



# Competitiveness of Trucking and the UGP for Food and Other Stuff



# Bottom Line of talk

1. Trucking is the dominant mode for freight in North America.
2. Its dominance is growing, even in bulk commodities, such as grains. (Marathon, Van Wechel, & Vachal)
3. UGP is and must continue to increase its reliance on trucking.

## Bottom Line of talk (cont.)

4. Relative to most other regions, UGP is poorly situated for trucking
  - higher transport costs & lower net gains
  - reduced growth
5. It behooves the region to work to reduce this disadvantage.

# Why listen to someone from Florida?

In terms of Net Returns to Farm Operators,  
in the U.S. top 10...

You have:           #3. Nebraska

                  #4. Iowa

                  #9. Minnesota

We have:           #6. Georgia

                  #7. North Carolina   #8. Florida

And it's not just OJ, Ferns, and

as in Florida

Florida

erd is slightly larger

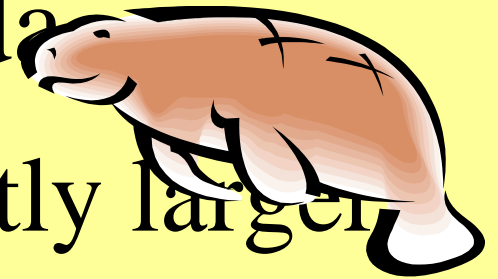
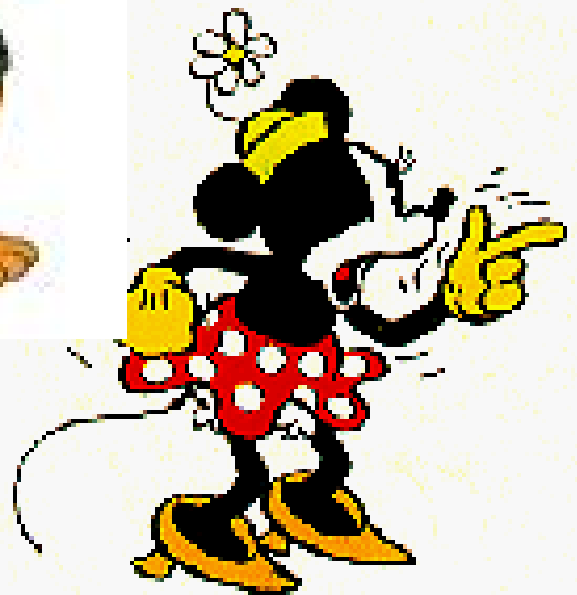
's.



At



live



And, like you  
We are the end of the line

# Trucking vs. the Other Modes

AIR --- exorbitant

Ex. U.S. domestic  
produce movements

BARGE/Ship --- limited

0.2%

0.3%

RAIL --- the competition

And the other threat....

*Do it elsewhere*

# Full Transport Cost FTC

$$\begin{aligned} \text{FTC} = & \text{PRICE (freight rate)} + \\ & \text{C-Reliability} + \\ & \text{C-Speed} + \\ & \text{C-Flexibility} \end{aligned}$$

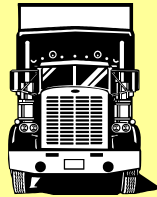


And the winners are...

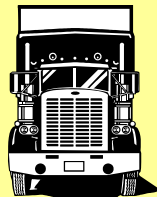
Reliability



Speed



Flexibility



Price



Especially for longer distances

Lower

Higher

← Value &/or Perishability →

Coal Wood Clothes Cheese Computers Tomatoes Cherries Pharmaceuticals  
Wheat Paper Apples Corn Flakes Meat Diamonds People



