

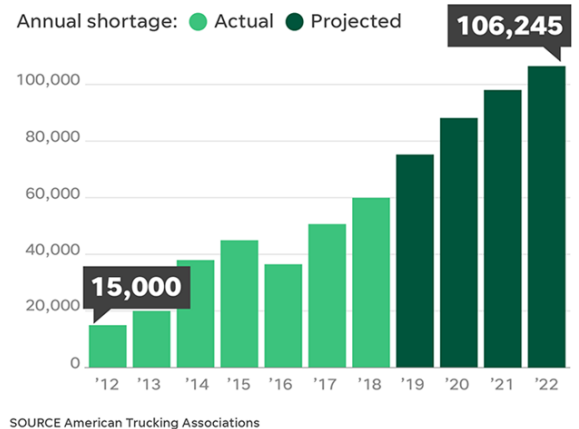


## TIPPING POINT

Truck drivers haul almost 71 percent – or 10.6 billion tons – of the tonnage shipped annually in the U.S., according to the American Trucking Association. Shipping costs make up 3.6% of consumer food prices and 6% of overall retail prices. Today there is no doubt that shippers are finding it difficult to control their transportation costs. Rising transportation costs are being fueled by driver shortages that have increased wages, ELD enforcement, and a robust economy.

A severe shortage of available trucks is pushing up freight costs and, in turn, driving up retail prices. Tom Hayes, CEO of Tyson Foods, told analysts the trucker shortage will add more than \$200 million in costs in its current fiscal year, and it intends to pass them on to food retailers. General Mills has told convenience stores and food services they will have to start paying more by May to offset some of their higher transportation expenses. According to CNBC there are at least six large companies who have directly referenced the U.S. driver shortage in calls and presentations with their investors over the past three months. The companies cited include Hasbro, Volvo and Sprouts Farmers Market.

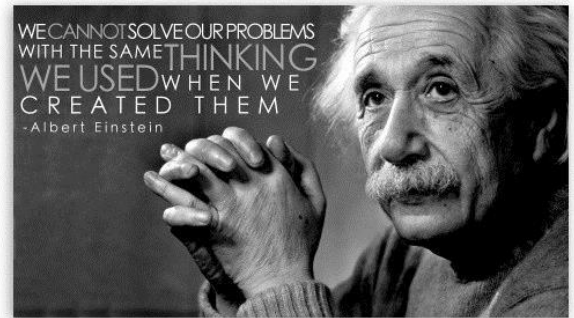
According to Bob Costello, Chief Economist of the American Trucking Associations, “We’ve probably never had a situation like we have today, where the demand is strong and capacity is constrained”. Chris Spear, CEO of the American Trucking Association has indicated that there is a shortage of 50,000 drivers which will double in the next five years.



Increasing wages may not be the true solution to the problem. We believe we are at the tipping point where the light at the end of the tunnel will be coming from autonomous or self-driving trucks. Uber recently announced that it has been using its self-driving trucks to haul freight on highways in Arizona. The trucks continue to have a human driver behind the wheel as a backup to take control of the vehicle as needed.

While Uber has not provided many details regarding this program, it would appear that the initial trucking service, unlike their passenger business, will not be door to door. Instead they are using transfer points. At those locations, autonomous trucks would exchange trailers for long-haul drives, while human drivers would grab the loads earmarked for local delivery. They would use the Uber network to manage supply and demand of both movements behind the scenes.

We believe Albert Einstein was right when he said “we cannot solve our problems with the same thinking we used when we created them”. Today this would be defined as disruptive thinking. It is an approach that motor carriers should embrace as an alternative to solving the trucking shortage rather than by increasing wages and transportation costs.



*If you would be interested in how Data2Logistics can help you identify alternative solutions to your supply chain challenges, please contact Harold B. Friedman at [harold.friedman@data2Logistics.com](mailto:harold.friedman@data2Logistics.com) or 609 577 3756. We are here to support you.*