

# 2017 “stepping stone” to great change



By Dan Goodwill

Here are the top stories in freight transportation that caught my attention over 2016.

## Brexit and the Election of Donald Trump as President of the United States

These were the two biggest political events of 2016. The Brexit vote had an immediate impact on the value of the British pound. The impact of these two stunning developments on trade, economics and transportation will be felt for years to come. NAFTA and the Trans-Pacific Partnership will certainly come up for review early in 2017. The entire world will be watching to see how these stories play out.

In an otherwise flat year, these two political stories were the biggest events of the past twelve months. The year 2017 is shaping up as stepping stone to great change in North America and around the world.

## The Tepid Economy

The North American economies underperformed the global economy and the economies of emerging markets in 2016. Business investment, a key driver of the economy, was down in 2016, driven in large part by the big drop in fortunes of the oil and gas industry. Consumer spending and employment levels remained solid in the United States and somewhat less so in Canada. U.S. manufacturing activity increased.

U.S. imports began an uptick as did U.S. imports of Canadian goods, driven in part by

the strong U.S. dollar and drop in the value of the Canadian dollar. The strong U.S. dollar depressed export activity.

## E-Commerce/The Last Mile Home Delivery Market Continue to Grow

E-Commerce has had a compound annual growth rate of CAGR of 3% (2000-2015).

## Amazon and Uber Set the Pace in the Freight Industry

Amazon and Uber have identified two unique elements of freight transportation and are triggering a tidal wave of activity. They have created a unique blend of predictable logistics services, pricing options and marketing. On demand deliv-

“To improve financial performance, companies are linking collaborative inventory planning, distributed order management, integrated order management with their TMS system and RFID technology.”

While final mile parcel companies continue to gain traction, UPS, FedEx and USPS still appear to control 94% of the USA parcel market.

Omni-channel distribution has been gaining in importance over the past few years as consumers seek more options and greater flexibility. The bad news, as reported at the recent Surface Transportation Summit, is that nobody appears to be making money with it. The need for multiple inventories and the challenges of demand planning are eroding the financial benefits of this method of distribution. To improve financial performance, companies are linking collaborative inventory planning, distributed order management, integrated order management with their TMS system and RFID technology.

ery services are sprouting in major markets throughout North America. Whether it is DoonDash, Sprig or Instacart in food deliveries, Washio in dry cleaning or Shyp, Roadie, Cargomatic or Deliv for carrier procurement or Transfix or Freightera for freight brokerage, there are a host of app-based delivery services that are a variation on the Uber concept. This is just a sample of the start-ups that have entered and continue to enter the industry on an almost daily basis.

## Trucking/Rail Equipment Purchases Decline

This was a tough year for transportation equipment providers, a direct result of the slow economy. Class 8 truck production was down 30% in 2016 while semi-trailer production outperformed. With rail car utilization be-

low 70 percent and significant overcapacity, North American orders for rail cars were at very low levels.

## The Ongoing Driver Shortage

Driver recruitment and retention remained one of the major problems in the trucking industry in 2016. While many companies have been raising driver wages the past few years, this is still of limited benefit in retaining qualified drivers. The major carriers continue to try a range of other approaches to address the problem: driver surveys, driver loyalty programs, efforts to improve work life balance, driver mentorship programs, driver training programs and a range of other measures.

## The Hanjin Bankruptcy

The August bankruptcy of Hanjin shipping line, the world's seventh largest container line, threw ports and retailers around the world into confusion, with giant container ships marooned and merchants worrying whether tons of goods would reach their shelves. The financial struggles of Hanjin Shipping were attributable to an ongoing downturn in the container shipping industry that is the result of numerous interrelated factors such as weak global GDP, overcapacity on container vessels, “bloated” U.S. retail inventories, changing consumer spending patterns, Chinese economic slowdown, and muted demand for container shipping. The downturn dent-

continued ►

ed profits and crippled the financial health for most of the top twenty ocean carriers.

**Cost Management**

2016 was supposed to be a year when truckload capacity tightened and rates skyrocketed. It was supposed to be a year when higher truckload rates pushed shippers to move freight over to intermodal transportation. It was supposed to be the year when shippers had to face the music of higher driver wages and pay their carriers accordingly. It wasn't. For much of the year, the economy was the softest it had been since 2011. The slow economy and high inventories sent spot market rates in a downward direc-

tion. Carriers were taking rate decreases.

This caused many carriers to rethink their operating strategies. Truckload carriers reined in capacity, parked trucks and/or curtailed buying new ones. LTL carriers focused on yield management and the utilization of dimensioning equipment to improve pricing accuracy. Understanding Total Cost of Ownership (TCO) of fleet equipment became a priority for fleet owners.

**IoT, Big Data and Analytics**

The Internet of Things and Big Data are trendy labels for a fundamental change that will revolutionize manufacturing, distribution, and hence transportation. Applying advanced analytics to big data can solve supply chain problems. Three ingredients are key to getting an advanced analytics initiative underway: having the right people; collecting high quality data and; obtaining the best tools at the right price.

**TMS Market Continues to Expand**

Certain TMS providers are now going to market with solutions that are easy to get up and running and easy to use, many of which are cloud based with global capabilities. In the past, shipper networks tended to be application specific. Today, the leading TMS providers are building interfaces into multiple networks of transportation providers for rail, trucking and international shipping. 



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