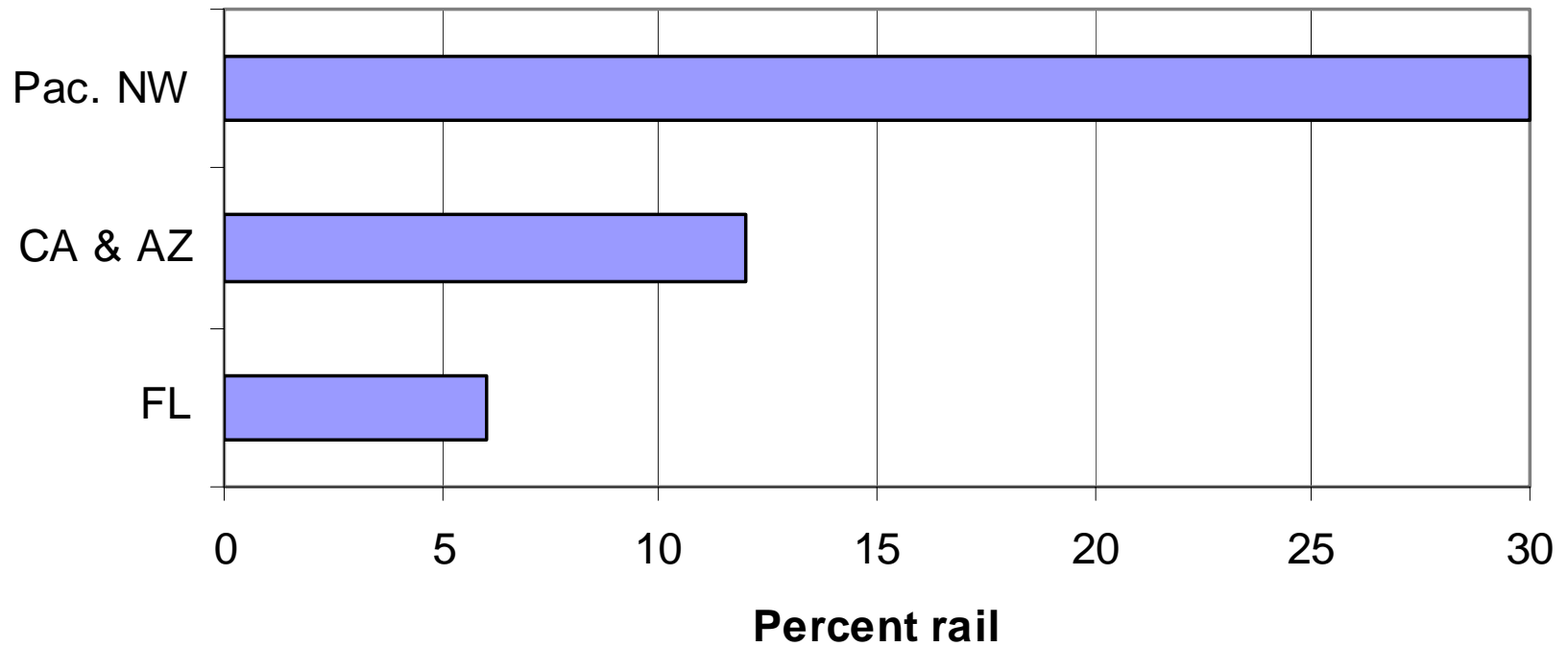
Reliability

Speed

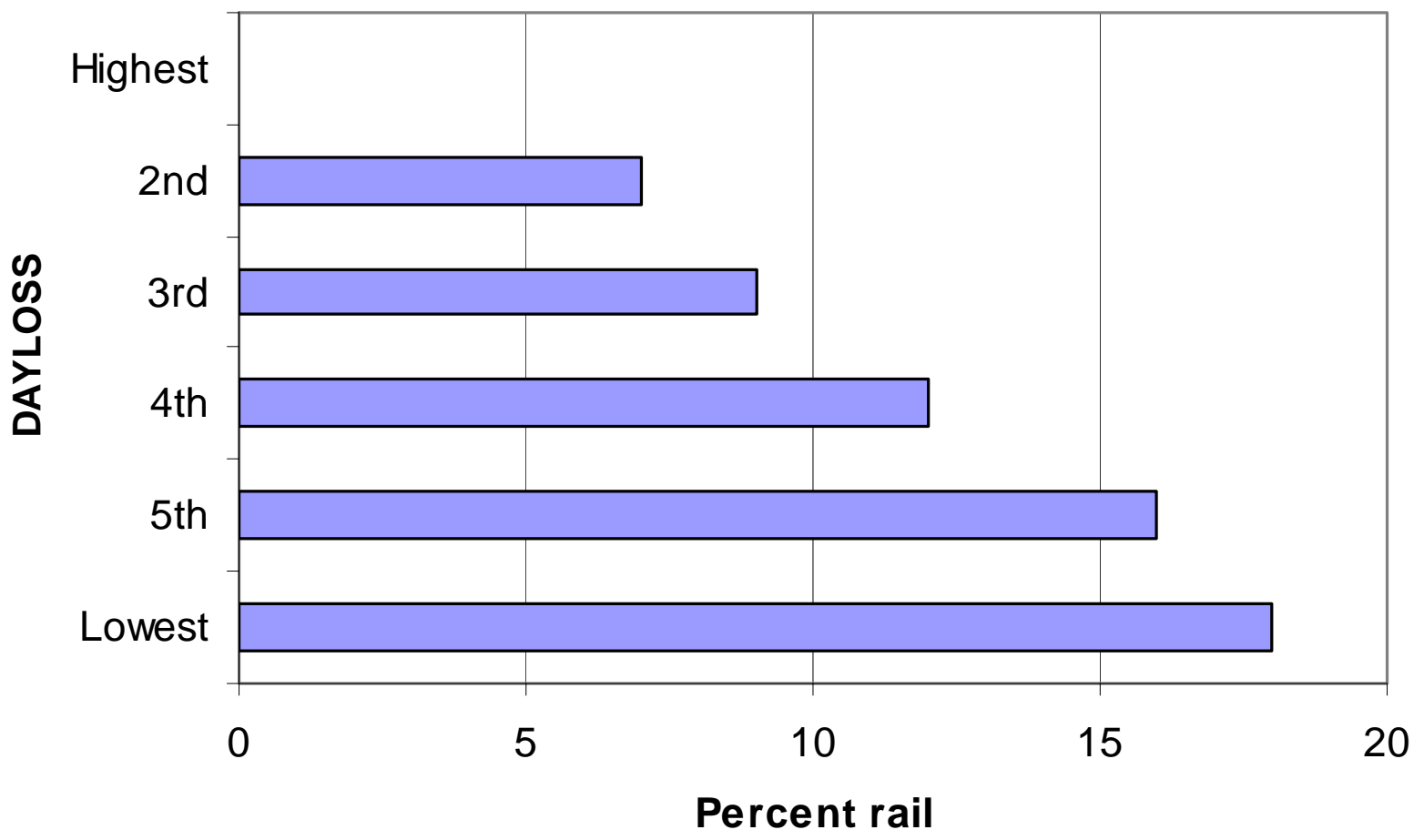
Flexibility

Price

## Impact of Distance: Percent Rail of Produce Movements, 1987



## Impact of Value & Perishability: Percent Rail of Produce Movements: CA & AZ, 1987

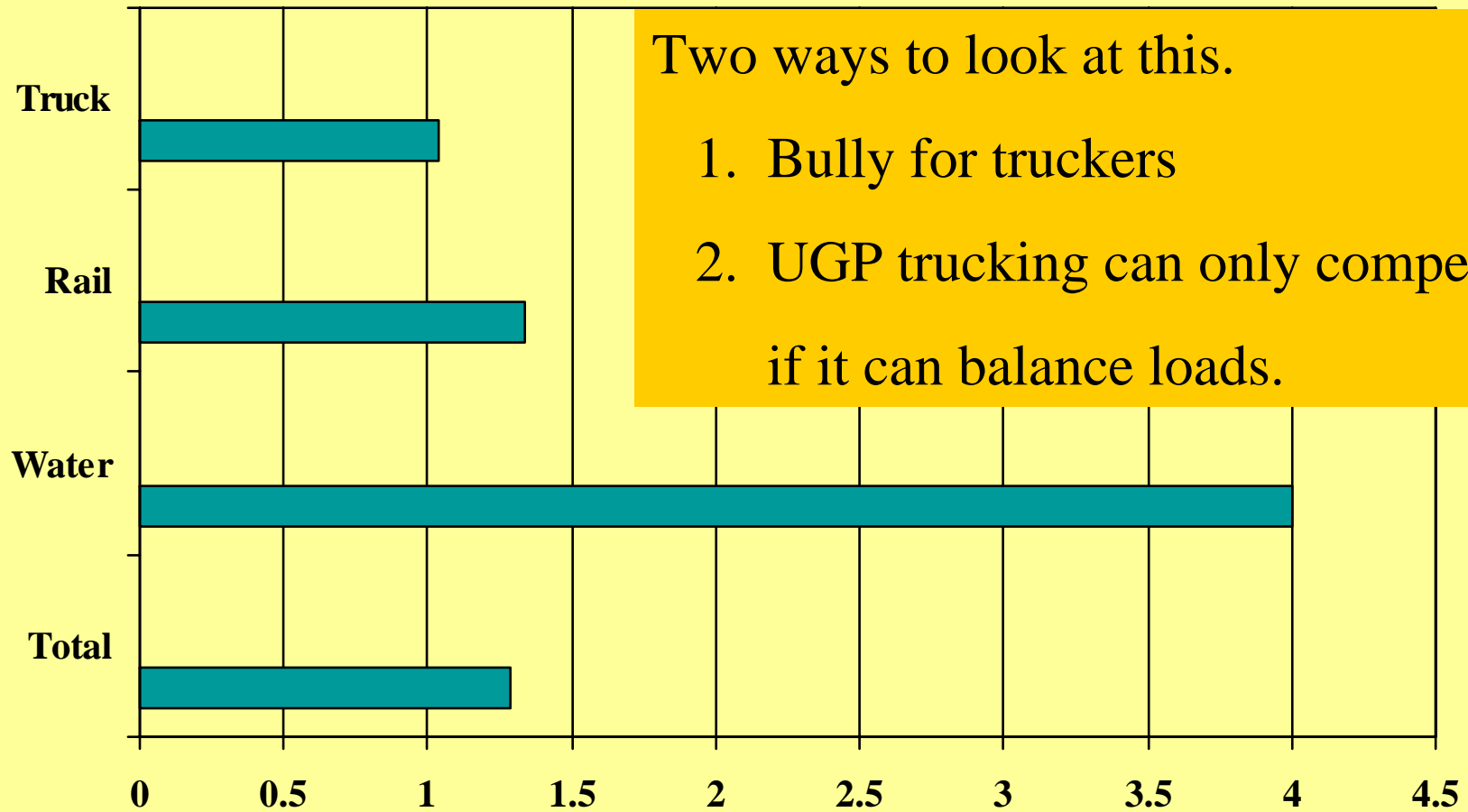


# Problems for trucking and your region

Relative to most regions, you tend to have:

- Lower valued, more durable freight
- Longer distances to external markets and between internal O & D points
- In terms of volumes, small demand for imports, relative to exports.

## Ratio by Volume of Outbound to Inbound Freight, 1997



Two ways to look at this.

1. Bully for truckers
2. UGP trucking can only compete if it can balance loads.

Based on Abe, Easton, and Helmstetter

Does not include Alberta, MT, and WY

This brings us to  
the religious portion of the talk.

