Making Your Miles Count: Deregulation-NAFTA-Trump

In the center of my second book “Choosing A Trucking Company” I compare the difference between carrier contracts charted in 1996 to those in 2012. 1996 represents the middle or height of the deregulation period which started in 1992 and finalized on January 1, 2000. Prior to 1990’s getting your running rights and starting a for-hire carrier was not as easy as it is today.

The research showed a widening of income for independent operators from the higher paying carriers to lower ones. In other words, in 1996, there was a monthly cash flow spread of $2671 between the top carrier contract and the low carrier contract. In 2012 the top carrier contract paid $5670 per month more than the low carrier contract. During this 16 year period carrier contracts got both richer and poorer, the differential spread rose by over 210%.

The affect deregulation had on independent operators was dramatic. Some operators got a healthy raise while others fell into poverty. This is the direct result of deregulation. It opens opportunities to segregate the industry into higher and lower margin clients and specialties (demands). The higher level demands on the operators caused rates to increase whereas the low level positions (niches) paid less than what they were previously paid (or seriously underperformed against inflation). Studies also showed that freight rates actually had a net cost decline of 35% after deregulation, a healthy bonus for consumers and the national economy.

DEREGULATION CAN BE A SERIOUS BONUS FOR INDEPENDENT OPERATORS.

NAFTA was originally signed in October 1992 and expanded the free flow of products to and from Mexico, USA and Canada. More and more freight began flowing over North American roads. Canada’s dependence on the US market for our goods increased as boarders opened. The primary factor in import/export volumes was (and probably always will be) the currency exchange rates. If we have a high Canadian dollar our shipments to the US will drop but our imports will rise. If our dollar is in the toilet the US lines up to buy our low cost products but we can’t afford US’s. Its simple supply and demand, free market economics. Canada is and will always be intimately linked to the US economy.

SO WHAT ABOUT DONALD TRUMP?

Mr. Trump has taken aim at NAFTA along with nearly everything else within his media grasp. He has also denounced the regulations that President Obama has instituted over his two terms. If Mr. Trump becomes President, and follows through with his policy agenda, Canada is in for a wild ride… but maybe not for the reasons we may hear.

President Obama’s two term administration has increased regulation to historical levels, tightening controls on a vast number of industries and markets. If those regulations are released quickly the US will experience a deregulation inspired economic boom, similar in principle to the 1980's Regan boom. It would be a Tsunami of efficiency and cash flow in both supply and demand. However, with every boom there comes the possibility of unintended consequences such as inflation and higher interest rates (which sooner or later must come out of their artificially low containments).

So, how will renegotiating NAFTA affect Canadian trucking? In the end, more than likely Canadian trucking will not change much. The net affect Canada has on the US economy is minimal. Mexico is Donald's real target.

If you've read Mr. Trumps books you will know he is a man of action not just talk. He will focus on leveraging specific actions that will create the highest effect. In NAFTA he will focus on Mexico first and Canada second (if at all). Mr. Trump is setting the stage to negotiate, shaking the ground to get the best deal possible.

It will definitely be a wild and exciting ride, a deregulation boom coupled with a trade renegotiation. There will be those who: thrive, survive and die, with both winners and losers… if he wins.

About the Author:

Robert D. Scheper is a leading Accountant and Consultant to the Lease/Owner operator industry in Canada. His first book in the Making Your Miles Count series "taxes, taxes, taxes" was released in 2007. His firm **exclusively** serves Lease/Owner Operators across Canada. His second book "Choosing a Trucking company" is the most in-depth analysis of the operator industry available today. He has a Master degree (MBA) in financial management and has been serving the industry since he and his wife came off the road in 1993. His dedication, commitment and strong opinions can be read and heard in many articles and seminars. You can find him at www.making yourmilescount.com or 1-877-987-9787.

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