

Collaboration: The New Road to Transportation Efficiency

The Challenge

The U.S. surface transportation network, particularly the Class 8 truck segment, is faced with numerous challenges – a growing FMCSA regulatory burden, changing driver demographics, questions about the sustainability of the independent contractor model, ever tougher environmental regulations and growing insurance coverage concerns. All of these factors have a good probability to create significant cost inflation over the next several years if efforts to mitigate the expected impact are not immediately pursued. The good news is that mitigation is well within the industry's grasp!

We will focus on just two of these challenges because they both have the potential to be high cost impact areas for carriers and consequently for those who rely on truckload transportation to get their products to market:

- Quality Truck Driver Shortage
- Electronic Logging Device (ELD) Regulatory Mandate

The Shortage

The driver shortage is a much debated topic with those that claim there is not and will not be a driver shortage versus those who point to statistical models that indicate a pending shortage of crisis proportions in the next 12-24 months. The facts remain that the average age of current over the road (OTR) drivers is in the early 50's and rising; driver wages have consistently trailed all other industry segments for a number of years; and the work life balance of the OTR truck driver is not generally considered attractive especially at current compensation levels. It seems fair to conclude that this combination of factors does not make the job of an OTR driver a likely vocational choice for many and will ultimately lead to a shortage. The magnitude of which will be driven by the economic health of the country (i.e. demand for freight transportation services), the attrition rate of the existing OTR driver pool (potentially moving higher due to new regulations) and the speed that technology (think autonomous trucks) will be widely adopted and deployed. Given the vast volume of goods that

move via OTR truck in the U.S. this warrants the industry's attention to find viable near and long term solutions.

The Mandate

The ELD mandate is but one of many recent additions to the already significant regulatory responsibility of the industry and there are additional new regulations in the pipeline awaiting approval and implementation. The ELD regulation, along with many others, has been appropriately taken in the interest of improving highway safety in order to reduce fatality and injury accidents. There has been an associated unintended consequence with the ELD and other regulations in the form of lost productivity – both temporary and permanent. There are numerous opinions on the impact of the ELD mandate in this regard with what seems to be an industry consensus of between negative 3 to 5 %. The question of who should absorb the cost of this loss is still a much debated point between shippers and their carriers but basic economics will ultimately dictate that the end consumer will eventually have to bear any net cost increase burden if mitigation efforts are unsuccessful.

A Solution

Today there are a significant number of motor carriers that will candidly tell you that their drivers and equipment only work between 55-65 % of their eligible work day because of inefficiency in the U.S. transportation chain. Consequently, absorbing any additional costs (such as money for higher driver wages) or productivity loss (such as that expected from ELDs) is generally not viewed as a palatable alternative for these for profit businesses. Shippers generally have not expressed an eagerness to help fund this gap by agreeing to pay higher rates. Finding ways to improve this level of productivity provides ample opportunity to help offset the expected negative cost impact for addressing the driver shortage and ELD regulatory mandate while reducing the need to rely solely on rate increases to recover such costs.

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Recent Federal legislation has required that a formal study be conducted to determine the impact of driver waiting time (for loading/unloading). In addition, DAT Solutions, LLC recently released the results of a survey that indicated that “more than 60 percent of commercial truck drivers are forced to wait longer than expected at a freight dock while their trailers are loaded or unloaded, wasting precious travel time and causing friction in the trucking supply chain”. It is not unreasonable to conclude that the Federally mandated study will find similar results which could lead to additional regulatory action to improve this situation unless the industry quickly takes appropriate actions to reduce loading/unloading times that diminish driver productivity.

Collaboration is Key

By collaborating together, shippers, carriers and receivers could better coordinate the timing of loading and unloading activities to optimize the use of their motor carrier’s assets (drivers and equipment) and thereby mitigate additional driver wage and lost productivity costs. This would result in an opportunity for motor carriers to raise driver pay and recruit drivers; continue to earn a fair return on their investment and provide a savings and/or cost avoidance opportunity for shippers and receivers.

This will be a journey with no quick fix readily available but the following steps are a good start:

- Increase industry awareness of the opportunity for improvement
- Share success stories to encourage others to take action
- Tighten the discipline around quickly addressing inefficient locations
- Invest in on site facility visits to work collaboratively to drive improved performance

- Develop a way to systematically connect shippers, carriers and receivers to:
 - ⇒ Dynamically make scheduling adjustments (for early/late arrivals)
 - ⇒ Facilitate optimal facility productivity (when transit changes occur)
 - ⇒ Improve contingency planning capability (to allow better downstream response)

Of course, there are other considerations for solving the driver shortage situation including better work life balance and more respect at shipping and loading facilities. There are also other opportunities to help improve transportation efficiency including reducing extended transit requirements and smoothing out day of the week shipment velocity. However, the issue of more effective loading/unloading times (ideally an hour or less at each end) is an area that every shipper, carrier and receiver can immediately start to work on, with no significant incremental investment other than time, which will drive greater efficiency, including reduced operating costs, into their U.S. transportation chain.

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