Being reliable, fast, having a Website and good  
phone manners, keeping engines tuned, tire  
pressures right, etc. are dandy ...

but

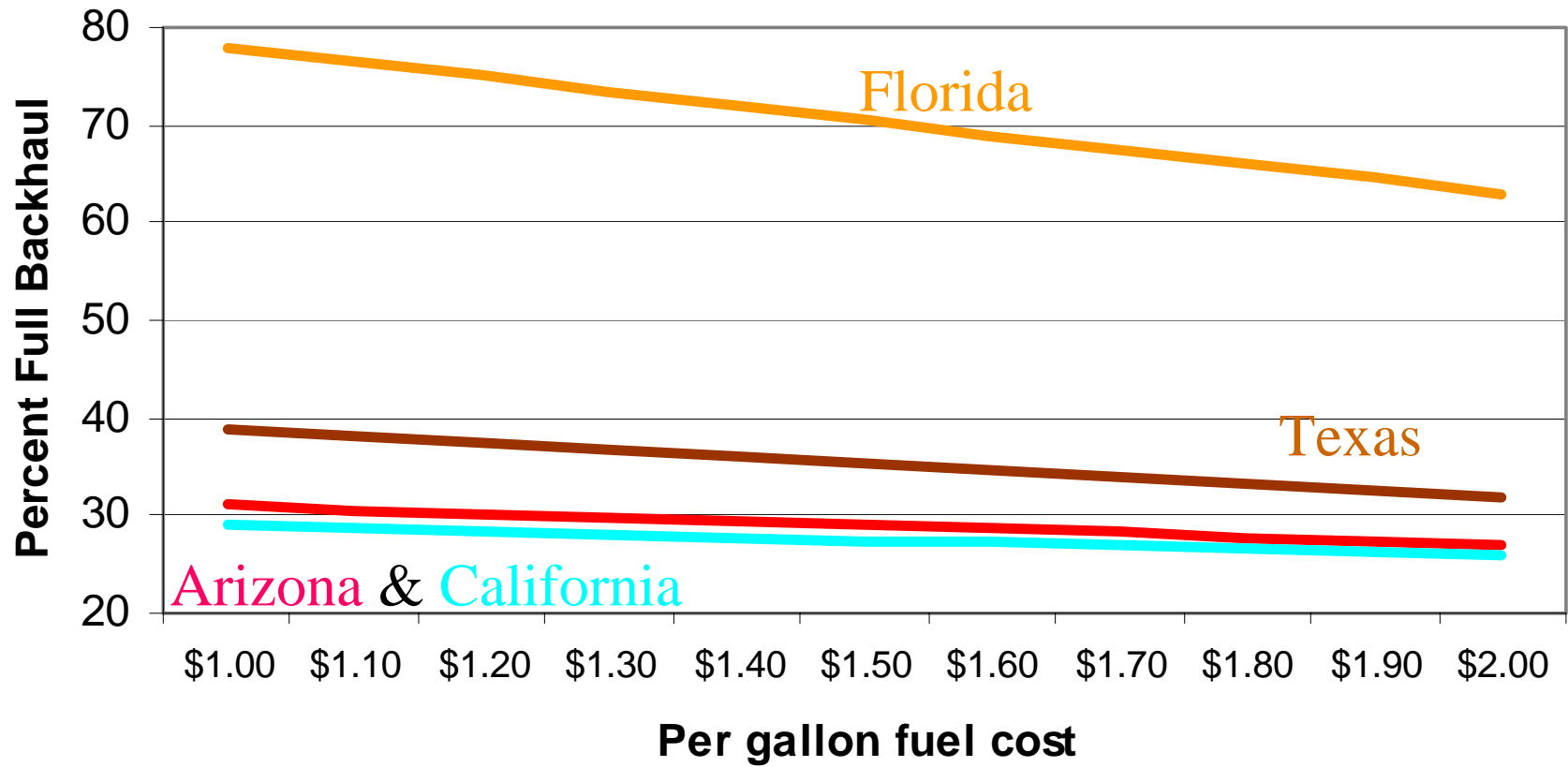
Key to trucking being competitive is...

Equipment utilization:

