Purchasing Management Association of Cleveland Forum Presentation

October 20, 2011

J. V. Shannon
Profit Or Savings Enterprise, LLC

Changes are Coming ! ! !

An alert to the impact on all segments of logistics with emphasis on Supply Chain.

CHANGE AHEAD

Tuesday, October 18, 2011 | The Plain Dealer | Breaking news: cleveland.com

ALAN GIBSON | NEW ZEALAND HERALD, VIA AP

POSE®

Changes that have Happened

- Regulation
- De-Regulation
- Re-Regulation
- Free-Market
- Economic Tail-Spin

Changes are Happening

- Allegiance in the Workforce
- Priorities of Society/Family
- Overall Domestic Economy
- Overall World Economy

Trucking elements affecting Change

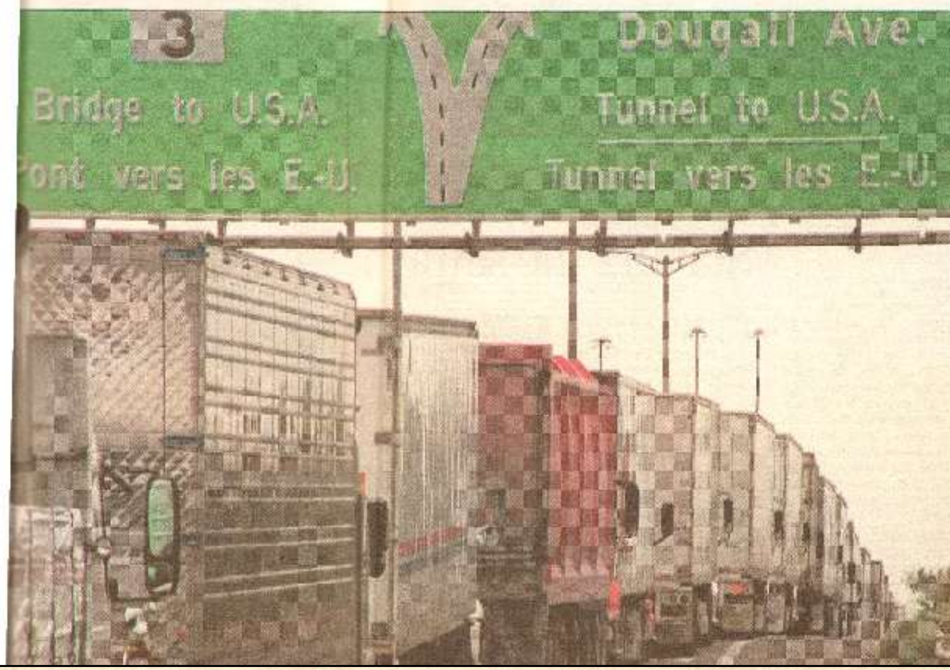
- Driver Workforce
- Facilities
- Equipment
- Safety/Security/Environment
- Internet based Dispatch/Sales/Customer Service
- One-Stop Shopping for Shipping

...ive source for Northeast Ohio business news: cleveland.com/business

BUSINESS

SUNDAY, JULY 20, 2008 | SECTION D

THE PLAIN DEALER



DON MCARTHUR | ASSOCIATED PRESS FIL...

...rcely adequate bridges and worn roads already stressed growing cross-border truck traffic between Canada and the United States before the Sept. 11 terrorist ...acks. In the days afterward, when this scene unfolded, backups extended for miles. Now, delays are less severe, but manufacturers and shippers fear slowdowns ...June 2009, when the next wave of Homeland Security rules are scheduled to go into effect, possibly stifling trade between the neighboring countries.

The border bottleneck

Aging bridges, security issues cost shippers at busy U.S.-Canadian crossings

Aging bridges, security issues cost shippers at busy U.S.-Canadian crossings

Wednesday, March 2, 2011

BUSINESS

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SHIPPING

UPS settles claim of unsafe trucks

New York's attorney general says United Parcel Service has agreed to pay $1.3 million and use an i… spector … vestigato… delivery … the sta… frames. … Schneiderman says the Atlanta-based company "knowingly endangered" delivery workers and the driving public. UPS maintains it has one of the safest fleets in the industry.

UPS maintains it has one of the safest fleets in the industry.

CHANGE AHEAD

Trucking industry sees driver shortage ahead

KARL HENKEL
Youngstown Vindicator

YOUNGSTOWN — The chief economist for the American Trucking Asso
dustry could h
in the coming
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prices. It has
with employme

Bob Costello
based group,
shortage of tr
100,000 in the
economic activity picks up, boosting the need for drivers.

"We expect it to get as bad as it's ever been, which is quite amazing in an economy with 9 percent unemployment," he said.

The issues are threefold:

- The average age of a trucker is quite old — mid- to late 50s — compared to other lines of work.
- There are strict qualifications to break into the industry.
- The job requires long hours and extended travel.

Costello said drivers with clean records and who are willing to spend weeknights away from home can quickly qualify for a po-

plentiful," he said. "And you've got a lot of unemployed guys around here."

The school offers two courses: A six-week weekday course or a 15-weekend course for approximately $5,700.

But strict guidelines on driving records end many people's hopes before they start. And Catheline said those interested need not worry about spending unnecessary money on a class. Driving schools screen candidates before admission.

"If we know we are going to have employability issues, we don't want to spin anyone's
heels," he said.

Restrictions continue even after
ing hired. And that's another
oblem carriers have in retaining
ivers, said Rick Barringer, owner
Southwind Logistics, an Austin-
wn subcontracting broker.

In Ohio, those who commit two
more serious traffic violations
within a three-year period get an automatic suspension of at least 60 days.

"In the last 12 to 13 years, we've had to let go too many drivers because of speeding tickets," he said.

