

# KEY TRENDS THAT WILL AFFECT THE TRANSPORTATION INDUSTRY IN 2020 AND BEYOND

Over the last decade, the logistics and transportation industry has changed in many ways, and new advancements keep reshaping the industry. Shifts in the global economy, politics, and technology sectors have pushed the development of the transportation industry even further to a new, advanced level. Most of these drastic changes were caused by the need for a safer, more powerful, transparent logistics process in order to fuel the demand of global supply chains.

Certain processes, from political impacts, like the U.S. and China trade war, to the COVID-19 pandemic and boom in the e-commerce industry and digitalization, are forcing logistics and transportation to transform. The industry is extremely different from what it was a decade ago. To understand what to expect from the market in the following years, let's take a look at key forces that are driving progression and changes to the logistics and transportation industry.

## 12%

average increase in the price of truck insurance since 2018

## 75%

of supply chains report disruption from COVID-19 impact

## 7%

average drop in sales among major retailers because of imposed tariffs on imports from China

## 8,000

violations detected after Drug and Alcohol Clearinghouse rollout

## 8.7

cents per mile is the average cost of trucking insurance since 2018

It has become clear in recent years that the trucking industry in the U.S. is vulnerable to market fluctuations and economic factors like rising insurance costs, newly imposed tariffs and stricter driving regulations. Both 2018 and 2019 were a roller coaster for both drivers and carriers. In 2019, an oversupply of the trucking capacity has surprisingly replaced the ongoing capacity crisis of 2018.

The decrease in demand for truck capacity combined with lowering prices and rising insurance costs led to hundreds of carriers across the country shutting down, going bankrupt, or merging with larger firms for the sake of their business's survival. With 2020 rolling out with the coronavirus pandemic, the world economy enters a worse state than during the financial crisis in 2009. All of these factors mean the new decade will look radically different from the previous one.

# RECENT YEARS: KEY CHANGES IN THE TRANSPORTATION INDUSTRY

## RISING INSURANCE COSTS

Since 2018, the cost of truck insurance premiums increased 12% to 8.4 cents per mile according to the most recent figures available from the American Transportation Research Institute. Increasing costs of carrier insurance is one of the primary difficulties carriers face in 2020. Trucking equipment was always more expensive to insure than other vehicles. With many accidents and high value claims, insurance costs are increasing.

Additionally, reduced freight demand causes carriers to cut costs. With insurance prices peaking because of higher equipment liability costs, operating becomes extremely difficult, making some carriers shut down or lease their trucks to other companies that can afford insurance.

## TARIFFS INCREASE

With the U.S. Trump administration putting \$250 billion of Chinese goods under 25% tariffs, it became a huge challenge for retailers to keep up with global economic updates. Many large retailers have closed their stores and facilities while others have experienced a substantial decline in sales. For example, retailers like Macy's and Nordstrom dropped 7% in sales. For transportation, this means reduced demand for truck capacity, which greatly affects many carriers as well. The need to eliminate costs across the global supply chain made the past year a tough time for trucking businesses.

## SAFETY REGULATIONS



### Drug and Alcohol Clearinghouse

The Drug and Alcohol Clearinghouse was officially released on January 6, 2020. It is a secure database where carriers or consignees can monitor if a certain Commercial Driver License holder has records of violation of alcohol and drug usage policies over the last five years.

The testing requirements won't change, but will now be located in a centralized online database. The main goal of the Clearinghouse is to bring more visibility into driver's professional history and improve the driver vetting process for motor carriers. So far, the program has detected more than 8,000 violations. Full compliance is expected to be in effect on January 6, 2023.



### Hours of Service Rules Changes

The recording of the hours of service (HOS) increased the compliance and safety among drivers and made data more accurate. However, many of the HOS rules made it harder for drivers to operate in certain cases. The most common complaint was reduced schedule flexibility which FMCSA addressed in the newest update of these regulations.

**Here are some key outtakes from the proposed changes:**

- Add two more hours to the 11-hour driving limit
- Increasing the short-haul exception from 12-hour limit to 14-hour limit, and 100 miles to 150 miles
- Adding a 30-minute off-duty break as an extension of the 14-hour limit
- Prolong the sleeper berth exception
- Allowing any 30-minute time off the road to count as rest time

The updates will give drivers more flexibility on how to use their off-duty time while being more efficient and compliant.



### Compliance, Safety, Accountability (CSA) Program

The new CSA program is an already implemented safety measurement program and reporting project from the FMCSA. It already went into effect, however, the fully updated rules and requirements will be applied on September 20, 2020. Now, the FMCSA will conclude the final report and changes to the current testing programs, that are believed to increase safety on the roads and better inspect commercial motor vehicles.