Miles per unit time and, particularly,

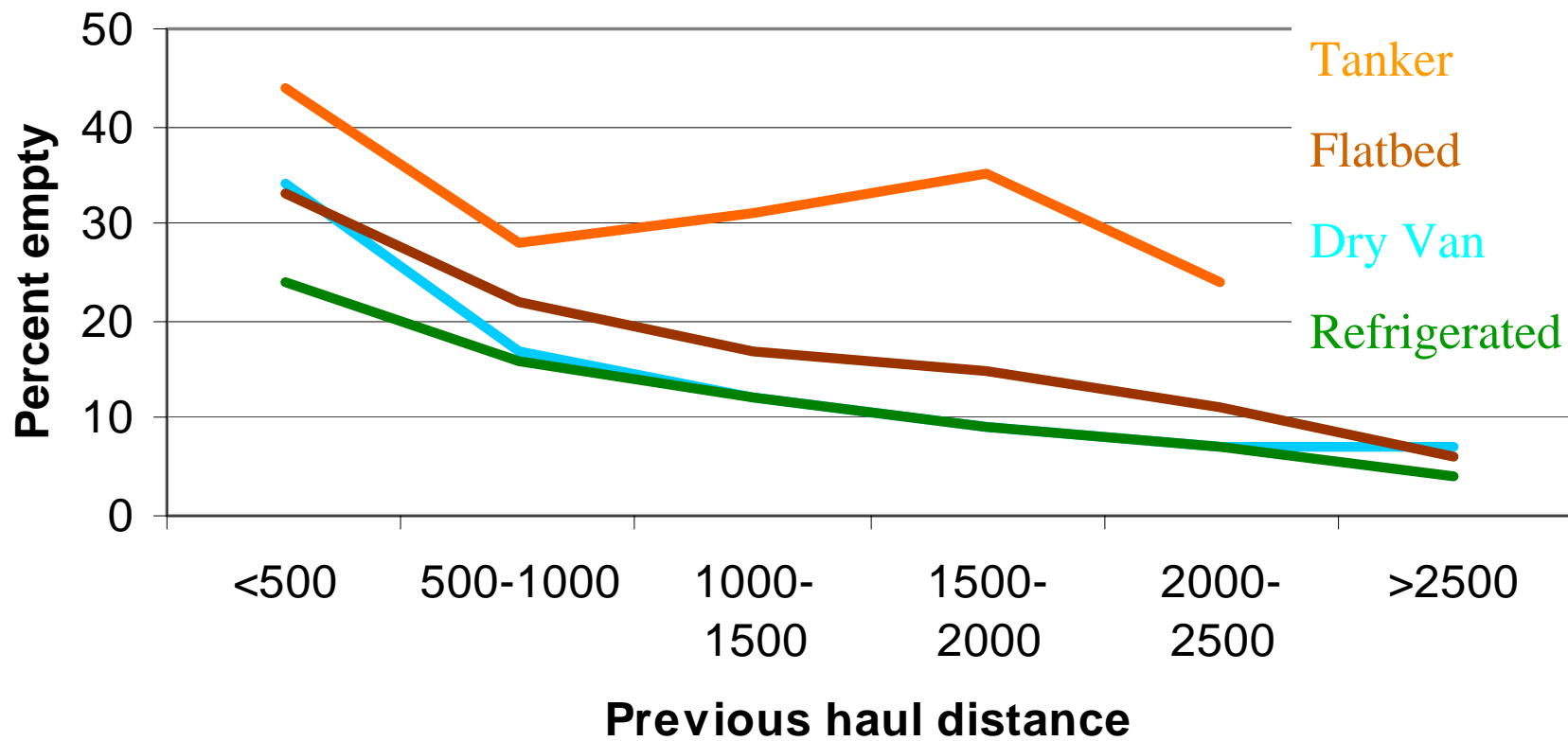
Percent full

## TOFC Breakeven Backhaul Rates by Fuel Cost





### % Empty by length of previous haul



Source: Paxson

# Bottom line of religious portion

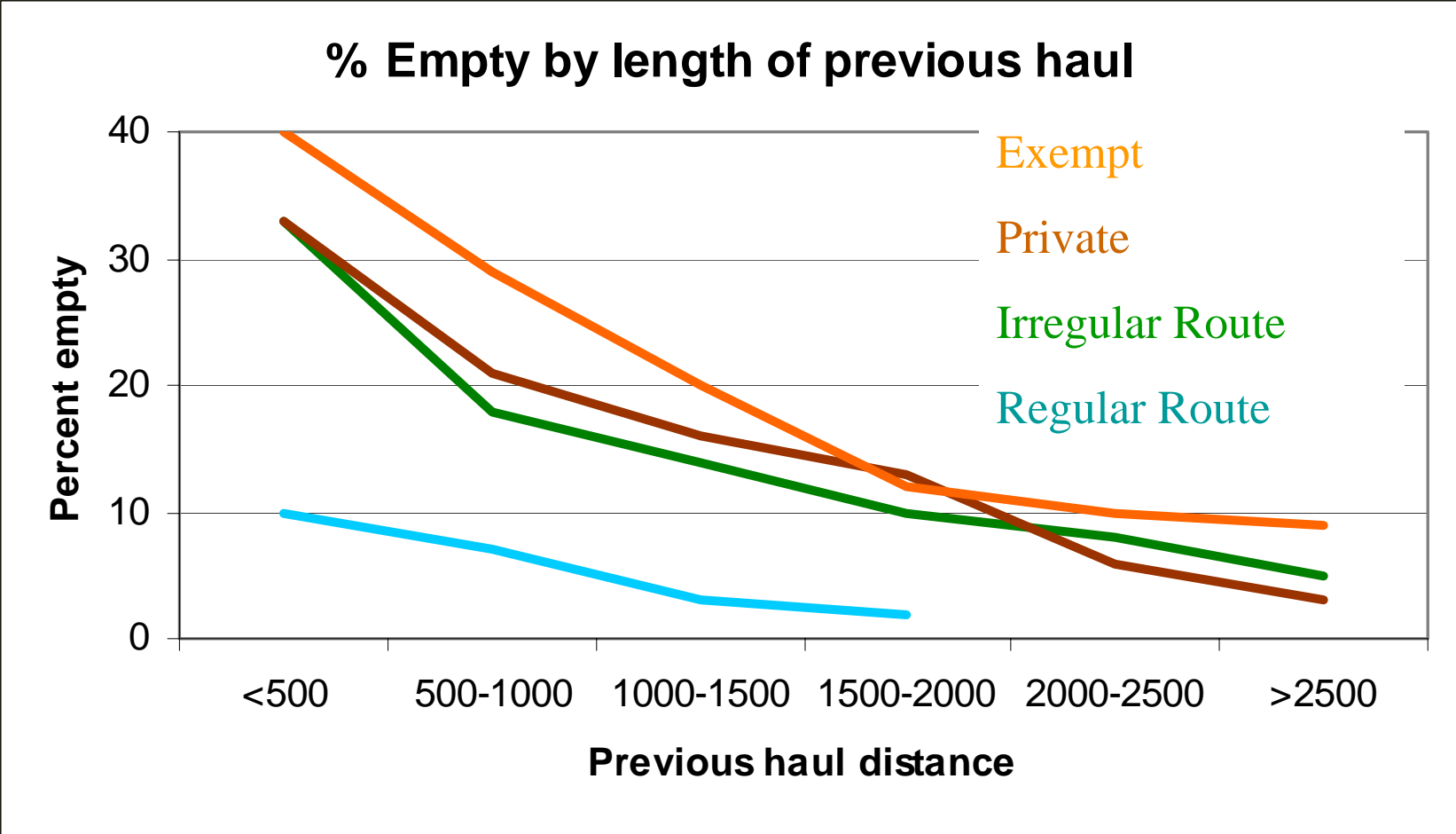
For trucking to be competitive,  
High Equipment utilization is:

