



three trends you must deal with now

Responding effectively will help you thrive in the new freight transportation paradigm



Dan Goodwill,
president of
Dan Goodwill
and Associates

has more than 20 years of experience in the logistics and transportation industries in both Canada and the US. He has held executive level positions in the industry, including president of Yellow Transportation's Canada division, president of Clarke Logistics, general manager of the Railfast division of TNT, and vice-president of sales and marketing at TNT Overland Express. Goodwill is currently a consultant to manufacturers and distributors, helping them improve their transportation processes and save millions of dollars in freight spend. He can be reached at dan@dantranscon.com.

The world of freight transportation is changing rapidly. The signs are there and they are unmistakable. Recognizing and responding effectively to these signals may help determine which shippers and carriers will survive in the years ahead. Let's examine the components of the new paradigm of freight transportation.

The era of cheap oil is over

The steep escalation in fuel prices this year is a harbinger of things to come for shippers and carriers. This time there will likely be no major recession to bring energy prices down. The sad fact is that 95% of transportation modes – both passenger and freight – run on petroleum products and the likelihood of finding new sources of supply or of shrinkage in global demand is highly unlikely. In fact, the use of petroleum in countries such as China and India is on the rise.

The result will be tighter truck capacity, greater use of intermodal rail services, the electrification of transportation systems, the relocation of factories and distribution centres and the slow shift to cleaner, cheaper fuels. It will drive more LCV's (long-combination vehicles) or "turnpikes" and more triple trailer configurations. This may be the impetus to harmonize our laws throughout North America to remove barriers to the movement of the most energy efficient vehicle combinations across our highways. To curb use, many countries will have to begin looking at the Danish example of higher taxes on fuel inefficient vehicles and higher taxes on petroleum. Get used to it.

The driver shortage is real

The driver workforce in North America is aging. The "Route 66" lifestyle of the longhaul truck driver no longer appeals to most people. Like everyone else, truck drivers want to be home with their families most nights of the week. After all these years, driving truck is not a certified recognized profession. The compensation for truck drivers (e.g. \$40,000 to \$50,000) is not great. The relentless push for freight cost reductions makes it difficult for trucking companies to raise driver wages and remain competitive. There is no "quick fix" and the problem will get worse before it gets better. Like the energy problem, the solution to this problem will take time.

Driver compensation and, as a result, freight rates will have to increase. Immigration policies will have to change to bring more foreign existing and potential drivers to North America. Driver training programs will have to improve to expedite the process of providing the new pool of drivers with the required skill sets to perform as professional drivers. Shippers will have to look at their supply chains and seek out cheaper modes (e.g. rail intermodal) and more local sources of supply. The time to plan for driver shortages is now.

The key word for shippers and truckers will be efficiency

Modern computer and communications technologies have revolutionized many industries and they are in the process of revolutionizing freight transportation. Transportation Management Systems for shippers and Freight Management Systems for carriers allow for the efficient and optimized movement of freight. An electronic on-board recorder is an electronic device attached to a commercial motor vehicle, which is used to record the amount of time a vehicle is being driven. The relatively new Hours-of-Service legislation in the US and Canada are rules intended to prevent driver fatigue, by limiting the amount of time drivers spend operating commercial vehicles. Modern asset tracking devices can provide information on the precise location of every tractor and trailer so as to maximize their utilization. In other words, tools are now available to manage the activities of every driver and company asset. They can pick up on the time worked by each driver, identify drivers who are not energy efficient or spot trailers sitting in a yard for more than 48 hours. Not all fleets have or can afford the new technologies. In the case of some tools such as trailer tracking, they are significantly underutilized and undervalued.

The effective use of technology will separate the men from the boys. It will accelerate the exodus of poorly managed, inefficient fleets. It will drive down costs. The market will dictate that freight business will go to the carriers that have the most efficient networks utilizing the most efficient technology. It will go to the modes and carriers that best manage people and assets.

These trends are unmistakable. Avoid them at your peril. This is where the transportation business is today.

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