The more serious the offense, the more serious the penalty. First-time convictions for driving under the influence, leaving the scene of an accident, using a vehicle during a felony or refusing to submit to alcohol testing result in a one-year suspension.

Bob Costello, of the Virginia-based group, said he expects a shortage of truckers to surpass 100,000 in the next few years as economic activity picks up, boosting the need for drivers.

Saturday, July 30, 2011

POSE

Capacity is king in trucking today, and the truck driver is the coin of the realm.

That's especially true at truckload carriers, which say they are having a hard time finding enough drivers to seat trucks, but it's more and more the case for less-than-truckload carriers, too. It doesn't matter how many terminal doors you have if you can't find someone to drive line-haul or local pickup and delivery trucks.

...n cobble together a better living on
...old wages and an off-the-books job,
...out the livelihood trucking offers?

...r Who) ... capacity?

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WILLIAM B. CASSIDY

As 2012 approaches, trucking companies and shippers must focus on rebuilding and managing their driver work force. I say "their" work force because the responsibility is shared.

The 2008-2009 recession reshaped transportation in ways that are still less than clear, but it is evident large numbers of trucks and drivers were swept from the landscape. The first article in The Journal of Commerce's 2011 Guide to Trucking examines the capacity shortfall in vehicles — Class 8 tractors or trucks (story, page 6). The second delves into the nature of the so-called driver shortage and questions whether it is a shortage of qualified drivers, a shortage of pay or a shortage of willpower on the part of the trucking industry to make tough changes to increase its manpower (*story, page 9*).

What's striking is that when the capacity bubble of the late 2000s burst, somewhere between 15 and 20 percent of Class 8 tractors and 18 percent of tractor-trailer drivers left the market. Many of the trucks are gone for good, but surely some of the 331,000 big rig drivers who federal statistics show left the industry from 2008 to 2010 could be brought back.

Some argue overly generous unemployment benefits coupled with the biggest black market economy since World War II discourage drivers from returning to full-time work. But if a former trucker can cobble together a better living on a portion of his or her old wages and an off-the-books job, what does that say about the livelihood trucking offers? Or how long that driver would stay on the job or with a company if he or she was rehired?

The truckload carriers that claim a driver shortage need to rethink not only driver pay and benefits but also their relationship with drivers. Trucking companies have been reporting shortages of qualified drivers since at least 1914 — basically whenever the economy is strong and shipping demand increases.

That says a lot about the nature of the shortage, and what's really running short.

Carriers and shippers need to have a very serious conversation about drivers: how much they're paid, how they're trained and how they're treated on the job. If you're a shipper who thinks it's a problem for your carrier to solve, don't be surprised when your freight sits on the dock and your rates head skyward.

That's a real possibility for 2012, especially if new driver hours-of-service rules cut into productivity just as tougher enforcement of federal safety regulations forces more poorly performing drivers out of the business.

Mark Rourke, president of transportation at truckload carrier Schneider National, believes everyone in the supply chain plays a part in creating job satisfaction for drivers.

"Shippers who forge a strategic alliance with their carriers and shift their thinking," he says, "from a procurement mentality to a transportation mindset will have an advantage." JOC

THE JOURNAL OF COMMERCE

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336. Flagstaff, Ariz.
(tie)
Pascagoula, Miss.
-32%

f Labor Statistics
HALL | THE PLAIN DEALER

With little demand for shipping, ocean carriers took ships out of service: more than 11 percent of the global shipping fleet was idle in spring 2009, according to AXS-Alphaliner, an industry consultant.

catch up
pliers

STEPHANIE CLIFFORD

Carriers also moved to "slow steaming," traveling at slower and more fuel-efficient speeds.

the holiday. At the Container Store, platinum-color hangers, advertised in a summer sale catalog, were delivered days after the sale began. At True Value Hardware, the latecomers were fans and portable chairs.

Fighting for freight, retailers are outbidding each other to score scarce cargo space on ships, paying two to three times last year's freight ... some cases, the highest ... years. And still, many ... merchandise weeks late. ...lems stem from 2009, ...es slashed inventory.

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Carriers also moved to "slow steaming," traveling at slower and more fuel-efficient speeds.

SEE FREIGHT | C2

POSE

CHANGE AHEAD

The fate of five FedEx Corp. shipping hubs in Northeast Ohio was unknown Thursday after the delivery company said it plans to merge two of its divisions, close 100 hubs nationwide and cut 1,700 jobs.

FedEx to … fate of lo…

Robert Schoenberger
Plain Dealer Reporter

The fate of five FedEx … ping hubs in Northeas… unknown Thursday after the deliv- ery company said it plans to merge two of its divisions, close 100 hubs nationwide and cut 1,700 jobs.

A FedEx spokesman said the Memphis-based company was not ready to release a list of the hubs that it plans to close in January when it merges its FedEx Freight and National LTL, or less-than-

… field, Mentor and Akron and National LTL hubs in Valley View and Ravenna.

Unaffected by the planned closings is FedEx Custom Critical, the division based in Green that handles specialty transportation work for the shipping giant.

SEE FEDEX | C4

FEDEX

FROM C1

Future of FedEx hubs in region not known

"It's business as usual over here," said FedEx Custom Critical spokesman Ryan Henry.

FedEx expects to spend as much as $200 million to pay severance and break leases as part of the merger.

FedEx announced its plans to close freight hubs in releasing its first-quarter earnings statement. The company said it made $380 million during the three months that ended Aug. 31.

Though sales were up during the quarter, the freight division was on the only FedEx unit to report a loss during its first fiscal quarter. Even during the worst of last year's economic decline, all of FedEx's divisions made money.

Lower prices for freight services drew in more customers, pushing the division's revenue up 23 percent, to $1.3 billion. But the company said it was losing money on the lower-priced contracts, and it lost $16 million on freight services during the quarter. Last year, FedEx Freight made 62 million during the first quarter of the fiscal year.

