

# A Close Look at Industry Challenges



By Richard Bauer, Executive Vice President, RWI Transportation

A perfect storm of issues are having a negative impact on available truck capacity, causing freight rates to rise and shippers to scramble to find ways to move their freight. Shippers

who rely on 3PLs or for-hire carriers to provide capacity are finding trucks tough to find—at any price, in some regions.

The conversations I had at the recent NASSTRAC conference reflect what we're experiencing with our customers and carriers here at RWI Transportation. As an asset-based 3PL, we're finding that given the current lack of capacity, we're relying heavily on our own assets as well as our contract carrier base to guarantee capacity to our customers. What can we expect regarding capacity in the coming months?

Unfortunately, industry observers are saying truckload capacity shortages will continue well into 2012, as the economy recovers and new regulatory restrictions limit the driver pool. I've heard some predictions that, because of the economic upturn and the federal government's push for improved safety, a couple hundred thousand more drivers may be taken out of the marketplace between now and the end of 2012. Not good news for the industry.

As part of the Castellini Group of Companies, one of the largest U.S. distributors of fresh produce, RWI manages thousands of temperature-controlled perishable shipments each year. We believe the capacity problem in the produce market is magnified

by a host of factors that are permanently changing the truck market. In addition to the usual challenges such as the spike in spring shipping needs, new CSA regulations are pushing carriers out of the market. Unfortunately, the carriers being pushed out are often small fleets with less than 10 trucks - the very carriers willing to take spot-rated, multi-stop shipments.

In addition, diesel costs continue to skyrocket. The national average has reached more than \$4 per gallon and is expected to remain over this threshold throughout the summer. And while freight volumes are increasing with an improving economy, we're still experiencing reverberations from the recession when many motor carriers went bankrupt or didn't invest in equipment. Now we simply have more freight available and fewer trucks to move it.

We're seeing an uptick in all modes of freight but truckload is the frontrunner. In fact, some industry observers have stated that truckload is up 46 percent year-over-year. What's more remarkable is that the barometer has risen 47.7 percent since January. LTL capacity is tightening too. Economist Stifel Nicolaus predicts upwards to 3 percent growth this year. However, this is likely to rise as truckload tightens further and more shippers look to LTL.

Capacity seems to be the tightest in the Southeast, where resources have become limited. The produce season is just about here, and many carriers have said they're not getting enough inbound freight to counteract their outbound activity. In fact, according to TransCore data, the Southeast has an average of 5.7 or more loads for every available truck. ●

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