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Analysis: 'Perfect storm' factors to lengthen US trucker shortage

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What are the ingredients of the current truck capacity shortage and how might they differ from previous cyclical events? Photo credit: Shutterstock.

When it comes to prognosticating, perhaps the four most dangerous words a forecaster can utter are “this time it’s different.” If history has anything to teach us, it’s that the past is prologue and pronouncements that fundamental change is underway often turn out to be more wishful thinking than prediction. The North American supply chain is now in the teeth of a substantial shortage in truck capacity. Is this a normal cyclical event, or is a more profound change underway? How long will the current situation last and what will the world look like when things return to “normal”?

Earlier this month at the University of Denver’s Capstone Executive Seminar, several very-well-placed trucking and intermodal executives offered their insights. The conversations provided plenty of food for thought. What are the ingredients of the current shortage and how might they differ from previous cyclical events? While I’m not yet convinced that “this time it’s different,” the list of factors pointing in that direction is quite impressive.

A level playing field

Now that the electronic logging device mandate (ELDs) is the law of the land, we are well on the road toward a level-playing-field where all truckers play by the same rules. It stands to reason that those who have delayed implementation to the last minute were the ones who felt they had the most to lose. The full impact remains to be seen, but even after the inevitable adjustment period, productivity won’t get back to where it was prior to the ELD era, because yesterday’s truck productivity had a certain percentage of illegality baked-in that will never return.

The ELD information revolution

The late US Sen. Daniel P. Moynihan, D-N.Y., once famously said: “You are entitled to your opinion, but not your own facts.” But when it comes to shipper/carrier discussions, facts historically often were in short supply, with discussions devolving into mutual finger-pointing as to the real causes of delay. With the onset of ELDs, the facts of the matter will be plain to all. Carriers will know exactly how much time their trucks and drivers are spending at origin and destination and will bring that data to bear in their discussions with their customer base. The end result will be a permanent change in the way shippers and carriers interact and much non-productive waste will end up being boiled out of the system.

Free surge capacity is history

One by-product of the relentless search for improved productivity has been a willingness to operate at ever-higher levels of capacity utilization. Simply put, today no one is willing to provide surge capacity without compensation. The net result is diminished capacity for the system as a whole to absorb disruption, be it a weather event or unexpected growth.

Competition for drivers

Although carriers have always competed fiercely for drivers and much of the sky-high turnover rates frequently cited is actually “driver churn,” with drivers cycling from one carrier to another, there’s another, more-fundamental competition underway. That is the

competition between the commercial heavy-duty driving profession and alternative careers. Hurricane-ravaged areas of Texas and Florida have plenty of well-paying construction / rebuilding jobs available. Growth in housing and commercial construction are also soaking up potential drivers. In addition, a resurgence in fracking, due to higher oil prices, is also demanding its share of drivers, at oil-patch wages that dwarf those earned by the conventional, over-the-road driver.

The tax cut

The recently-enacted US tax cut comes at a time where the economy was already growing at 3 percent and unemployment was at 4.1 percent. The likely effect will be the economic equivalent of feeding a five-year-old a chocolate bar at 10 p.m. While the long-term hangover may be painful, in the near-term, we can expect to see further acceleration, which will only exacerbate the competition for trained, blue-collar labor (i.e. drivers).

The autonomous truck threat

Paradoxically, the long-run potential of autonomous trucks may hurt things in the near-term. While truckers generally felt that autonomous trucks were not “around the corner,” preferring the term “driver-assist” to autonomous, they agreed that the recent publicity around the autonomous truck was hurting current driver recruitment efforts. After all, who would want to go through the special training needed to master the art of driving a big rig, when you are hearing news reports that your skills will be obsolete in a matter of a few years?

A shrinking driver pool

Setting aside the well-known demographic challenges of today’s aging driver base, there are a couple of special circumstances to consider. One is the immigration debate. Just what percentage of the driver population is undocumented is not exactly known, but anecdotally, the number is significant in certain sectors, including port drayage. With current federal policy forcing more of these individuals underground, what will the effect on port cartage be? A second factor is the drug situation. More states are legalizing marijuana as time passes, but the drug-free requirements for a CDL remain unchanged. Further, the inevitable onset of hair follicle drug testing promises to bump the already-high failure rate into the stratosphere.

History says the market will eventually adjust and rebalance. An adequate number of drivers will eventually be found after wages adjust (upward) sufficiently to generate supply. In the meantime, as wages and prices move skyward and candidates work their way through the rigorous qualification and training process, the shortage will endure. While currently there may be just a bit of easing, from a seasonal perspective, the looming double-whammy of ELD enforcement beginning April 1 plus the normal Q2 seasonal peak promises a new round of pain for shippers on the horizon. The extensive list of contributing factors tends to lead toward a conclusion that the shortage will be a long one, stretching well into 2019. Further, when the shortage does begin to ebb, it appears that the “new normal” will look quite different from the normality of yesteryear.

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