FedEx's ground shipments and express delivery business both experienced big sales and profit gains during the quarter, something the company attributed to an improving economy.

The $380 million profit was more than twice the $161 million the company made in the same quarter last year.

To reach this Plain Dealer reporter:
rschoenb@plaind.com, 216-999-4059

C4 | **Business**

YRC trucking cutting 80 jo at Akron offic

KATIE BYARD
Beacon Journal

AKRON — Troubled trucking company YRC Worldwide, owner of the former Roadway in Akron, continues to cut jobs.

Employees were told in a meeting and in an e-mail Wednesday morning that the company will shed 80 finance jobs from its office on Gorge Boulevard.

A former YRC worker in Akron, who also received the e-mail, provided a copy to the Beacon Journal.

YRC officials declined to comment.

Company executive Joe Whitsel said in the e-mail the company is moving the work from Akron to Buffalo, N.Y., and to Overland Park, Kan., home of YRC's corporate offices.

Moving the work "was a difficult decision," Whitsel said in the e-mail.

According to the e-mail, some of the affected workers — those in collections — will work until March 31. Most other workers will stay on until May 31.

Yellow Freight purchased Roadway, whose roots in Akron go back to 1930, for $1.[...] in 2003. The merged c[...] eventually was rename[...] Worldwide.

Yellow took on debt to buy Roadway — one of Akron's long-time large employers. The company then was hit by the recession and has been cutting workers, consolidating operations and winning concessions from Teamsters to reduce expenses.

YRC is the nation's largest less-than-truckload shipper, meaning it combines shipments from different sources into one truckload. It's unclear how many YRC jobs remain in the Akron area. In addition to the Gorge Boulevard site near Ohio 8, the company has a terminal in Copley Township.

The former worker estimated there are 350 employees at the Gorge building, including the 80 who will lose their jobs.

The company in 2008 was one of Summit County's largest private employers, with about 2,000 people at headquarters and trucking terminals. In 2010, employment was 1,475, according to the Greater Akron Chamber.

Yellow took on debt to buy Roadway — one of Akron's long-time large employers. The company then was hit by the recession and has been cutting workers, consolidating operations and winning concessions from Teamsters to reduce expenses.

CHANGE AHEAD

POSE

CHANGE AHEAD

By Mark Szakonyi

NEITH
SNOW

Dramatic cutbac
that will reach p

SHIPPERS ARE LIKELY to feel the pain of the U.S. Postal Service's dramatic attempts to repair its troubled finances whether they use the mail heavily in their business or not.

The actions include cutting some 120,000 workers from postal operations, breaking labor agreements, closing perhaps thousands of facilities and withdrawing from retirement and health plans that have weighed down the USPS's balance sheet.

SHIPPERS ARE LIKELY to f
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or not.
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breaking labor agreements, closing perhaps thousands of facilities and withdrawing from retirement and health plans that have weighed down the USPS's balance sheet.

The USPS also is likely to seek an increase in Standard Mail rates of 8 to 20 percent in October, said Jerry Hempstead, an industry consultant and longtime parcel industry executive, because the Postal Service can no longer afford to pay more for delivery than it receives from shippers.

Expect UPS and FedEx to follow with their own price increases coupled with targeted discounts, Hempstead said, as carriers court high-volume package shippers.

"The gloves are off. Media mail, bound printed material and everything shipped by Amazon, eBay, Land's End, L.L. Bean and others is on the table," he said. "What FedEx and UPS can now say to (shippers) is, 'You enter the package at a pound and we will give you a price break.'"

Internet retailers and catalog shippers have been a big target of the parcel carriers, including the USPS, as online communications has collapsed letter mail volume.

The USPS faces a second year of losses

The Postal Service handled 1.1 million, or 2.6 percent, fewer pieces of mail in the fiscal third quarter ending June 30, compared to the same period a year ago.

"THE GLOVES ARE OFF."

Parcel mail appears to be the only stable business segment, while magazine subscriptions increasingly go online and First Class mail withers.

The private sector is in the market for Standard Mail — any mail under one pound and not shipped First Class through hybrid products with FedEx's SmartPost and UPS's SurePost. But ending the USPS artificially low pricing will allow the private carriers to piggyback even more on the agency's infrastructure for the "first and last mile," Hempstead said.

The Postal Service expects to handle 3.5 billion, or 2 percent, fewer pieces by the end of the year compared to 2010.

The USPS's First Class mail service, its

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tion of Saturday delivery, are not certain in a political environment in Washington.

Although cutting Saturday delivery could save the USPS $3.1 billion annually, Congress has been hostile to the effort. Many insist the smaller, rural post offices can't close because residents in those areas would become more isolated.

The USPS expects to lose $20 billion annually by 2020 if it doesn't dramatically alter its operations and get legislative changes to its mandates.

In the meantime, however, private industry is making its own decisions about mail. Periodical delivery fell 4.5 percent year-over-year in the January-March quarter, for instance, and most magazine publishers are pushing digital delivery of their material over mailed editions.

Internet retailing, however, is booming, generating more boxes from distribution centers to homes. Home improvement retailer Lowe's said this month its lineup of goods available for online purchase has grown 73 percent in the past year and that it expects to send far more shipments, even split orders, to customers in the coming years.

