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Cargo interests who ship by truck could face a severe capacity crunch in the near future if the U.S. experiences sustained economic growth, and if government regulations take the toll on motor carrier productivity that the trucking industry fears will happen.

David Parker, chairman and CEO of the Covenant Transportation Group, told the Los Angeles Transportation Club Tuesday that capacity and demand in the truckload industry are already in a tenuous balance with the U.S. gross domestic product growing between 1 percent and 2 percent a quarter.

"Lord help us if we get to 3.5 to 4 percent GDP growth," Parker said.

Parker referenced the economic recession of 2008-09 when the trucking industry lost 15 to 20 percent of its capacity. Freight volumes surged in 2010, growing much faster than capacity, and the supply-demand economics swung for one year in favor of truckers.

Economic growth since then has been uneven, Parker noted, with truck capacity tightening when GDP growth exceeds 2 percent and loosening immediately when growth dips toward 1 percent.

Overall, however, indicators point to the possibility of tighter truck capacity ahead. Government regulations such as new hours of service requirements for drivers and other Federal Motor Carrier Safety Administration rules on drivers each could reduce capacity by 2 to 4 percent.

Parker said the industry is still attempting to measure the impact of the July 1 regulations affecting drivers' hours of service, but he said a clearer picture could emerge by October. Truckload drivers are paid by the mile, and if the regulations reduce the miles a trucker can drive as much as the industry fears, motor carriers will have to seek rate hikes from customers.

"We can't take a 3 to 4 percent hit without going out of business," he said.

Other developments that threaten to reduce truck capacity are higher equipment costs, rising barriers to entry, carrier fleet reductions and driver shortages. Parker said that if the construction industry continues to create more jobs, drivers would abandon trucking for higher wages in that industry.

However, a steady rise in home building is helping motor carriers because housing generates a good deal of freight. Construction of homes peaked at 2.3 million new starts in 2005-06, cratered at 300,000 starts at the depth of the recession and will increase to about 970,000 starts this year. Each new home generates about eight truckloads of freight, Parker said.

The manufacturing of cars is a big generator of employment and freight, and continued growth in that sector will increase demand for truck space. Automobile production fell from a peak of 17 million units per year before the recession to 8.3 million units in 2008, and this year it will be back up to about 16.5 million cars.

Nevertheless, a jobless rate that is still too high, the long economic recession in Europe and slower than normal growth in China are weighing down on the U.S. economy, so sustained GDP growth above 2 percent has been elusive since 2010.

Parker warned cargo interests, though, to nurture good relationships with their truckers and especially the drivers, because if a combination of sustained economic growth and a reduction in capacity due to government regulations prevail, the current balance in supply and demand could turn quickly into a crippling capacity crunch in trucking.

*Contact Bill Mongelluzzo at bmongelluzzo@joc.com and follow him at twitter.com/billmongelluzzo.*

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