

I AM NOT A FUTURIST



“ I DO NOT THINK THAT DRONES ARE GOING TO REPLACE TRUCKS ANY TIME SOON BUT THE PROSPECTS OF TRUCKS THAT DRIVE THEMSELVES IS CERTAINLY NOT OUTSIDE THE REALM OF ULTIMATE POSSIBILITY.”

I cannot bring much to this month's topic. I am neither a seer nor a prophet. I do not understand technology. I haven't figured out how electricity works much less cell phone technology and apps. Five years ago I would have said windmills reduce our carbon footprint and that the efficiency of rail in moving pay loads over great distances would quickly supplant the need for long distance trucks. Either one or both may still happen, but when is anyone's guess. I do not think that drones are

going to replace trucks any time soon but the prospects of trucks that drive themselves is certainly not outside the realm of ultimate possibility.

Clearly, technology is going to have a serious impact on trucking and the next generation, and I think changes in technology are only one of four vectors which will affect trucking over the next 15 years. The other three are (1) change in the driver workforce; (2) change in regulation; and (3) change in shipping patterns.

1 CHANGE IN DRIVER WORKFORCE

Many of you have heard Dan Baker, the truckers' humorist from Bulverde, Texas, who provides a fair analysis of the future by stereotyping from the audience of middle-aged, seasoned drivers and a Gen Y recruit. Baker says the older guy is the true road warrior who knows and appreciates the challenges of the road, values his home time but works hard to save a little money and keep his family in the rural community in which he grew up. The old guy, Baker says, is representative of a dying breed.

The Gen Y driver, on the other

hand, has no romance with the road, is into immediate gratification and is not really interested in OTR trucking. The generational change in the attitude of truck drivers will, Baker says, create shortages, not because unemployment isn't high, but because Gen Y has different values and a different attitude toward trucking.

I think Baker is right on one of the major reasons for the driver shortage and that something is going to have to happen to recruit more drivers than we are losing.

2 OVER-REGULATION

A second concomitant factor that will affect trucking in the next generation is the cost of regulation. The one truck, one driver model does not work very well when the hours of service are so constricted that the driver cannot get miles and get home and the new truck costs \$150,000. Add to the mix the increasing attacks at the federal and state levels on the independent contractor model and it is clear

that the favorable balance shippers and brokers have enjoyed in terms of competitive advantage will be changed. Carriers who survive are going to expect higher rates and greater bargaining power in avoiding contract cram-down in the form of unreasonable indemnity obligations, waiver of credit and collection remedies, extended payment terms and waiver of duty to mitigate, etc.

3 CHANGE IN SHIPPING PATTERNS

Prior to deregulation, competition was limited, well-run carriers with operating authority and established customers could build a solid business that would be passed down from generation to generation. After deregulation, most large shippers centralized their traffic function greatly limiting small direct carriers' access to freight by following either "a core carrier concept" or by outsourcing carrier selection to 3PLs. The predominant LTL/union carrier structure gave way to broad, all state operations by carriers which had no market density to solicit and obtain their own return shipments. Trucking companies and their operations changed due to changing distribution patterns, just-in-time inventory strategies and industry's response to supply and demand.

I believe the next generation will see a similar change as trucking companies must respond to changes in the economics and distribution patterns. As retailers use virtual inventories and regional fulfillment centers to offer online and home delivery, vertically integrated providers like FedEx and UPS should prosper with increasing needs for in-home and "white glove" services for furniture and electronics. As many as 12,000 trucks and four or five stack trains cross the border at Laredo each day and international commerce appears poised for growth with the dredging of the East Coast ports to accommodate even larger container ships.

The need for dray carriers who own and maintain their own chassis should grow, particularly in the short haul movement of full containers from rail head in PU and PD services to or from the rail head or ocean port. With the

shortage of trucks, I do not see the number of reverse auctions which shippers conducted for freight only a few years ago. Shippers seem to be coming to the slow recognition they will have to pay more for freight and make greater use of dedicated service in order to ensure deliveries.

Hopefully, the old concept of reasonable dispatch will re-emerge as shippers recognize they cannot expect carriers to comply with the hours of service requirement and be penalized for not always making a 15 minute delivery window. The cost of operations and hours of service requirements will not allow free detention.

In 1996 Spencer Johnson wrote a book entitled "Who Moved My Cheese" which I think may accurately characterize the next generation of trucking. The driver shortage, the cost of operations, changing distribution patterns and the threat of government regulation will make trucking volatile. I cannot predict how, but I am confident that somebody is going to move your cheese and that success will come to those who can recognize the change and respond. ■



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