POSE

highest net shift to rail in the past eight years of our survey." Shippers also said they expect to move a net 3.6 percent more to rail from highway-only transport over the next six to 12 months, a pickup from recent surveys. In this year's first quarter, shippers projected a 3.2 percent net shift in the coming year,

Lowe's Looks Online as Shipping Costs Spike

HOME IMPROVEMENT RETAILER Lowe's, facing higher shipping costs and weakening sales, is ramping up a dramatic increase in online sales operations and shipping more goods directly to customers from stores and its distribution centers. The company expanded its items available online 73 percent over the past year, Lowe's Chairman, President and CEO Robert Niblock told Wall Street analysts in an earnings presentation that included a downbeat assessment of the economy. Lowe's reported net profit of $830 million for the fiscal second quarter ending July 29, down slightly from a year earlier, and the company cut its outlook for the rest of the year in part because of what Niblock called a "fragile consumer mindset." Lowe's expanded its inventory 6 percent since the start of the fiscal year even as sales have declined 2.2 percent over the past six months. That's one reason gross margins at the North Carolina-based company slipped from 34.86 percent last year to 34.49 percent this year. "Higher transportation costs, both fuel and ocean freight," took about 15 basis points of that 37-point decline in margin, Niblock said. The retailer is responding in part by pushing more of its sales on online. Niblock said Lowe's is still adding to the 190,000 items available online at the end of the second quarter and that the company is growing more flexible about how it delivers the goods to customers.

Management UPDATE

AN EXECUTIVE SUMMARY OF INDUSTRY NEWS

Retailers remain positive.

Retailers remain positive. According to the monthly Global Port Tracker report released by the National Retail Federation (NRF) and Hackett Associates, import cargo volume at the nation's major retail container ports will remain below last year's levels for the remainder of the summer before seeing year-over-year gains this fall. "Cargo numbers have been down this summer, but that's a reflection of last year's unusual shipping patterns more than the economy," said Jonathan Gold, NRF VP for supply chain and customs policy. "The economy continues to face challenges, but job growth has been steady and retailers have been adding jobs themselves as sales improve. Cargo figures for this fall clearly show that retailers are expecting a healthy holiday season."

Old Dominion opens up the 'Vault.' Less-than-truckload (LTL) transportation services provider Old Dominion Freight Line (ODFL) is getting into the third-party logistics (3PL) game, announcing last month that it has rolled out Vault Logistics, its new 3PL offering. ODFL said that Vault unites several existing ODFL business units into an independent operating division comprised of warehousing, business solutions, fleet and warehouse dedicated services, and truckload brokerage units. Vault Logistics ...

Solid logistics management pays off for Wal-Mart.

Solid logistics management pays off for Wal-Mart. While diesel prices headed north throughout most of the first half of the year, Bill Simon, president and CEO of U.S. operations at Wal-Mart, said that the company's solid transportation and logistics management helped to ease the retailer's pain at the pump. Simon explained that the Wal-Mart logistics team continued to drive routing and load efficiencies to minimize the majority of headwinds associ... ...impacted the ...

USPS reports $3.1 billion loss.

USPS reports $3.1 billion loss. Financial struggles stemming largely from declining mail volumes and expenses related to future retiree health benefits continue to hinder the United States Postal Service (USPS). For its fiscal third quarter, the USPS has a net loss of $3.1 billion, with total mail volume falling to 38.8 billion pieces compared to 40.9 billion for the same period in 2010. Net losses for the nine months that ended June 30 amount to $5.7 billion in 2011 compared to $5.4 billion in 2010. USPS officials said that even with significant cost reductions and revenue growth initiatives, current financial projections indicate that the Postal Service will have a cash shortfall and will have reached its ... by the end of the fis...

California exports rise.

California exports rise. While the U.S. economy may be languishing in inertia, California exporters racked up their 20th consecutive month of vigorous growth in June. Export shipments by California companies in June were valued at $13.85 billion, a gain of 13 percent over the $12.25 billion reported in the same month last year, according to an analysis by Beacon Economics of foreign trade data released by the U.S. Department of Commerce. "Adjusting for inflation, California's export trade has firmly returned to its pre-recession peaks," said Jock O'Connell, Beacon Economics' International Trade Adviser. "More importantly, on a seasonally-adjusted basis, California's export trade remained on an upward trajectory through the second quarter of 2011, despite the economic and financial tribulations several of our leadin... been enduring," O'C...

U.S. exports slump.

U.S. exports slump. Things were less rosy for the rest of the nation, however. President Obama's "National Export Initiative" of doubling exports by 2015 took a significant hit last month with the release of new figures by the U.S. Department of Commerce. The report showed that U.S. exports of goods and services in June 2011 decreased 2.3 percent from May 2011 to $170.9 billion. The monthly export value for U.S. consumer goods ($15 billion) was the highest on record. U.S. imports of goods and services decreased 0.8 percent over this period

continued, page 5 >>

POSE®

Change causing Change

- CSA – Compliance, Safety, Accountability (Federal Motor Carrier Safety Admin) program
- HOS (Hours of Service) - DOT
- E-logs and Satellites
- Need for Training and Understanding
- Give-&-take; Pendulum - Leverage

Love it or Hate it, CSA is Here t…

Whether you applaud o… monitoring program, C… carriers operate. Here'…

by Amy Roach Partri…

Despite popular belief, CSA is not a set of rules or regulations, but rather an initiative designed to improve the efficiency of FMCSA's enforcement and compliance program. The aim of CSA is to measure carrier safety performance, identify potentially unsafe carriers, and prioritize them for enforcement interventions—all as part of FMCSA's ultimate goal of reducing commercial motor vehicle crashes, fatalities, and injuries.

Since its unve… Administratio… (CSA) program… tion industry. … will place a st… severe dwindling of the driv… provide the industry with c… on the nation's highways.

A point somewhere be… two extremes seems to b… realistic outcome of the ne… which the government be… ing in 2011.

Despite popular belief, C… set of rules or regulations, b… initiative designed to impr… ciency of FMCSA's enforc… compliance program. The ai… to measure carrier safety performance, identify potentially unsafe carriers, and prioritize them for enforcement interventions—all as part of FMCSA's ultimate goal of reducing commercial motor vehicle crashes, fatalities, and injuries.

