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# Trucking Market Trends

September 18, 2017

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*Transportation and Logistics Advisors, LLC*

# TandLA

## Transportation & Logistics Advisors

- Niche consulting firm focused on helping clients make better decisions
- Transport providers – all types
- Shipper - supply chain strategy
- Strategy, business planning, decision support, marketing, operations, litigation, M&A

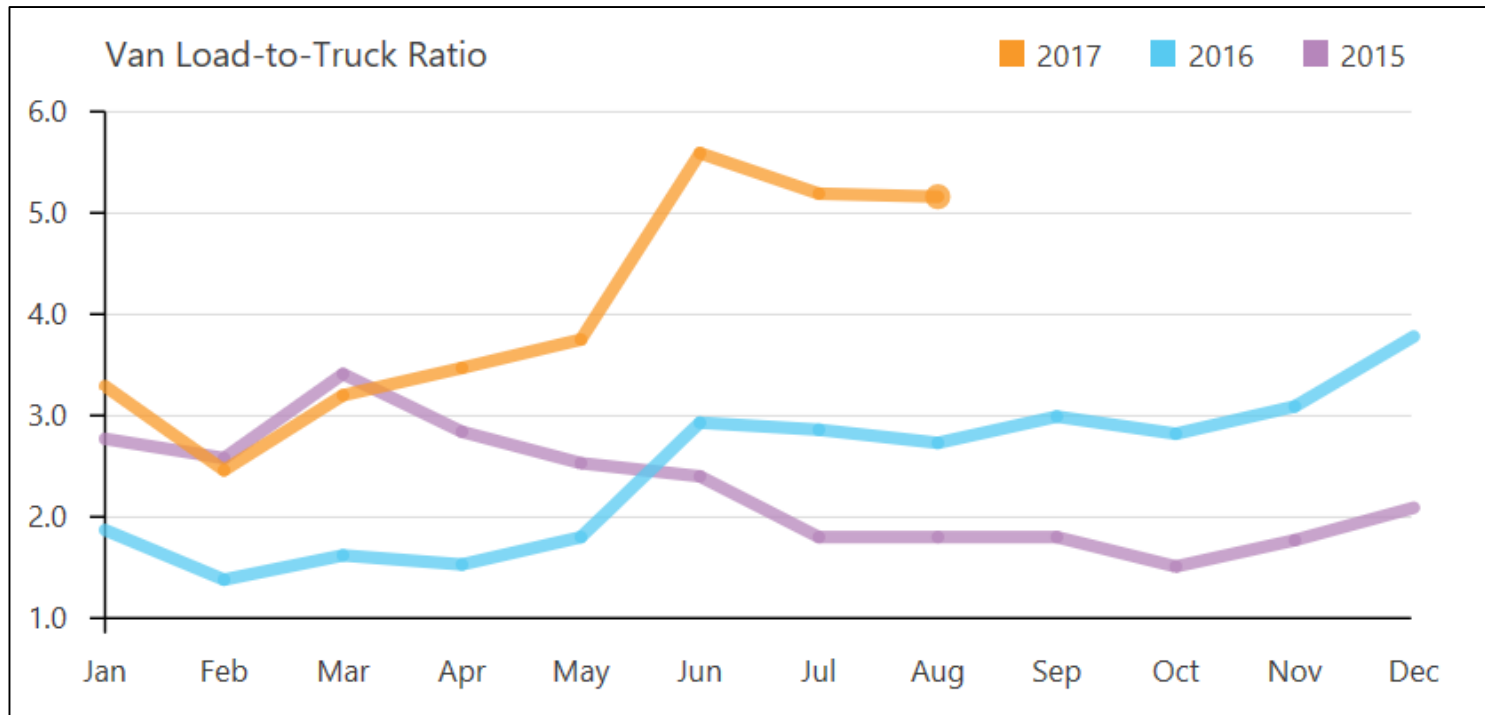


## Lee A. Clair

- TandLA Managing Partner
- 25+ years in transportation and logistics
- Recognized expertise — top line growth, operations improvement, M&A
- MBA, BS in transportation
- Management Experience:
  - IU International/Landstar
  - Union Pacific
- Publications & Speeches
- Northwestern University Transportation Center, Business Advisory Council
- Stanford Law School Directors College

