

April 23, 2020

Issues the trucking industry faces during Covid-19

A report on the trucking industry commissioned by FEMA paints a stark portrait of an industry fraying at the seams. The report points to a rise in drivers contracting Covid-19 and wild market swings buffeting an industry dominated by mom-and-pop operations struggling to stay open.

According to analysis by DAT Solutions, hauling jobs have reached a low that has rarely been seen, and the trucking industry fears a “freight cliff” — a sharp drop-off in load volume which could put more drivers out of a job. Other existing problems plaguing drivers, like long times waiting at warehouses to be loaded or unloaded, have been exacerbated as the typical supply chains have shifted.

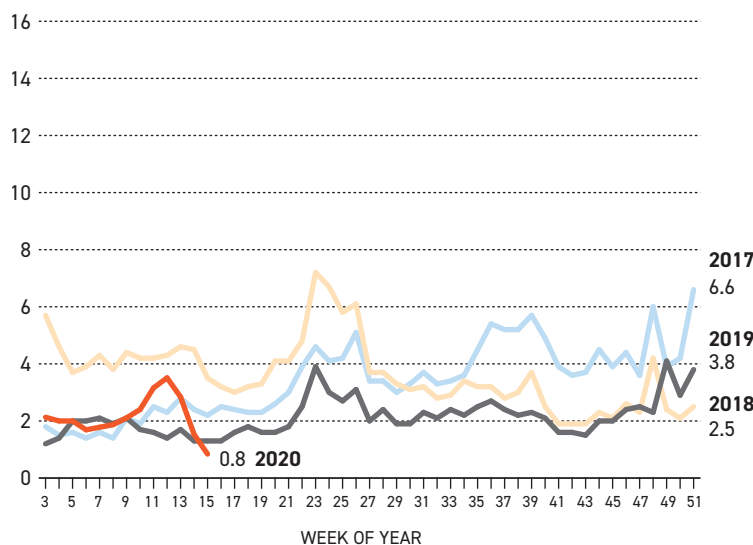
More trucks are available to move loads than freight available to haul

DAT reports that as of mid-April, more refrigerated and non-refrigerated freight trailers are available for hire than the number of loads available to haul, even as demand for essential items has increased nationwide. Some reasons for the drop in load-to-truck ratios — which indicate the balance between the demand for trucks hired on-the-spot to move freight and freight available to haul — are delays at warehouses to load and offload goods because of virus control measures and a shift in hauling more in-demand essential goods rather than nonessential products.

According to DAT, freight volumes usually rise in May and June as more retail goods and fresh produce enter supply chains, creating more opportunities for trucking companies to haul goods. A load-to-truck ratio below 1.0 means that there were more available trucks than loads.

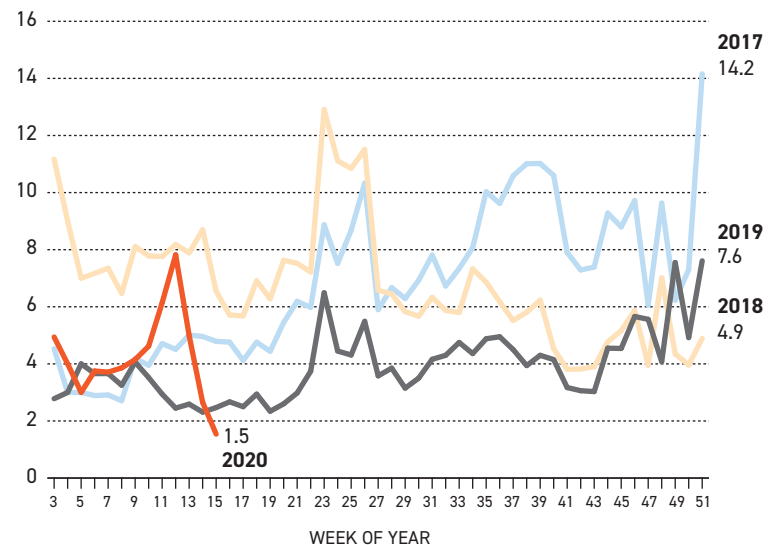
Load-to-truck ratio, nonrefrigerated trucks

Weekly national average load-to-truck ratio, which represents the number of loads posted for every truck posted on DAT load boards.



Load-to-truck ratio, refrigerated trucks

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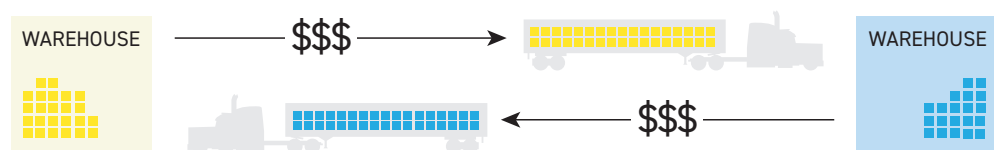


More carriers are being hired to move single loads instead of contracted to haul many loads

The Covid-19 outbreak has shifted trucking demand from a contract market to spot market. Freight carriers normally contracted by now-closed businesses to move goods have been increasingly hired by shippers to deliver loads to destinations and because of the coronavirus, drivers are more likely to have to drive empty on their return legs. Contract rates offered by shippers are a fixed-term security of both price and capacity. More trucks and drivers shifting to the spot market depresses the price shippers pay to carriers in part because trucks are paid by the mile only when loaded.

CONTRACT MARKET

Carriers agree via contract to move freight for a shipper over a long period of time. Loads are hauled to delivery points, offloaded and then other loads are transported back.



SPOT MARKET

Carriers are hired by shippers to carry single loads and return to their points of origin possibly without carrying freight.

