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The Undead and Bailouts Are Symptoms of Scary Times

I sincerely hope that by the time this article is printed that we are seeing and feeling the summer weather we have come to expect; we have not been treated too well by the weatherman yet. Neither have we been treated particularly well by anything else related to the business of trucking; volumes suck, the Canadian dollar is too strong for trade between the U.S. and Canada to be anything but abysmal, even if the economy showed any life. Economists keep reporting that there are signs of recovery but that and a quarter won't get you a cup of coffee when the jobs aren't there and the country is currently at an 8.4% unemployment rate. Fuel is on its way back up and many shippers are not paying a reasonable rate to move their freight, let alone a decent fuel surcharge. They simply have too many options for their business and they are booking freight with the undead as I call them.

What are the undead? I spoke at a few local traffic club meetings just a few weeks back where I explained how it happens that some of their competition can quote rates that are so ridiculous, it borders on being ludicrous. During a recent trip to Athens, Georgia for the annual Trucking Profitability Strategies seminar that takes place at the

University of Georgia (one of the best seminars I have ever been to by the way), we were educated for one session by Mr. Thom Albrecht who is the managing director of Stephens Inc. Mr. Albrecht suggested that in 2008, 165,000 class 8 vehicles were either repossessed or surrendered to financial institutions and that the estimated numbers for 2009 are for 100,000 trucks to have the same fate in North America. What the result of this has been is that truck financiers are forgiving nonpayment of equipment for extended periods of time because they know that the assets have little value and they do not want to realize the significant losses on their books. So in some cases, trucking companies that are managing their business and keeping up with their payments have to compete with these companies or the undead as I call them, companies whose banks are turning a blind eye to their losses and delinquent payments. So some of these companies are charging far less than what a survivable rate should be, due to the fact that they are not on an even playing field with those who are actually attempting to keep up with their equipment payments.

There are not too many trucking companies that have not gone through numerous rounds of cost cutting in an

attempt to keep their businesses above the waterline. The threat of course is that eventually something has got to break. You can only take your overheads down so low. Shrinking the size of a company's terminal, reducing property taxes or a myriad of other fixed costs is almost impossible over the short run. Too many trucks are fighting over too little capacity, and it has had the entire industry struggling to hang on. Although this is not a new scenario, it is entirely new to see the depth and scope of what we're going through right now.

So what needs to happen? One of the most pressing issues that needs to settle out very soon is the bankruptcies of General Motors and Chrysler and for more than a few reasons. The carriers who have significant dependency on this freight have been traumatized to the point of frenzy, in between uncertain receivables, plant closures and extended shutdowns, these companies have been through more drama and trauma over the past year than most folks see in five lifetimes. They of course are also trying to survive these obstacles by hauling general freight in an attempt to fill the void left from the automakers. This takes already scarce capacity away from those carriers that live in the general freight market. Don't get me wrong, I am not looking for bad guys here folks; you do what you have to do in order to survive. Add to this that automotive related employment in Canada equates to over 13% of our workforce and you see what I am getting at. Not only is our industry dependant on this capacity to survive, our entire economy

is linked at the hip to the automakers.

I, like many of you, have struggled with the current bailout of these two huge multinational corporations with our tax dollars. We have been down this road before and it has not been a successful strategy in the past. I also get confused and have not found one person who could explain the selective bankruptcy process. The way I understood bankruptcy is if you can't write a cheque that's going to clear at the bank and your debt far outweighs your assets, bye bye you're gone. I never knew that disposing of what wasn't profitable and staying in business with what might make money was ever an option. When did this happen?

Although the current state of these two companies is scary and the bailout money (that's what it is in my mind no matter how the politicians want to spin it) is billions more than we can or should be on the hook for, the alternative is catastrophic in my mind. Would we recover? In time yes, but at what cost over the next decade? Fear of the answer to that question has me more worried than another bad loan to an automaker. I know people are split on this and there is passion on both side of this issue, but for me it's the devil I can see is less scary than the one I can't.

I had a laugh the other day when I heard that the light at the end of the tunnel had been turned off indefinitely for nonpayment of utilities! We'll get through this my fellow truckers, stay tough and stay diligent.

Safe trucking!

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