



Blame for missed goals and planning for 2012

By John A. Gentle, DLP

THE *LOGISTICS MANAGEMENT* STAFF ASKED ME to review the predictions I made in December 2010, measure them against what actually transpired in 2011, and then make another prognostication for 2012. Well, if you missed your forecast let's see if together we can plan more strategically to meet and exceed our goals next year.

To start, I had suggested that regulatory changes aside, a small growth in GDP would increase transportation costs—specifically driver wages, health care, fuel, equipment costs, and lost income recovery. While this became a reality, my thought was that there would be a bidding war. That did *not* come to fruition, although there were times that capacity was challenged especially on the flatbed side.

Simply put, our domestic economy stalled half way through the year. I'm going to blame someone for this, and so I've chosen the federal government for failing to instill public confidence and instead choosing paths of extreme polarity around the issue of public debt.

I also felt strongly that CSA's BASIC's focus on drivers would create intense bidding among carriers for the best and safest drivers. While driver turnover has increased, the intense competition did not occur. And while some shippers had bids, the prudent ones choose to have negotiations or had collaborative and non-confrontational bids. For this I have chosen to blame both state and federal agencies for their inconsistent rule application and reporting—and because the CSA backed off on its EOBR rule.

An unfavorable change in HOS could have caused DCs to be relocated, disrupted carrier network flows, and negatively affected backhauls. While I strongly believed that CSA would, and still could, fold under pressure from the lawsuits, I am happy to take this one for the team.

Last, I felt that negligent hiring law suits against shippers would continue to rise as a result of shipper ignorance or failure to not properly qualify and monitor their carriers and 3PLs. Regrettably, I was correct as many companies are both consciously and unconsciously

incompetent when it comes to managing this aspect of their business, especially 3PLs.

My projections for the 2012 election year are as follows:

- Carriers will be replacing equipment, not adding capacity. Plan on strong performing carriers to be even more selective about their customers and even more diligent about maximizing their ROI. If you think that any old carrier will do this, think again.
- Small and underfunded carriers that can't upgrade their equipment or don't perform maintenance will put the public and their shippers at risk. Monitor carrier BASICs immediately, then continue to do so rigorously and consistently.
- Wise shippers will begin looking now for new network service points as even the smallest changes in HOS, like the elimination of the 34-hour restart, would dramatically affect driver hours and subsequently backhauls—ultimately affecting cost as well as carrier and shipper networks.

Make sure your customers and carriers can't afford to do business without you tomorrow.

- As far as a Federal Transportation bill is concerned, be realistic. Let the organizations you belong to lobby for those. Spend your time positioning your team to be successful a year from now.
- Savvy shippers will spend more time on contingency planning. If 2011 taught us anything it's that we are also in a new normal for North American weather events. I would add that, overall, the industry has not created contingency plans for extraordinary events that have the ability to stretch and break supply chains. And unfortunately, many shippers have cut staff back so far that there has been a loss of logistical talent coupled with some incredibly poor cost saving judgment.

The big difference between my goals and yours is that I get to write and lament about them. As for you, this is your livelihood. Your job is strategic, not transactional. Work hard to understand the elements that your carriers and customers value, and measure your effectiveness in meeting and exceeding their expectations. Then work aggressively to make sure your customers and carriers can't afford to do business without you tomorrow. □

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