

# Transport Topics **Online**

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## Optimism Grows Among Fleet Owners about Economic Recovery, Survey Finds

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Fleets are becoming more optimistic about a trucking recovery in the next 12 months, but carriers said the current market still is plagued by freight rates that are scraping the bottom.

Optimism was the key message in a survey of about 150 fleets by the Transport Capital Partners consulting firm. The latest comments about industry conditions were made in an investor conference call last week.

"The outlook in key metrics such as freight volumes, rate stability, insurance renewals, credit, and mergers and acquisitions improved significantly," said Richard Mikes, managing partner of Transport Capital Partners in Sanibel Island, Fla.

For example, the survey, released June 4, found 37% now expect freight volume to rise over the next 12 months, compared with 21% in a survey two months earlier. In addition, a majority of the surveyed carriers now believes rates will stay the same in the next year, instead of decreasing, the prevailing view in the earlier survey.

"These responses would indicate that perhaps a bottom has been reached" in rates, Transport Capital Partners said.

Besides expected market improvement, surveyed fleets reported obtaining lower insurance rates and signaled less interest in exiting the trucking industry. The latest survey found 19% eager to sell their fleets, down from 27% in the most recent prior survey.

Fleet executives speaking on a June 8 call sponsored by Dahlman Rose & Co. were emphatic in their comments that rates couldn't be worse right now.

"We are seeing [that] carriers are willing to work for zero re-turn on capital," John Anderson, managing director of Fenway Partners Resources, said in the June 8 call. They "are willing to work for nothing."

He said pricing for less-than-truckload shipments in Canada, where Fenway's Consolidated FastFrate business operates, were "the deepest rate cuts we have seen in memory."

"The thing that is absolutely stunning to me is the rate levels," said Joe Cowan, president of truckload operator Cowan Systems LLC, Baltimore. "People are quoting prices that I swear nobody can make a profit on."

"There are a lot of truck lines in trouble," said Bo Keith, vice president of First Express Inc., Nashville, Tenn. "Many of them are out there to push for any kind of revenue, just to keep the lights on. Service standards

have dropped.”

“Every major shipper that can is pushing the envelope to the furthest,” said Andy Vanzant, vice president of Roehl Transportation Inc., Marshfield, Wis. He noted that shippers are pushing for other advantages beyond lower rates, including longer payment terms and elimination of added charges called accessorial.

Though prices have fallen, Vanzant said he believed the worst could be over on the rate front, because shippers secured lower rates that took effect this quarter.

More than eight in 10 respondents to the Transport Capital Partners' survey also reported lower rates, with more than half of them reporting a drop of 5%. The remaining fleets reported their rates had fallen 10% or 15%. Just 15% of those answering the survey said they had kept rates steady, and none reported increases.

Their answers were consistent with 5% to 8% contract rate reductions identified at another industry conference last month.

On the volume side, individual fleets conveyed a sense of weak demand that is turning up modestly in some areas.

“We have seen a nice uptick for the last four weeks,” Vanzant said, particularly citing stronger demand in the South. “We are quite pleased, and we feel we have definitely come off the bottom.”

Year-over-year freight volumes still trail 2008, Vanzant said, citing a range of 5% to 6%. Cowan said volumes were “in the single-digit kind of area lower.”

Anderson described market conditions as “flattening out at a low point,” adding that “May was not a barnburner for us.”

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