Under CSA, motor carrier violations—as determined primarily by roadside inspections and crash data—are placed into seven Behavioral Analysis and Safety Improvement Categories (BASICs) (*see sidebar, right*). Eventually, the system will be used to assign safety ratings for carriers, based on their BASIC scores weighed against factors including size, violation frequency and severity, and how recently violations have occurred.

Reactions to the new program, and the amount and type of safety data that it makes available, have been mixed.

… the program's methodology, the means by which scores are developed, and perhaps the erroneous use of the scores in some areas," he adds.

Safe and Secure

Love it or hate it, CSA is here to stay. Shippers, carriers, and private fleet operators are working to become familiar with CSA's components and are implementing processes, procedures, and technologies to ensure their drivers, fleets, and loads meet the FMCSA's safety and security criteria.

While carriers bear the brunt of responsibility for safety under CSA, shippers are taking an active interest in the program as well.

"In the past year, shipper inquiries about CSA have increased tenfold," says Jason Wing, manager of safety compliance and training for Fort Smith,

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CSA: The BASIC Facts

1. Unsafe driving: Speeding, reckless driving, improper lane changes, and inattention.

2. Fatigued driving: Exceeding the Hours of Service, maintaining an incomplete or inaccurate logbook, and operating a commercial motor vehicle (CMV) while ill or fatigued.

3. Driver fitness: Failure to have a valid and appropriate commercial driver's license and/or being medically unqualified to operate a CMV.

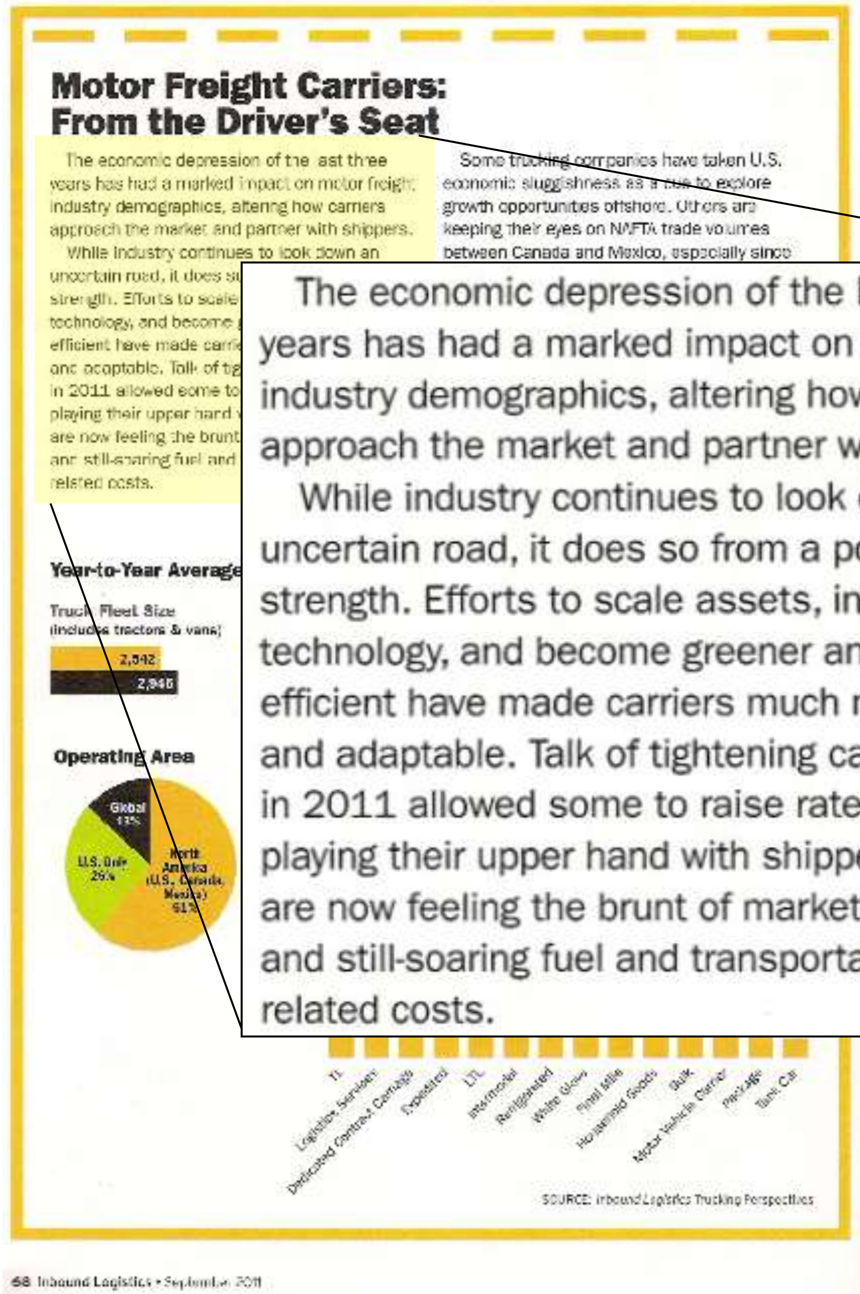
4. Alcohol and drugs: Use or possession of controlled substances/alcohol.

5. Vehicle maintenance: Problems with brakes, lights, and other mechanical defects, and failure to make required repairs.

6. Cargo security: Size and weight violations, dropped cargo, or unsafe handling of hazardous materials.

7. Crash indicator: Histories or patterns of high crash involvement, including frequency and severity, based on information from state-reported crashes involving CMVs.

