the day of the appt.

Summary:

In both the short and long-term It is likely that rates will increase and truck moves will have to planned further in advance. The impact of this will ripple from the service provider level throughout the entire supply chain to the end customer, impacting the 'first and last miles' in ways that will increase cost, and will necessitate more robust planning and forecasting processes for all parties.