

# Market Watch



## Shortage Spilling Into Intermodal

The truck driver shortage in truckload was said to be pushing freight from the highways to intermodal rail. But the shortage has now jumped tracks and may be the biggest threat to intermodal growth, reports the *Journal of Commerce*. Speakers at the NASSTRAC Shippers Conference, Shelli Austin, president of IDS Transportation, said that now even drayage truck drivers are increasingly hard to find. "Train service is getting better, but the front end and back end is where we see problems. Ninety percent of the company's transportation business is intermodal, a major shift from a few years ago, she said. Those problems not only include finding a drayage driver, but there's also difficulty getting drayage trucks in and out of intermodal yards and congested port terminals. Asked whether intermodal is still the obvious solution to a truck capacity crunch, Austin and other panelists questioned whether that's still as sure of a bet as considered a few years ago. "I think intermodal provides an option for us in the future, but right now it's a little difficult to convert customers" from trucks, said Brad Parkhurst, transportation sourcing leader at manufacturer Owens Corning. Missteps could lead to a loss of customers and business. "It's a pretty risky endeavour," Parkhurst said. "If you convert (a customer) to intermodal and you don't make that customer happy, you won't have the chance to do it again." If a drayage operator can't find a driver, or the driver can't access a railyard, improved fluidity elsewhere in the network congeals," says Rex Taylor, president of Taylor Logistics, a third-party logistics company based in Cincinnati that operates a fleet of 25 drayage tractors and chassis. "We've had to turn business down because we don't have the drivers," Taylor told JOC.

## Private Fleets Sitting Solid

Private fleets could be "sitting in the catbird seat" as the US economy slowly gains speed and freight volumes keep rising, says Kenny Vieth, president and senior analyst of ACT Research. Speaking at the National Private Truck Council annual meeting Vieth detailed how private carriage are in an envious position but must work harder over the next few years to stay strong as for-hire carriers are also poised for growth. As reported by *Heavy Duty Trucking*, Vieth pointed to the healthy US economy, namely rising consumer spending habits and disposable income, as the main driver for the private sector. The long-range economic picture will be "mostly happy" at least into the second half of 2017 or even into early 2018. Also, lower fuel costs provide a top-line offset to fleets – especially private carriers, he noted. While they have more range, private companies are still not immune to the driver shortage despite higher wages and more regular home time for drivers. Vieth also warned that even though it's taken for-hire fleets many years, they are catching up to the heights that private fleets have reached, posing a "challenge for private fleets to stay ahead."

## Low Flying Loonie Increasing Equipment Costs

The Loonie's wings keep getting clipped and it's making new equipment purchases extremely painful for Canadian carriers. The Canadian dollar is worth about 17% down compared to the US greenback since this time last year. As James Menzies notes in *Truck News*, this is a double-whammy for fleets. Not only does it add tens of thousands of dollars to the cost of a new truck, it has an effect on just about anything else they need to buy to support your business. Including fuel prices. Derek Varley, manager of fleet services with Mackie Moving Systems told *Truck News* just a five-cent drop in value for the Loonie adds close to \$7,000 to the cost of a \$140,000 truck.



## LTL Poised For Primetime

The LTL sector is expected to get a significant boost in the next two years as the capacity crunch slows down growth in truckload, e-commerce delivery demands grow and manufacturing makes an incremental return to North America, says noted John Larkin of Wall Street investment firm Stifel Nicolaus & Co. "It's really all about putting more volume through the network to gain density, pickup and delivery density, economies of load factor in the LTL business," Fleet Owner quotes Larkin as saying. "You build that network out and then start pumping more volume through it you get a lot of operating leverage." One reason the LTL sector has more "leverage" is that over 50% of the LTL market is controlled by five large companies, explained Larkin, whereas the biggest truckload carrier probably only has 2% of the market. "There is not a lot of excess capacity and shippers are willing to pay up if they know in a couple of years we're going to have a capacity shortage when ELDs and speed limiters are mandated," he noted. "In the early days after de-regulation, LTL was being bludgeoned from all directions. But [now] the survivors have hit their stride."

## Diesel Prices

Ontario Average Diesel Rack Prices  
January 2009 - August 2015