- Very important for us in the East
- Absolutely vital for you.

You are going to enjoy this part  
of the talk

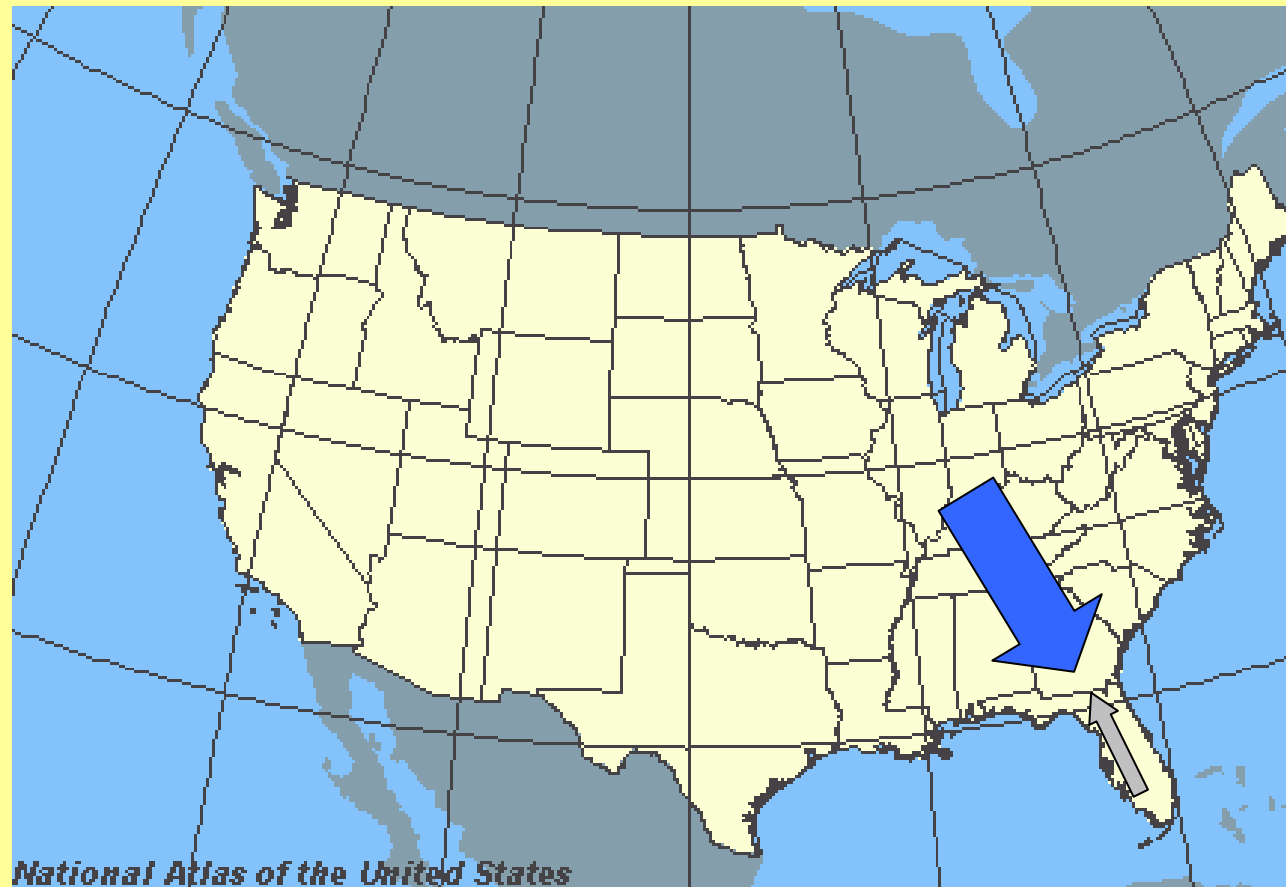
*(791) 553-6218 Jane*

# RULES MATTER

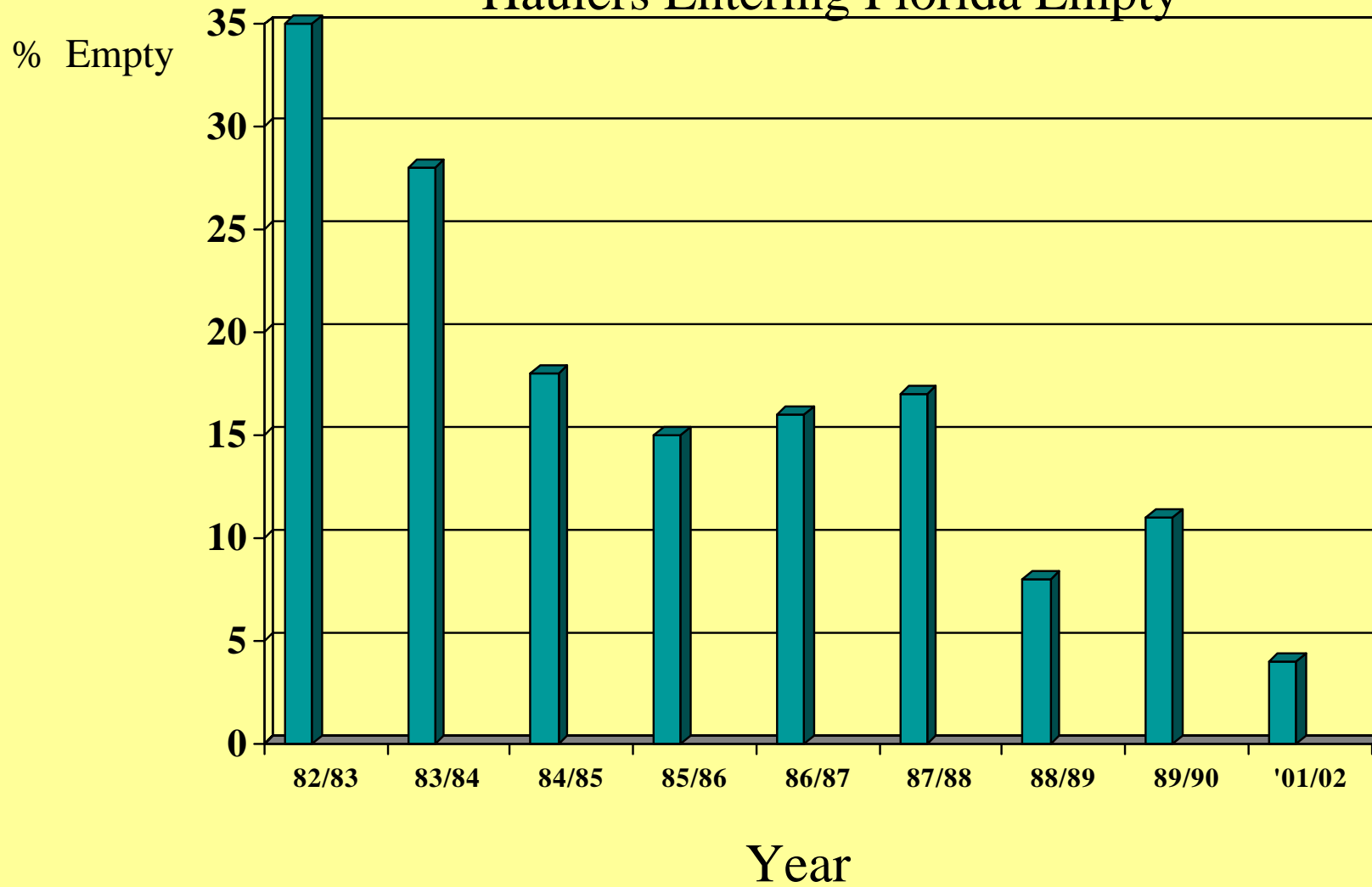


Source: Paxson

FLORIDA Heaven on Earth for carriers with outshipments.



# RULES MATTER: % Produce/Ornamentals Haulers Entering Florida Empty



This Conference is about  
improving existing rules

Noble Tinkering

You will  
do good

The good  
will be  
limited



# The proposal

UGP offers to be an experiment for what virtually all of us believes will be the case in 20-to-50 years from now.

