

The Driver Storm Begins

In reference to “the recovery process”. One of the key concerns is the shortage of drivers and the shortage of trucks. **A day does not go by where someone calls me and says; “Andy, do you believe that driver pay is going to increase, and what do you believe that the impact will be to a trucking company’s bottom line?”**

On the surface, it seems like a very easy question to answer;

- Yes, driver pay is going to increase, but;
- How is it going to impact your bottom line? That depends on many variables, such as;
 1. Fuel spikes.
 2. The general economy, and;
 3. Actions by Congress over the next several months.

Recently, in Transport Topics, the National Transportation Institute indicated that trucking companies will have to raise company driver pay by 3¢ - 5¢ a mile in the next 12 months to keep trucks rolling;

- That equates to approximately \$3,300 - \$5,500 yearly per driver, and possibly;
- 7% - 11% a year and more for experienced drivers.
- Experienced drivers are typically earning approximately \$50,000, annually.

In that same article, another report was provided by Wolfe Trahan & Company. In their survey, they believe there is going to be a projected 5% driver pay increase this year, climbing to 10% or more next year. They further went on to state that, the largest pay increases will be in;

- Flatbed, and;
- Dry van sectors.

I’m sure most of you read the Transport Topics article and I’m not going to recite it verbatim, but the bottom line; Transport Topics and many of the major trucking companies believe that an inevitable driver price pay increase is necessary for trucking companies to keep their trucks on the road. I’ve stated that trucking is a very cyclical business;

- It’s a pennies business.
- It’s a business that you have to continually change your model so that you don’t become a statistic in the industry.

It’s no secret that, over the last several years, 260,000 trucks have been taken out of the system. It’s no secret that there were, in excess, of 8,000 trucking bankruptcies **(that we know of)** and it’s no secret that fuel has historically spiked causing a tremendous drain on a trucking companies net profits and cash flow.

THE AHERN ADVISORY

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That coupled with;

- CSA initiatives, and;
- Hours of Service challenges – makes it very difficult to know what to do and how to address the situation.

On a more positive note, every trucking company owner has to understand that we are in our “peak” demand versus supply situation;

- Shippers need trucks to get their products delivered.
- **There are not enough trucks to take care of all the shippers demands.**
- That means, if you understand your cost and you keep refining your operating cost, you will be able to survive and prosper in this economy.

There are always two ways to look at a situation; the glass can be either half empty or half full. In this particular instance;

- Driver wages are going to increase.
- **Swift Transportation and Knight Transportation have already started that process.**
- **All the other major carriers will follow their lead, and will force smaller carriers to implement changes in their driver pay to “seat” their trucks.**

However, there is a positive to this negative and that is;

- We have the highest unemployment rate since the Great Depression;
- We have 44.6 million people that received food stamps in March, and;
- 17 million college educated American’s have jobs well below their educational levels.

The point I’m trying to make; there is an opportunity to fulfill the driver fallout – it won’t be easy, but;

- With a high unemployment rate.
- **Middle class income earner are being eliminated by large corporations, and;**
- They have to find work somewhere.

There is no better place to start a new career than the trucking industry – trucking is Middle America. Trucking moves 60% - 70% of all product in the United States. **My point; there is an opportunity to attract a high caliber of driver, if;**

1. Your approach is unique.
2. An attractive package is offered, and;
3. Your customer base, is diverse enough, to allow you to focus on improving profitability.

In numerous newsletters, I’ve indicated that;

- One of the biggest problems smaller trucking companies have is understanding their cost.

- The smaller trucking companies have a tendency to do what they always do – the same thing, and;
- Now, is the time to reinvent yourself and attract top talent. Is it easy? No. Can it be done? Yes!

The real key is to have an incentive program that will attract quality drivers and keep those drivers. It's no secret that the average driver turnover in the past has been over 100% and it's also no secret that it's very difficult to keep quality drivers for a variety of reasons.

A couple weeks ago, I wrote an article; "If it aint broke, break it", and what I was referring to is; you can't do things the same way as you always did and expect to work your way out of your problems. Today, the one thing we can count on is the certainty that the economy will challenge our understanding and shake up the basic foundations of the world around us in every area and that's exactly what's happened. Whatever we do, wherever we do it, everything – work styles, economic conditions, technology, corporate structures, global communications, lifestyles, environmental responsibilities....everything is changing at a rapid pace.

Today, the rate of change is changing exponentially, shifting so fast that it is tough to even make short term predictions accurately.

Businesses, today, are heading into a new and unpredictable world. Any resemblance to the past is purely coincidental;

- The rules are different.
- Everything is moving faster, and;
- We need to increase our intellectual capital in order to win; and in order to do that, we need to change.

To keep ahead of the changes; increased competition and the complexity of times, requires an entire new way of thinking, one that is a radical departure from the past. Managers who stick with the conventional formulas will not only miss great opportunities, but they're going to find their organization struggling in the back wash. My point;

- Yes, the trucking industry is going to continue to be challenged.
- Yes, driver pay is going to increase.
- Yes, fuel is going to continue to spike, but;
- We forget one fundamental thing that's very important in this process – shippers don't have enough trucks to get their products delivered. The demand is stronger than the supply and will continue.

In closing, I know some of you are going to say; I'm too small to dictate to a shipper what I can and cannot do. Again, I would ask that you review my previous newsletters, in which I stated that;

- There is strength in numbers.
- There are various types of programs available to allow you to be part of a larger group and still keep your own identity, but;
- You have to think outside of the box, not only to survive, but to grow.

In the future, unpredictable and uncertainty, is coming at us like enormous waves of change. They are getting bigger and they are coming faster. How we respond is a matter of choice, you can stay on the beach or you can get in the water. The future belongs to those who decide to ride these waves, to those who have the courage to paddle out where the big waves are breaking, to those who welcome the unexpected. Statistics don't lie; statistics tell us that there is a vast majority of people that are unemployed and are on food stamps. You need to take that negative and turn it into a positive and find a way to attract those people in our industry. Is it an easy process? No. Can it be done? Yes. How do you do it? There are ways! Such as:

- Partnership programs

- Agent programs.
- Sale/Lease back programs, to name a few!

In closing, the global economy is driven by relentless innovation, what a company knows becomes as important as what it produces.

Companies are faced, (**basically**), with two problems;

1. Systems problems, or;
2. People problems – people problems are harder to solve.

QUOTE OF THE WEEK: **“Opportunity comes to those who know what they want”** (Andy Ahern)