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SHIP SMARTER AND SAVE

ONWARD AND UPWARD

When freight tonnage increases and if the economy begins to struggle less, can freight rate increases be far behind?

On September 23rd American Trucking Associations reported that August truck tonnage jumped 4.5% year-over-year to a record high. ATA's advanced seasonally adjusted for-hire index rose to 132.6 — up 1.6% from July and topping the previous record of 131 set in November. ATA calculates the tonnage each month based on reports by its member trucking companies and uses the year 2000 as a 100-reading baseline.

"After a strong July, factory production and housing starts fell in August on a month-to-month basis," ATA Chief Economist Bob Costello said, "Truck tonnage actually did the opposite. Not only did it increase, it accelerated." This was the highest year over year jump in 2014. Tonnage is up 3.1% in the past two months and has surged 6.8% since falling to a recent low in January, Costello said. The ATA is optimistic about the second half of the year for the economy, which means truck tonnage should do well and rates are likely to increase.

"FedEx Corp. is off to an outstanding start in fiscal 2015, thanks to very strong performance at FedEx Ground, solid volume and revenue increases at FedEx Freight and healthy growth in U.S. domestic volume at FedEx Express," Chairman and CEO Frederick Smith said. FedEx Corp. reported its fiscal first-quarter net income rose 24% to $606 million, or $2.10 per share, from $489 million, or $1.53, a year ago. Revenue for the quarter ended Aug. 31 rose 6% to $11.7 billion from $11 billion, the company said Sept. 17.

Less-than-truckload revenue per shipment increased 3% on higher weight per shipment, increased fuel surcharge revenue and higher rates, according to FedEx. FedEx said it is hiring 50,000 peak season workers this year, compared with 40,000 last year. UPS Inc. has said it plans to hire as many as 95,000 seasonal workers, an increase of nearly 75%, to handle increased peak-season holiday shipments

According to transportation forecasting firm FTR, market conditions continue to favor trucking carriers, due in large part to tight capacity, according to the most recent edition of the Trucking Conditions Index (TCI).

The TCI continues to reflect tightening conditions for truck capacity and is comprised of various metrics, including equipment utilization, fuel, bankruptcies, and cost of capital. According to FTR, a TCI reading above zero represents an adequate trucking environment, with readings above ten indicating that volumes, prices, and margin are in a good range for carriers. The TCI for July, the most recent month for which data is available, is 8.49, which FTR said is one of its highest points of 2014 and reflects increases prices and service lapses due to the ongoing tight capacity in the truckload sector. Current truck utilization levels are within 1% of record levels. This means that further economic growth and associated increased freight demand is likely to strain capacity and subsequently increasing rates further.

Should GDP grow materially, industry experts maintain it will become far more difficult for shippers to secure capacity than it already is and could also see them turning more to intermodal in an effort to be less truck-dependent until things improve on the capacity side. For those shippers that do not view intermodal as an option, they are likely to see further gains in pricing made by carriers they work with.

As budgets for 2015 are being developed you should be talking with Data2Logistics' Professional Services team. They have the insight and experience to help you control costs and put programs in place that will help you to maximize your purchasing power. Please contact Leif Holm-Andersen, Executive Director of Professional Services at Leif.holm-andersen@data2logistics.com or +1 239 425 8050.