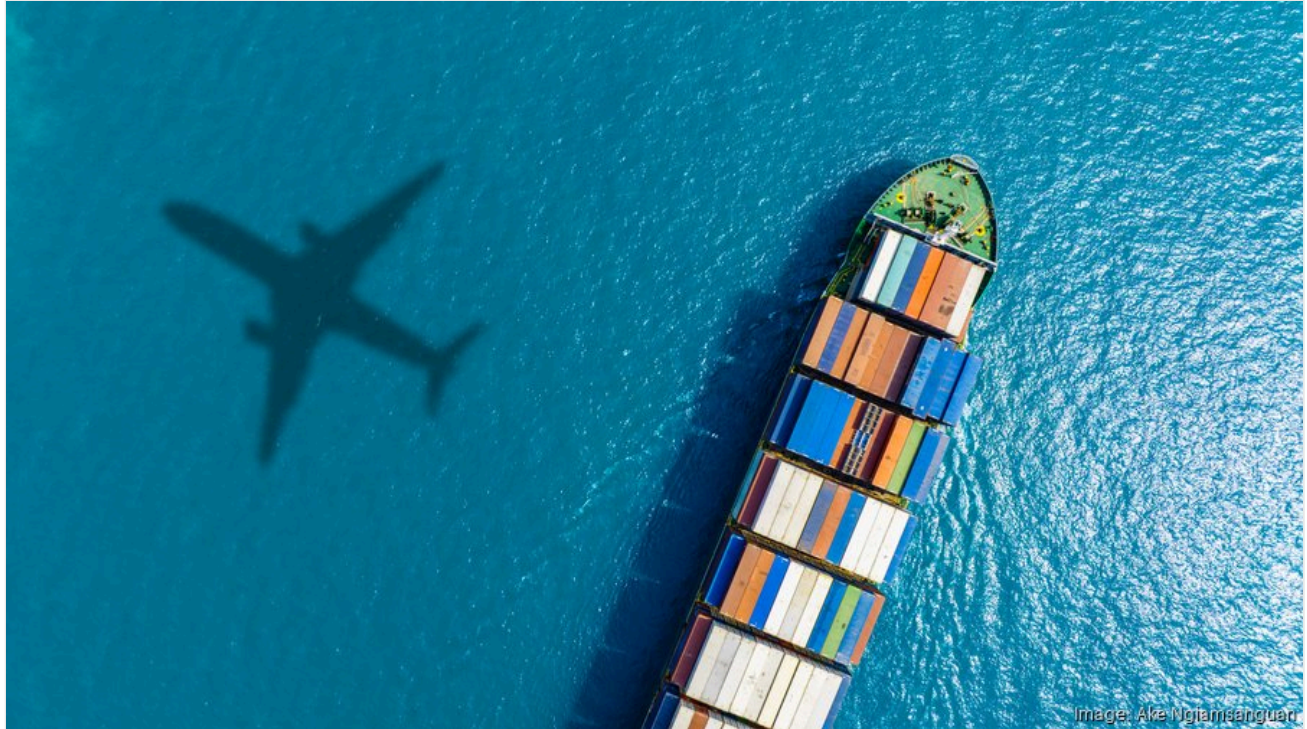


Fuel prices, backlogs, driver shortages: How KC logistics expert frames the challenges, solutions



Rising fuel prices create a cascading effect for shipping and logistics companies.

AKE NGIAMSANGUAN



By [James Dornbrook](#) – Staff Writer, Kansas City Business Journal
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Story Highlights

- High fuel prices increase logistics costs and slow deliveries.
- Sixteen trucking companies filed bankruptcy from August to September.
- Companies are maximizing loads and shrinking inventory to cut costs.

High fuel prices deliver a double whammy to logistics and supply companies: Not only do they drive up costs, they slow delivery times. That makes it more and more expensive to do the same work that was done a year ago.

“It’s going to financially wreck some people,” said Kaleb Shaw, a 14-year industry veteran and station manager for OEC Group in Kansas City, which offers global and domestic freight transportation and supply chain services.

Diesel averaged about \$6.30 a gallon nationally on Oct. 14, after reaching as high as \$6.51 in September. Add that to rising maintenance and insurance expenses, and the baseline cost of operating a semi is up to about \$2.34 a mile, according to the American Transportation Research Institute. The price environment pushed 16 trucking companies into bankruptcy from late August to Sept. 21, [according to a report by FreightWaves](#). And it's getting harder to find drivers.

“There are also tariffs, peak seasons that result in influxes of cargo hitting at different times, congestion at the rails, and the problems just continue to pile up,” Shaw said. “So not only does it cost more money to get product here to the Midwest than it has in the past year or two, it’s also a longer transit time right now. If you can’t get a container out or a product out of warehouses, then you end up with storage charges, and your landed cost is going to go up yet again.”

So what can companies do? They must fully understand the shipping timetables, then have a good plan to maximize efficiency wherever possible, Shaw said.

“You really need to maximize your loads,” he said. “If you’re using a trailer, flatbed, ocean container, pallet or whatever, make sure you are utilizing as much space as you possibly can. If you’re not filling your containers or truckloads and not strategically planning out the deliveries, the cost is going to add up. If you’re leaving five pallets off because they’re not ready to go yet, that’s detrimental right now because you’re still going to be charged at the higher rate. It still costs similar amounts of fuel to move the cargo. So it’s in your benefit to optimize your supply chain, whether you’re moving by air, ocean, truck or rail. If you can add 10,000 more pounds to each load, it should drive your costs down over time.”

Companies also are reducing their inventory and shipping only products they’ve already sold, he said. As a consequence, a lot of companies no longer offer two-week delivery because they don’t have product sitting in their U.S. warehouses.

Instead, they bring it in from overseas as they fill a container, which takes more time to deliver.

Logistics are tough now, but the situation probably will get a bit worse before it starts improving, Shaw said.

“Right now, about 8.5% to 8.7% of the world’s containers are currently caught up in some sort of delay or congestion,” he said. “So they’re either sitting on vessels that are taking a longer route due to the Strait of Hormuz or other conflicts going on. They are being delayed inland because there are fewer truckers to pull the containers. They are tied up at the ports. ... So I think the crystal ball is pointing to this getting worse and the next conversation being around congestion and where shipments are getting caught up in the supply chain.”