### Entry-Level Driver Training (ELDT)

An entry-level driver training, that went into effect on February 7, 2020, is related to all the driver training providers. There are many training programs that promise to prepare college graduates for the trucking industry and make them CDL holders. However, with the new regulation, all education enthusiasts have to be registered in the Training Provider Registry and approved by the FMCSA.

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# WHAT TO EXPECT FROM TRANSPORTATION IN 2020 AND BEYOND

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## Stricter Regulations and Increased Safety

American transportation institutions are trying to make safety a top priority for trucking companies. Even more, it seems like they are trying to incept a culture of prevention and eliminate unsafe situations as much as possible. In 2020 and beyond, companies should adjust to stricter safety regulations, more reviews and road checks, and non-negotiable demand for compliance with the new rules.

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## Technology Impact: More Logistics Centered Startups and Software

Over the next few years, companies will remain focused on better connectivity, integration, and automation. Apart from trucker technology like ELD's, there are more new logistics and transportation centered software projects than ever before. New tools and startups enable more small shippers and carriers to efficiently manage their operations without external help. There are more tools and systems available for the global supply chains' digitalization, Artificial Intelligence (AI) enabled applications, and blockchain-powered systems. Due to the rapid increase in technology, the industry is moving towards automated equipment, like robotics, cobots, warehouse tech, and self-driving vehicles.

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## Smaller Carriers Merging With Bigger Companies

Because of the tough market conditions, many small carriers were forced to shut down. The situation with tariffs and insurance costs remains uncertain and stricter safety regulations are only making it more complicated. It is expected that smaller carriers will likely integrate with larger firms to stay relevant at the market. 2020 and beyond is all about collaboration and integration.

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## Transformation of Supply Chains

Many experts believe that there are many more transformations to come. For example, supply chains are shifting from linear, end-to-end models to circular (especially complex ones) models. The circular model makes it easier to manage returns, recycling, restocking, and other live processes in the supply chains in a better, more efficient way. Since companies are becoming more conscious in terms of brand responsibility, the trend of a more versatile and multi-angled supply chain will remain hot in the upcoming years.

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## Sustainability

With all the noise around sustainability, going green will become even more essential for companies in the coming year. Eco-initiatives are driving many other trends like alternative energy and automation, which makes it one of the most visible and promising initiatives in 2020. Companies will firstly be focused on optimization powered by technology. Using advanced AI-based software will enable businesses to develop the route with fewer emissions. Other smart solutions include automated vehicles and devices to enhance last-mile delivery.

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## Risk Management

The latest events, such as the coronavirus pandemic, have shown that the world is unprepared for such a disruptive event. The China lockdown and further global spread of the virus made stock markets plunge more than 12%. Apart from serious considerations in the health industry and economy in general, businesses will make risk management a top priority to prevent damage from similar disruptions.

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## HOW WILL COVID-19 IMPACT GLOBAL SUPPLY CHAINS?

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With hundreds of thousands of people infected globally, COVID-19 revealed itself as a huge threat not just for the health industry, that appeared to be unprepared to the pandemic, but to the global economy as well.

Essentially, such a substantial economic disruption has affected businesses of all kinds, including the supply chain and freight industry. More than 75% of companies have declared their supply chains were disrupted by the unraveling of COVID-19.

Although the long-term impact of the virus is still uncertain, companies can take these measures to hinder the damaging effect of the crisis:



Have an extended network of carriers and suppliers if possible



Analyze and check the parties you are working with, define where exactly they ship from, decide if it is safe, and what safety measures are they taking



Stay in touch with your customers and clients, make sure to provide them will all the necessary information about the changes in operations or other important factors



Think of inventory in advance and buy more supplies if possible

Risk management, supply chain resilience, flexibility, and safety policies will be among top priorities and trends for businesses in the upcoming years. Most likely, the economic crisis will prolong and companies will need time to recover their operations, depending on the current damage they are facing.

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## HOW USING A 3PL OR A FREIGHT BROKER WILL HELP YOU SURVIVE IN THE CURRENT MARKET CONDITIONS

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Considering all the transformative processes in the industry, it is no surprise that more shippers and carriers are turning to 3PL's for service. From 2010 to 2018, the gross revenue produced by U.S. third party logistics providers has doubled, going from \$127 billion to \$213.5 billion.

Due to the rising costs of in-house logistics services, rising tariffs, insurance costs, fuel prices, ELD's, and safety regulations, it has become much harder to operate a business without any help. All of these factors make a 3PL the best solution for transportation and supply chain management.

A 3PL continues to serve your business needs even in the times of global pandemic without any disruption.

Working with a 3PL will save you time, money, and give you the ability to work with a seasoned professional that has the expertise and industry experience to successfully operate even in a fluctuating market.

**Secure yourself - start working with PLS Logistics Services!**

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