# North America Tank Truck Capacity UPDATE

July 2018

STATUS

OUTLOOK

ACTIONS

The capacity crunch, driver shortage, and new regulations have converged to make it increasingly difficult for chemical shippers looking to cover their loads in 2018. The situation hasn't eased yet, with the robust national economy and high demand for trucking capacity expected to continue during the second half of the year.

This update provides an overview of tank truck capacity, the current market outlook, and some key recommendations that shippers can use to make sure their loads are covered.


## Current Status

The bulk industry is seeing available capacity still hovering at historic lows:

- Rates are being driven up by high demand, in a typical "supply and demand" economic scenario.
- Shippers are getting stung by the rate hikes (even those that expected these hikes to happen). Driver pay has risen anywhere from 10-20% this year so far, depending on the carrier.
- The electronic logging device (ELD) mandate changed the calculation used by truckers to determine whether to accept a load tender, and what to charge for hauling freight.
    - The third week of December 2017 (initial ELD implementation), and first week of April 2018 (hard enforcement began for ELD), were the highest spot rates tracked by DAT and Truckstop.com.
- The American Chemical Council (ACC) estimates a 3% growth of the chemicals industry this year. "There's no question that bulk trucking is not keeping pace with our current driver-based capacity shortage," one carrier commented.
    - 2.8% in 2018
    - 4.7% in 2019
    - 3.9% in 2020
    - 3.0% in 2021

*"There's no question that bulk trucking is not keeping pace with our current driver-based capacity shortage."*

*"We are raising rates across the board and walking away from anyone who balks...We are also moving away from freight that is not driver-friendly."*

While the driver shortage is hitting all areas of over the road trucking, it is impacting the bulk, hazmat, and tanker endorsed carriers even harder. The increased certifications and training needed further constrict the number of qualified drivers. Bulk carriers are doing anything in their power to attract new drivers and cover more loads.

Driver pay increases are causing rates to rise. Driver pay has risen anywhere from 10-20% this year so far, depending on the carrier. "We have restructured our compensation packages in order to increase the drivers pay as well as sign on and retention bonuses," one carrier points out.

Carriers are being more selective. Carriers are being more selective when taking on new business and are paying closer attention to issues like outstanding balances and how shippers treat their drivers. One carrier states, "Shippers are going to have to work much closer with their customers to get us more flexible delivery hours and loading hours."

# The Outlook

Economic growth, especially in the chemical sector is expected to continue. Some experts even predict the US chemical market to out pace GDP growth through 2021. This is keeping capacity tight and will will further intensify the current capacity crunch for the foreseeable future in the bulk industry.

Shippers should anticipate ongoing shortages and rising prices as carriers continue to increase drivers wages and invest in the equipment and infrastructure that are needed to attract and maintain an excellent driver force.

*"We have seen an increase in dedicated driver models and and/or purchasing capacity."*

# Recommendations for Shippers

With capacity continuing to tighten and freight rates on the rise, shippers need to be prepared and start thinking pro-actively. Suggestions include:

**Work to position your company as a "shipper of choice":**

With the high demand, growing chemical market and average driver age increasing, carriers are going to continue to be selective about the shippers, lanes and cargo they will accept, so establishing a good relationship and exploring all your options is essential to your success.

- Take a more collaborative approach to load planning. Some carriers have shippers buying as much capacity as they need, in some cases tying up capacity for 3 to 5 years out
- Must accommodate flexibility for the carrier. Provide pickup and delivery windows whenever possible and put emphasis on load/unload efficiency
- Maximize payload on trucks and pay promptly
- Consider the requirements that you place on loads (e.g., rear unload trailer, ground level vapor recovery, delivery at 8 a.m. sharp, etc.) because every new requirement is a restriction on capacity
- Provide good after-hours communication to ensure all parties are aware of any issues that arise
- Get your firm's quality department and/or plant safety department involved and understanding limitations they have put on the supply chain

**Consider supplementing over-the-road capacity with other modes/equipment:**

Intermodal provides much needed supplemental capacity to over-the-road. For long distances, it can provide transit times similar to over-the-road and often at a cost savings. The North American intermodal rail network can support transit to and from virtually all key manufacturing markets.

ISO tanks are ideal for intermodal transport for liquid bulk chemicals. They can deliver a payload of 45,000lbs and have dimensions similar to tank trucks. For loading and discharge personnel, tank trucks and ISO tanks are virtually interchangeable.

Flexitanks also offer additional capacity and provide the unique advantage of only requiring a one-way transit. For the right product, this can provide a cost-effective and sustainable solution.

Both ISO tanks and Flexitanks can also be held locally in the vicinity of the receiver. This unique benefit allows for an economical local point of supply for planned storage, and avoids costly layover or empty retrieval charges that would be incurred if the long-haul driver had to wait to unload or come back for it at a later date.

*"We are raising rates across the board and walking away from anyone who balks. We are also moving away from freight that is not driver-friendly."*

*"Shippers are going to have to work much closer with their customers to get us more flexible delivery hours and loading hours. We have way too much dead time with drivers waiting to load or unload."*

*"We have not seen any forecasted changes in the market; if anything it will become more challenging with the aging driver force."*

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