

## 2012 Truck Rates Could Rise 6 Percent

Our sales force is starting to field more and more inquiries about plans for rate adjustments in 2012. This is a bit surprising as usually this time of year many Shippers are busy issuing or analyzing bids which are effective in April or May. Shipper efforts to reduce rates or, at the very least, hold rates steady through the end of 2012 may be pointless if John Larkin's predictions are accurate.

I hear that several carriers are now approaching the market place with rate increases --- regardless of what was submitted on bids that were issued in Nov/Dec 2011. The industry buzz is that carriers are not waiting until summer capacity crunch time to present rate increases to shippers. I am also hearing that carriers are establishing deadlines to have agreements signed or trucks will be shifted to other customers.

How much of this talk is meaningful or is just road noise remains to be seen, but I do believe that carriers will be less patient this year in securing rate adjustments. As evidenced by the big increase in truck builds in 2011/2012, carriers are well into updating their fleets and have bitten off huge debt to finance truck/trailer replacement purchases. As financed debt for equipment rises, carriers will seek additional revenues from customers to help pay the bills.

If Mr. Larkin's predictions about the economy come to bear, then his predictions re: rate increases for the truckload market overall are probably in the ballpark. However, if you are a flatbed shipper you likely will see rates escalate more than the 2-6% referenced below. Why? Simply because the flatbed sector (manufacturing driven) is outperforming the rest of the sectors (van, reefer, tanker) that make up the total truckload market. This higher demand is compounded by a greater shortage of drivers in flatbed than van, reefer, or tanker carriers. Hence, there are fewer seated flatbed trucks to service the higher performing manufacturing sector of the economy.

### **Analyst Says 2012 Truck Rates Could Rise 6 Percent**

**John Larkin said prices could increase as much as 8 percent in coming years**

*Journal of Commerce*

2/8/12

**Truckload rates are likely to rise anywhere from 2 to 6 percent in 2012** and even as high as 8 percent in coming years, depending on the strength of the recovery and the effect of new truck safety regulations, according to a transportation analyst.

New federal regulations are likely to have a cumulative impact on trucking productivity, reducing the number of available drivers and placing constraints on capacity, said John Larkin, managing director and analyst at Stifel Nicolaus.

Less-than-truckload rates will rise more quickly in 2012 and beyond as well, Larkin said, because excess LTL capacity has been wrung out of the marketplace. He said **LTL rates could rise in a range from as low as 3 percent to 10 percent annually.**

“There is quite a broad range of potential price increases that we think are possible going forward,” Larkin told shippers at a Jan. 31 National Industrial Transportation League event. On a compound basis, “we are talking about major moves in pricing.”

Larkin focused on the potential **cumulative impact of new truck driver work hours rules, onboard recorders, CSA, truck speed limiters and more stringent drug testing and medical exams** that are slated or expected to be introduced in coming years.

Most of those requirements have the potential to reduce the number of drivers and truck productivity anywhere from 2 to 5 percent, Larkin said. More stringent drug tests and medical exams could cut the driver pool by 5 to 12 percent, he said.

“If the regulations take more capacity away, or if the economy accelerates and generates more freight, we are basically going to have too much freight and not enough trucks to handle it,” meaning price increases will accelerate, he said.

**“Some shippers are very nervous about running out of capacity and are beginning to exchange rate increases for capacity commitment going forward,”** Larkin said. “In my opinion, we are just seeing the tip of the iceberg of this problem.”



**Dan Taylor**

Senior Vice President  
Sales & Marketing

Office : (918) 234-8000, x600

Fax : (918) 439-2920

[taylor@meltontruck.com](mailto:taylor@meltontruck.com)

[www.meltontruck.com](http://www.meltontruck.com)



**Melton**  
Truck Lines