(As it is across the EU)

&

Reaps advantages for your trucking and economies

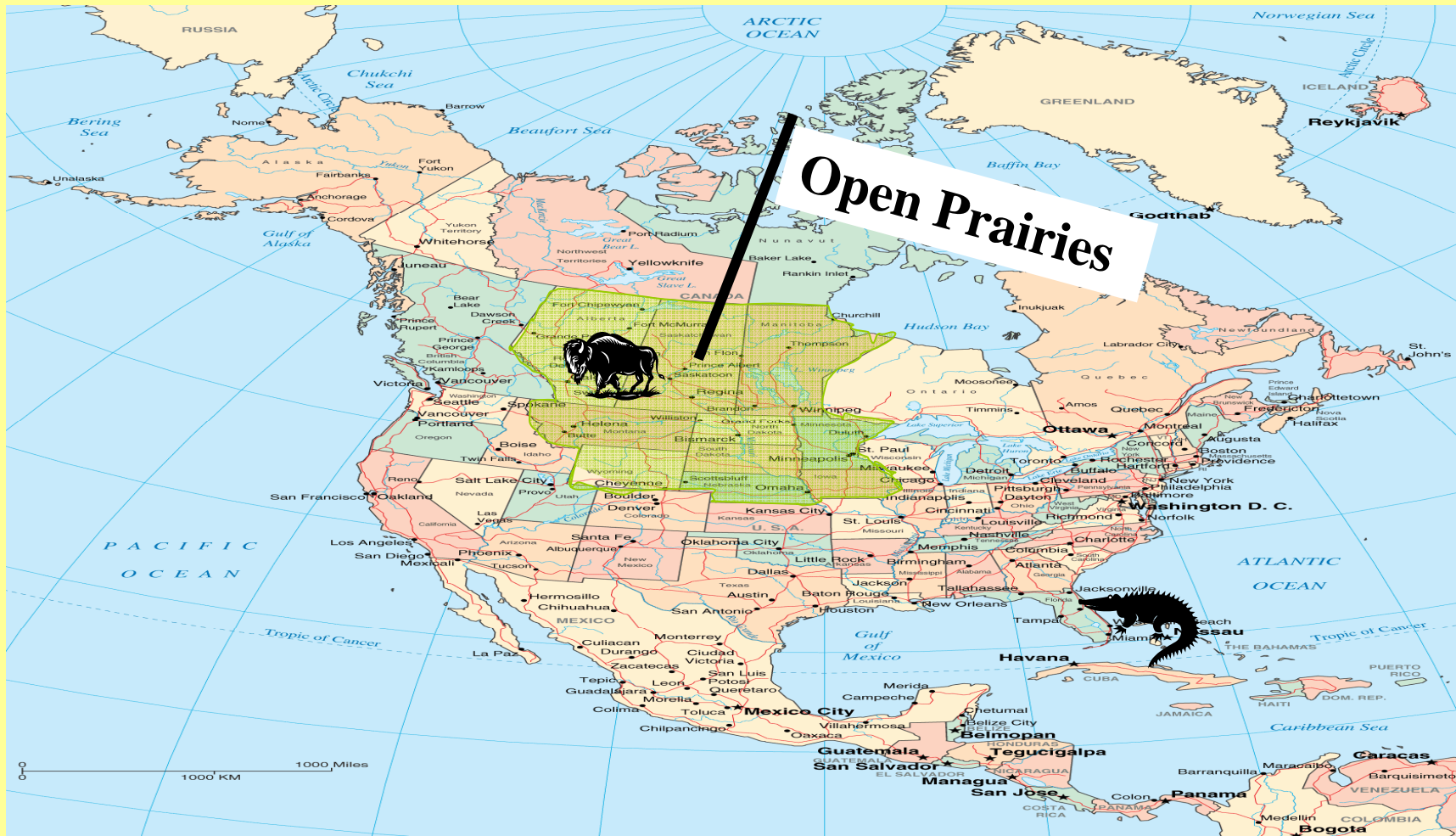
# Cabotage

Point-to-point transport within one country.

Effectively prohibited.

“U.S. Customs regulations allow for Canadian-based vehicles to transport domestic shipments (point-to-point in the U.S.) when the shipment is incidental to ... an international movement. ... Because the INS regulation prohibits this type of move, in effect, the U.S. Customs regulation is moot at the present time.”

*Highway Star Magazine* May 2005



Open Prairies



# Potential Variants

## **GOOD**

- All U.S. & Canadian carriers allowed to do domestic carriage within UGP.

Or... only those based in UGP

## **BETTER with this addition**

- All U.S. & Canadian carriers allowed to do domestic carriage with O or D in UGP.

Or... only those based in UGP

# Potential Beneficiaries

- UGP economies
  - Both national economies
- UGP trucking
  - Both national trucking industries
- The environment and infrastructures

# Potential (human) problems

- Territoriality/fear of change
- Concern that some may gain more than others.

# If you want this, is it Politically Feasible?

- Reasonable case for needing relief
- Reversible...maybe with Sunset
- The charm (and power) of the small.

UGP is:

16% of Canada

4% of the U.S.

5% of both

Finally, I will now follow  
Will Roger's advice

Never miss a good chance  
to shut up.

*Thank you*