Keep on Trucking? Part I

by Michelle Kelley - Friday, December 23, 2011

As the new year begins to peek up over the horizon, many domestic shippers are struggling to come to terms with current trucking rates. According to industry experts, rates could go up by about 10 percent next year (Source: Journal of Commerce).

So what's going on here? What's driving rates up and up, year after year?

Although rising fuel costs do contribute somewhat to the current state of affairs, there are two other major factors at play here—lack of equipment and lack of drivers.

Together, these elements are creating an ideal setting for higher truckload rates and low capacity.

The situation is comparable to the ocean freight market, when steamship lines lay up too many ships. The result is a shortage of vessel space. In times of high demand, it means that shippers will have to pay a higher premium for scarce space.

Are trucking companies attempting a similar strategy? To be fair, there are some legitimate reasons for keeping capacity levels on the tight side. It does make good fiscal sense after all.

According to Logistics Management, despite the current shortage, domestic carriers are not all that enthusiastic about adding capacity at a time when the economy is under-performing. With fuel prices constantly rising and retail shipping stagnant, one could argue in favor of waiting for better economic conditions to arise before investing in a fleet expansion.

In Part II, we'll explore the other major factor affecting truckload rates—lack of drivers. Stay tuned.

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