

## Mixed Signals

by Gerry McDevitt - Wednesday, November 21, 2012



Where is the economy headed and how will it affect my business? These are the questions foremost on the mind of every prudent business leader in the country. Many leaders turn to outside sources for more business insight, such as trade journals and magazines. If you're in the logistics industry, particularly U.S. domestic transportation, the headlines from these publications will have an odd effect on you. I call it the RCA-effect, as they often leave you with your head cocked to the side, like the dog in the RCA logo.

Observe the effect while reading a few recent headlines:

*Fleets Must Alter Operation To Attract Younger Drivers*  
*Class 8 sales down 9.1% in Sept., First Year-Over-Year Drop Since '09*  
*Freight Traffic Rises 2.2% in Sept., Cass Index Says*  
*BLS Says Trucking Industry Added 700 Jobs in September*  
*Soft Demand, Rising Costs Hit Earnings Of Truckload Carriers in Third Quarter*  
*Factory Orders Rise by Most in 18 Months*  
*3Q Intermodal Shipments Increase 3.2%, Are on Course for Record, IANA Predicts*

Reading the full articles will do little to clear up the picture. With unclear indicators from the experts, we must rely on our own experience and word of mouth from clients and suppliers. Unfortunately, none of these can tell us what lies ahead for the economy in general. They can, however, help us to predict what may happen in the short to medium term in our own industry.

Here are some major issues that will have a direct effect on U.S. ground transportation in the near future. A few of these issues have been beaten to death by the trade journals and magazines, so much so that we have almost become desensitized to their urgency and weight—though this does not make them any less of

a reality.

## **1. Driver shortage**

The driver shortage, particularly in the Full Truckload markets, will get worse as the economy slowly gets better. Conservative estimates place the shortage at about 30,000 drivers. Others gauge it as high as 100,000 drivers.

## **2. Hours of service rules**

Set to go into place next year, hours of service rules will reduce the productivity and increase the costs of truckload carriers, which will—of course—get passed on to shippers.

## **3. Affordable is a relative term**

Truckers will continue to look for ways to squeeze more revenue out of their shippers, while making critical decisions on what business they can no longer afford to handle.

## **4. Big fish, big appetites**

Large companies will continue to swallow up smaller ones. This will lead to turmoil and customer dissatisfaction for many shippers, as their go-to carriers struggle with the inevitable problems associated with mergers, acquisitions, and consolidations.

## **5. All eyes on intermodal**

As driver shortages become more prevalent, intermodal shipping will become more attractive, especially as fuel fluctuates unpredictably.

Each of these issues will directly impact shipping costs, capacity, supply chain performance, and ultimately, your bottom line.

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[domestic@mohawkglobal.com](mailto:domestic@mohawkglobal.com)

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*Gerry McDevitt is Vice President, Domestic Services for Mohawk Global Logistics.*



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