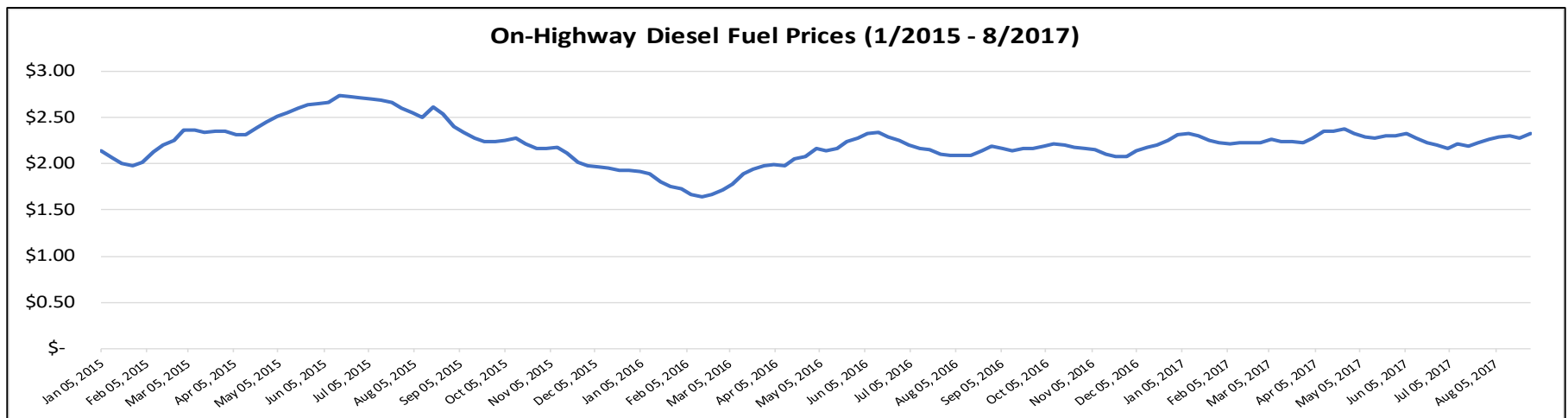
# Overall 2017 trucking environment has been improving

- Call it what it was - 2016 was a recession!
- 2017 is improving - truck shipments and rates up slowly



# Driver base and fuel are constant issues, but currently stable

<b>Drivers</b> <b>Ongoing Issue, But Stable</b>	<b>Fuel</b> <b>Not a Problem FOR NOW</b>
<ul style="list-style-type: none"> <li>• Shortage estimated at 40,000+</li> <li>• Carriers raising pay, still shortage</li> <li>• Regulations cutting productivity</li> <li>• Limitations on who can be a truck driver</li> </ul>	<ul style="list-style-type: none"> <li>• Fuel prices relatively stable</li> <li>• Low diesel mean low surcharges</li> <li>• Engine MPG increasing, at a cost</li> <li>• Fuel still ~25% of trucking cost</li> </ul>



# Truckload – benefiting slowly from the changing economy

Tailwinds	Headwinds
<ul style="list-style-type: none"><li>• Increased overall volume soaks up excess capacity</li><li>• Multiplier effect<ul style="list-style-type: none"><li>– Domestic Manufacturing: Inbound parts/commodities + outbound finished goods</li><li>– Construction: every part in the house</li></ul></li><li>• Cost escalation: driver shortage, etc. excuse for price increases</li></ul>	<ul style="list-style-type: none"><li>• eCommerce supply chain is taking away from truckload<ul style="list-style-type: none"><li>– Shifting TL to LTL &amp; Parcel</li><li>– Increasing drop ship</li></ul></li><li>• Changing trade patterns<ul style="list-style-type: none"><li>– Shorter LOH</li><li>– Increasing imbalances</li></ul></li><li>• Cost escalation – new trucks, drivers, lower productivity</li><li>• ELD's/HOS – uneven impact, none for most, dramatic for others</li><li>• Highway infrastructure cost and capacity</li></ul>

## LTL - improving, but not without issues

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Tailwinds	Headwinds	Better Tools/ Decision-Making
<ul style="list-style-type: none"><li>• Growth in economy</li><li>• eCommerce</li><li>• Terminal capacity shortage</li><li>• Brokerage channel</li></ul>	<ul style="list-style-type: none"><li>• Labor</li><li>• Terminal capacity shortage</li><li>• Brokerage channel</li></ul>	<ul style="list-style-type: none"><li>• Dimensionalizers</li><li>• Routing</li><li>• Shipment automation</li><li>• Load planning and dock management</li><li>• “Big Data”</li></ul>

# Longer-term, platooning and self-driving trucks could significantly impact the market

Opportunity	Potential Benefit
Platooning	<ul style="list-style-type: none"><li>• Greater driver productivity</li><li>• Already being tested</li></ul>
Self-Driving Trucks	<ul style="list-style-type: none"><li>• Big cost savings<ul style="list-style-type: none"><li>– Potentially replaces the driver related costs</li><li>– ~40% of operating cost</li></ul></li><li>• Major productivity gain<ul style="list-style-type: none"><li>– Can run 24-hours, much higher truck productivity</li></ul></li><li>• Should mean fewer accidents, (insurance ~6% of cost)</li><li>• Technology capability vs. societal acceptance?</li></ul>

- Likely to benefit large carriers
- Business opportunity to serve smaller carriers?
- Make real estate and infrastructure more important?
- Benefits passed through to the shippers?

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