CHANGE AHEAD



Motor Freight Carriers: From the Driver's Seat

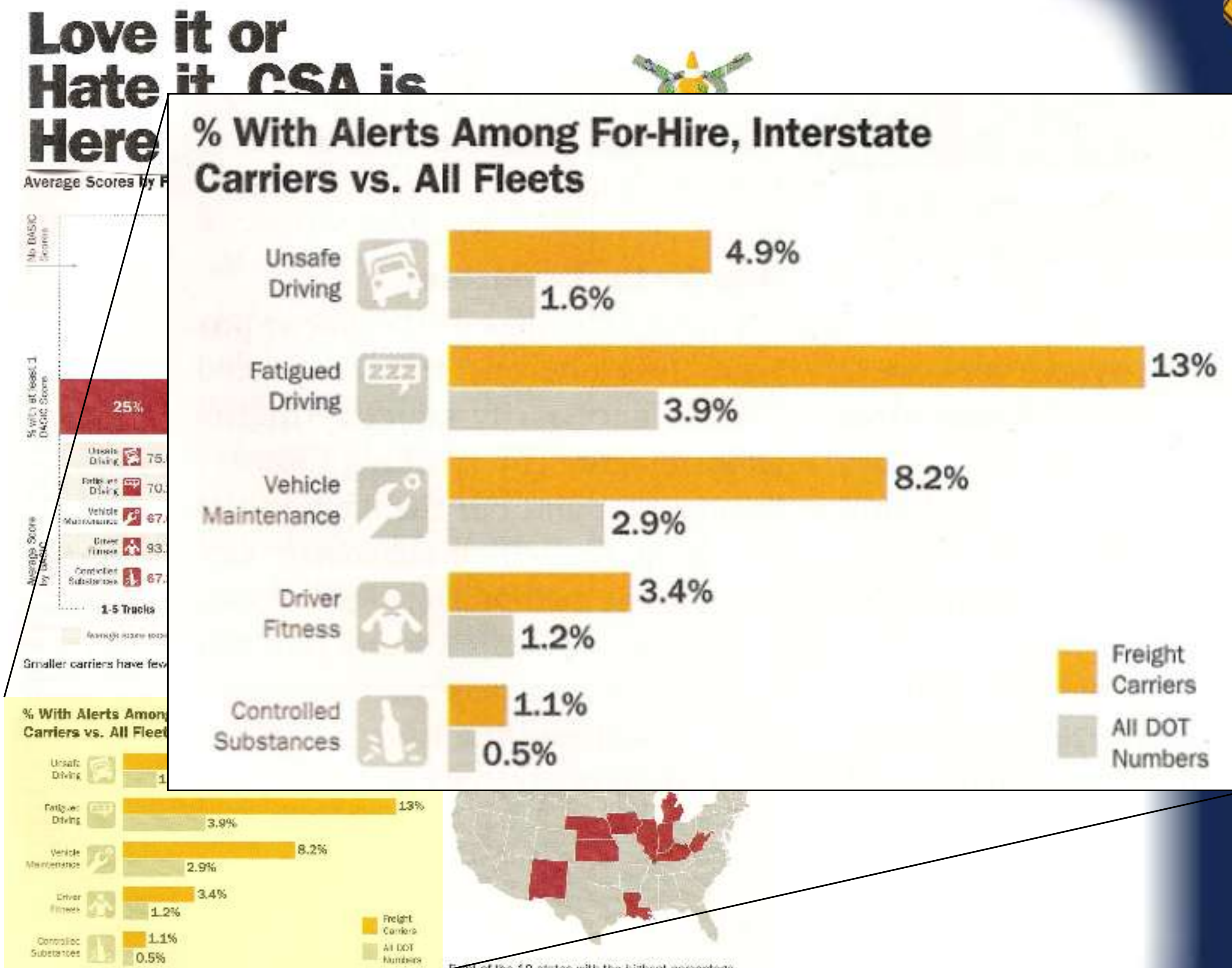
The economic depression of the last three years has had a marked impact on motor freight industry demographics, altering how carriers approach the market and partner with shippers.

While industry continues to look down an uncertain road, it does so from a position of strength. Efforts to scale assets, invest in technology, and become greener and more fuel-efficient have made carriers much more resilient and adaptable. Talk of tightening capacity earlier in 2011 allowed some to raise rates and begin playing their upper hand with shippers, who are now feeling the brunt of market equilibrium and still-soaring fuel and transportation-related costs.

Some trucking companies have taken U.S. economic sluggishness as a cue to explore growth opportunities offshore. Others are keeping their eyes on NAFTA trade volumes between Canada and Mexico, especially since

SOURCE: Inbound Logistics Trucking Perspectives

POSE



Although freight carriers were more likely than other fleets to have alerts in any of the five publicly available BASICs, almost four out of five carriers (79%) had no alerts at all. Fatigued Driving, representing HOS violations, was the most common failing, with 13% of freight carriers receiving an alert in that category.

Eight of the 10 states with the highest percentage of carriers with Unsafe Driving alerts are contiguous: Illinois, Kansas, Nebraska, Iowa, Indiana, Michigan, Kentucky, West Virginia. New Mexico and Louisiana are the "outliers."

Expectations from Change

- Re-format or Re-organize to accommodate the workforce
- Re-format or Re-organize to accommodate CSA and HOS
- Re-format or Re-organize to accommodate costs and profits

LogisticsTODAY

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UPS and ABF Increase LTL Rates

Oct 4, 2010 2:17 PM

Tis the season for freight rate hikes. UPS Freight, a less-than-truckload (LTL) carrier, has announced a general rate increase averaging 5.9%, covering non-contractual shipments in the United States, Canada and Mexico. The rate adjustment takes effect on Oct. 18, 2010, and applies to minimum charge, LTL rates and accessorial charges.

Tis the season for freight rate hikes. UPS Freight, a less-than-truckload (LTL) carrier, has announced a general rate increase averaging 5.9%, covering non-contractual shipments in the United States, Canada and Mexico. The rate adjustment takes effect on Oct. 18, 2010, and applies to minimum charge, LTL rates and accessorial charges.

