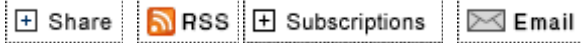


From the OLD Logistics Management WEB Site - August 13, 2008

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Rearview Mirror

**David K Schneider**

August 13, 2008

Remember in driving class the instructor telling you the rearview mirror was an important tool? But in use how important are they? I think somewhat more than most folks give credit for. When backing they are the way you see what you are backing into. And they can help you figure out where the traffic is behind and beside you. But are they very good at telling you where you have been?

I was doing a bit of rearview work this morning, looking up some projections about Truckload capacity from February and March to see if the projections came true. The projection was how much the national TL fleet would shrink. Close as I can tell, some of the projections that people sent to me were low, and I think the numbers that we will see in the 3rd quarter are going to be worse than what are being reported today.

More than 1,900 trucking companies failed in the first half of this year according to Avondale Partners. The estimate was that about 88,000 trucks have left a fleet of about 2 million tractors. Do the math and that is a 4.5% reduction in capacity. While a majority of the failures were small to medium companies, Jevic Transportation and Alcan Motor Freight were not small.

As I reported in March the major TL players "right-sized" the fleets. Tractors were not getting parked, but sold into the South American and Eastern European markets. As fuel prices rose sharply in March and April many small carriers and O/O's declared that they could not stay in the game and shutdown. The cash flow lag in receivables and the immediate increases in payables were crushed undercapitalized carriers.

We have been hearing about "demand destruction" from the financial talking heads as more and more people stop driving. In the trucking arena demand destruction happened last year, and while monthly tonnage compared to last year is up in the mid single digit range it is not enough to hold off the death of almost 2,000 carriers.

What happened in the first half of this year was capacity destruction; the capacity is not just parked, but completely removed from the table. The demand for trucks in Mexico and Eastern Europe created a market for the tractors, so the major carriers who could export the units made out. Carriers who failed could not sell their units overseas, the banks now hold the titles, and there is not enough demand for the units in the domestic market.

Carrier leadership is hungry for improved rates, and the truckload CEO's are being quoted that they are going to raise rates. The networks are changing, long haul trucking volume is moving to intermodal, and the TL majors are pressing their large sales groups to find short haul freight to move, freight that proves to be more profitable. And the majors are selling the short haul capacity, placing more pressure on the medium and small carriers.

My bet is that by the end of Q3 another 40,000 tractors will be off the road, and if the market changes continue with the "biggs" pressing into the "smalls" territory of short haul, that number could grow higher.

So are you ready for a 10% reduction in TL capacity? More important, are you ready for the rate increases?

Posted by [David K Schneider](#) on August 13, 2008 | [Comments \(1\)](#)

August 18, 2008

In response to: Rearview Mirror**Dave Snyder / Federal Rack commented:**

If you are not always reviewing the carriers you use, you should be. The business will always be changing based on factors we cannot control. We need to know what our carriers can and can't do, and always be ready to adapt.