

## Rising Diesel Costs May Finally Drive More Transportation Collaboration

### Mitsubishi Motors says it May Co-Mingle its Inbound Freight with Caterpillar Shipments

SCDigest Editorial Staff

While the potential cost savings from “collaborative transportation” have been understood for some time, a variety of factors have consistently blocked any real industry progress towards shippers more proactively sharing capacity.

Maybe skyrocketing diesel and fuel surcharge costs will finally do it.

Mitsubishi Motors announced this week that it was considering a collaborative transportation program with equipment maker Caterpillar. Under the arrangement, parts coming into the US from Asia or US suppliers would be combined with parts shipments going to a Caterpillar factory.

The plan can work in part because of the proximity of the plants considering the arrangement. The Mitsubishi plant is in Normal, IL, just 30 miles from Caterpillar factories in Peoria. Carriers would make a stop at the Mitsubishi plant, unload, and then continue on to Peoria.

The concept was “fueled” in part because Mitsubishi uses Caterpillar’s logistics services arm (Caterpillar Logistics) to manage its inbound freight, in a contract that began two years ago.

Finally, because the Mitsubishi plant is operating at about half capacity, its inbound volumes often aren’t heavy enough from specific areas of supply to build full truck loads, increasing transportation expense.

“There is a potential here for less expense, which is going to become a bigger issue as fuel prices rise,” **Tom Spangler**, general manager for logistics for Mitsubishi's procurement and supply operations, told Automotive News this week.

The “just-in-time” nature of the automotive-related supply chain may also present complications, as each party would have to assess what will happen if glitches in their own supply chain or receiving processes cause delivery timing issues with the other party in the relationship.

As always with collaborative transportation, there are some complications to the potential Mitsubishi-Caterpillar. For example, the parts used in the more industrial equipment made by Caterpillar tend to be larger and heavier, meaning the trucks might weigh out before they cube out, reducing the opportunity to combine loads.

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Cost/savings sharing is often another source of collaboration challenges, as companies can’t quite figure out how the benefits of the collaboration should be shared. In this case, the use of Cat Logistics by both parties may reduce those issues, as one assumes the cost numbers at least will be transparent to both parties.

“The opportunity to reduce empty miles and increase trailer utilization through collaborative relationships has always been there, but we just never had enough urgency to make it happen,” said SCDigest Editor **Dan Gilmore**. “Maybe diesel costs approaching \$5.00 per gallon will finally do the trick.”