October 1, 2010. Typically rates will increase by about 5.9%, although the impact on specific lanes and shipments will vary.

ABF provides national and regional transportation of general commodities freight, involving primarily LTL shipments. General commodities include all freight except hazardous waste, dangerous explosives, commodities of exceptionally high value, commodities in bulk and those requiring special equipment.

Find this article at:
http://www.logisticstoday.com/logistics_services/ups-abf-increase-ltl-rates-1004/?cid=nl_newsviews_100410

Check the box to include the list of links referenced in the article.

CHANGE AHEAD

POSE

LTL carriers ...

Shippers aren't likely to react too sympa... growth for the less-than-truckload (LTL) ...

The big problem for LTL carriers, say ... m), is that shippers have been able to re... hesitant to cut their prices to gain ma... territory. The message for LTL carrie... difficult to price their way to profitabili...

Announced Rate Increase[1]
5.5%
3.9%
4.9%
5.8%
6.4%
6.1%
6.1%

Year	Announced Rate Increase[1]			...d[4]
1998	5.5%			
1999	3.9%			
2000	4.9%			
2001	5.8%			
2002	6.4%			
2003	6.1%	2.8%	2.3%	0.5%
2004	6.1%	4.9%	2.7%	2.2%

Source: The Colography Group

1 SMC3
2 Year-over-year growth The Colography Group
3 inflationdata.com
4 Realized yield minus inflation

WIDGETS Cleveland to Dallas

Year	Freight	Incr %	Incr $ $	Incr Frt	discount	disc frt	Fuel %	Fuel $$	Net Pay	compounded
1997	$1,000.00		$0	$0	40%	$600	10%	$60.00	$660.00	
		5.50%								
1998	$1,000.00		$55.00	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	
		3.90%								
1999	$1,055.00		$41.15							
		4.90%								
2000	$1,096.15		$53.71							
		5.80%								
2001	$1,149.86		$66.69							
		6.40%								
2002	$1,216.55		$77.86							
		6.10%								
2003	$1,294.41		$78.96							
		6.10%								
2004	$1,373.37		$83.78							
		38.70%								
		5.90%								
2005	$1,457.14		$85.97	$1,543.11	56%	$679	20%	$135.79	$814.76	
		5.90%								
2006	$1,543.11		$91.04	$1,634.16	59%	$670	20%	$134.00	$804.00	
		5.90%								
2007	$1,634.16		$96.42							
		5.90%								
2008	$1,730.57		$102.10							
		5.90%								
2009	$1,832.67		$108.13							
		5.90%								
2010	$1,940.80		$114.51							
		5.90%								
2011	$2,055.31		$121.26	$2,176.57	74%	$566	30%	$169.77	$735.68	
		41.30%								
		80.00%								118%

Year	Freight	Incr %	Incr $ $	Incr Frt
1997	$1,000.00		$0	$0
		5.50%		
1998	$1,000.00		$55.00	$1,055.00
		3.90%		
1999	$1,055.00		$41.15	$1,096.15
		4.90%		

2010	$1,940.80		$114.51	$2,055.31
		5.90%		
2011	$2,055.31		$121.26	$2,176.57
		41.30%		
		80.00%		

2011: Second Quarter

MOST OF THE NATION'S LARGEST publicly owned trucking companies reported higher sales and profits in the second quarter, despite a sharp contraction in economic growth that led many economists to proclaim the two-year recovery had stalled.

Truckload carriers led the pack, with Heartland Express raising its operating revenue 7.7 percent and net profit 35.3 percent to post an industry-leading 76.2 percent operating ratio. Truckload carriers reported significant rate increases — 4.7 percent on average at Swift Transportation — and higher fuel surcharge revenue.

Several trucking companies reported their strongest week or weeks of the year in June. Less-than-truckload carriers also improved their bottom lines, with ABF Freight System returning to profitability in the quarter and YRC Worldwide's main operating units, YRC National and Regional, reporting a profit.

Most LTL carriers increased tonnage, though Con-way Freight reduced its volume substantially as it culled unprofitable freight from its network while more than doubling its profit.

Rising operating costs, from fuel to tires and insurance, challenged all carriers. Fuel surcharges covered a large portion, though not all, of rising fuel costs. Truckload carriers in particular reported difficulty hiring adequate numbers of drivers. Tightening capacity and cost control lessons learned in the recession helped trucking companies maintain better profit margins than might be expected in a period when economic growth and consumer confidence weakened.

SAGE ADVICE

8 forces altering the transportation industry

By Wayne Bourne

I WAS MILDLY SURPRISED the other day when a colleague from my past said: "Now that capacity has shifted to the carrier side, rates will surely follow as a result." I replied "That's merely a convenient factor to base that prediction."

Although limited capacity is a factor, it's only one of many factors currently driving rate increases—with none being less important or less impactful than the other. Let's take a look at some of the more salient and obvious issues that will be putting even more stress on your transportation budgets over the next year.

Capacity: When the downturn in the economy occurred, many of the carriers were heavy in equipment and used the tough conditions to right size their fleets. Most major carriers pruned hundreds of tractors from current fleets and from existing on-order commitments.

The results of this pruning created fleet sizes that were more "profitably fit" to the reduced demand and pricing structures. And with the gradual turnaround in the economy beginning to show its effects, carriers have been inclined to keep equipment, therefore capacity, at the new, lower levels.

Drivers: Thousands of drivers are exiting the industry each year as the baby boomers reach retirement age, while the stress and poor lifestyle pushes many others out of the job. Low rates over the past few years haven't provided carriers with the resources to improve driver wages to a point that would stem the flow. And with no fluid source of new recruits, the impact will be felt in retention rather than recruitment.

Equipment: New rulings by the EPA, as well as new standards that have yet to be met, have contributed to substantial increases in the prices of tractors and trailers. Wild fluctuations in petroleum-based rubber and plastics have also added to the rise. New technology, electronic generators, communication systems, EOBR units, trailer skirts, and brake and back-up warning systems are introducing potential efficiencies, but are doing so at a significant cost of acquisition and installation.

Fuel: It's no secret that fuel is going up and there's no question that it will continue to escalate particularly as we trudge through the high-volume summer driving months and enter the high-volume, seasonal inventory build up months. Most economists are predicting a $5/gallon (diesel) national average by spring of 2012 and spot prices of $6/gallon in certain locations. Fuel surcharges based on $1.18/gallon are not only obsolete, but are also very misleading to thos[e] ... ing budgets and p[...]

Insurance pre[...] tionally viewed the[...] of doing business, [...] miums shot up dra[...] certain carriers hav[...] inherent risks their[...]

Government i[...] (HOS) is in its fou[...] ing that remodeled[...] stay behind the wh[...] complex and less p[...] what is hoped to b[...] once and for all th[...] drive in a 24-hour [...]

Far East impo[...] affair with all thing[...] ing congestion at t[...] manifest itself exp[...] d[...]ed at these ports [...] And while shipper[s ...] East Coast port d[...] bigger on an all-water route to the East Coast on Far East imports.

Performance metrics: As the negotiating pendulum swings from the shipper side to the carrier side, rates that have been suppressed will obviously increase. In turn, carriers will develop *a la carte* pricing to accommodate non-routine special services, and relationships will be further defined with a view toward bi-lateral partnerships that certain customers practiced during the times when they didn't have to. All this will re-emerge as a new "value proposition" model and capacity will go to those that fit that model.

The bottom line: The shippers that are able to redesign their logistics models will be the ones that pay the least and solidify the relationships between themselves and the carrier partners. □

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POSE®

Impact to Supply Chain

- Expect to pay more for service
- Expect to suffer capacity changes
- Expect more delays and breakdowns
- Expect to change to meet future changes in the domestic business economy
- If leverage is not available, work to develop partnership with suppliers
- Expect to pay for service needed

COVERSTORY

it's a question no one wants to ask and nobody wants to hear, especially when the rush-order that came in at 5 p.m. is on the dock ready to load — "Where's my truck?"

Two years ago, a dozen trucks might have sped to answer that last-minute call, with each carrier offering a steep discount to get that shipment and get on the road.

In mid-2011, that call is more likely to draw belly laughs followed by rate quotes that cause angina. The 3,816 cubic feet in a 53-foot trailer is selling at a premium that goes up more rapidly the later a shipper waits to call a carrier to book a truck.

Despite deep cuts in the nation's interstate tractor-trailer fleet over the past four years, truck capacity is readily available, but that capacity is rapidly flowing further away from low-margin freight toward higher-yield business. And it's more likely to be moving 65 mph past a dock than waiting for a shipper's call.

'Where's My Truck?'

Cost of capacity to climb into 2012 as supply of trucks and drivers tightens

Shipping Conditions Will Get Worse before They Get Better

Companies expecting to find carriers who are ready, willing and able to offer their transportation services this fall might want to rethink their logistics strategies. According to one index of shipping conditions, the situation for the rest of the year will be one of rapid deterioration when it comes to available capacity.

The deterioration reflects the current trucking situation, in which demand has completely utilized the available fleet capacity, leaving little room for even modest seasonal increases in activity. FTR is forecasting a declining environment for shippers through the remainder of this year and well into 2012.

"Events are unfolding as we had projected with regard to shipping conditions. Carriers have right-sized to meet current demand levels and are reluctant to add capacity given the high level of economic uncertainty," says Larry Gross, senior consultant for FTR. "Moreover, tightening driver availability means that even those truckers that wish to add capacity are finding it difficult to do so. The result is higher freight rates even in the face of the soft economy."

Gross expects this situation will persist into next year as expected new government trucking regulations will reduce the productivity of the trucking industry, and therefore its effective capacity.

again begun to fall as had been expected.

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WHAT SHOULD SHIPPERS DO?

A FEW YEARS AGO, SHIPPERS might have considered driver retention a carrier problem. But with truckload capacity increasingly tight and no sign that it will loosen significantly in the near future, shippers need to play an active role in building and maintaining a stable pool of truck drivers in order to control their own costs.

"Shippers are going to have to become more flexible to trucking company needs," CostDown Consulting's Joe White said. That could start with more flexible delivery windows to help truck drivers avoid heavily congested traffic that costs them hours and miles, not to mention reducing the time pickups and deliveries consume.

That issue will become even more prominent if driver hours-of-service are cut back to 10 hours and the 34-hour restart provision is revoked by the Federal Motor Carrier Safety Administration when it issues its final HOS rules this month.

A reduction in daily driving time and longer weekend layovers would mean fewer turns per truck per week, requiring carriers to hire more drivers to move the same amount of freight. Pay rates would have to rise to keep current drivers, and more discouraged truckers could decide to "hang up their shoes" and leave trucking.

Shippers will need to do all they can to ensure their carriers have sound retention programs, lower turnover rates and a satisfied driver corps.

"I wouldn't be surprised if it got to the point where shippers encourage competing carriers to share freight to get the best productivity out of their drivers," White said.

– William B. Cassidy

CHANGE AHEAD

POSE®

A Note of Thanks

We appreciate this opportunity to serve your organization.

We are open for discussions and questions.

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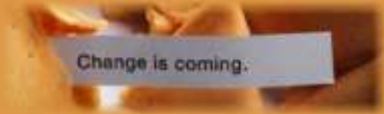
Change is coming.