OUTSOURCE FREIGHT

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THE SOURCE

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INSIDE THIS ISSUE:

SPECIAL POINTS OF INTEREST:

- **ARE WE DOING A GOOD JOB FOR YOU? If the answer is yes, consider introducing us to a customer or supplier. If they go with the Outsource team you win, too. Ask us about our residuals program.**
- **DO YOU SHIP WITH US SOME OF THE TIME? Become a Program Customer and we will guarantee savings of 10%.**

WHERE ARE THE DRIVERS?

All indicators point toward a robust growth rate for the supply chain industry. The slowly improving economy is steadily creating more consumer demand; orders for medium– and heavy-duty trucks are up by about 35% according to ACT Research. But will we have the drivers to meet logistics needs going forward? Industry experts think not, and they are concerned.

According to analysis recently conducted by the American Trucking Associations (ATA), 90% of truckload carriers say that they cannot find enough drivers who are capable of meeting U.S. DOT requirements . Currently the shortage is in the 20,000—25,000 range, but the ATA estimates that the shortage could potentially reach as many as 239,000 by the year 2022. While some shortages can be found in LTL and private fleets, the majority are in the truckload (TL) industry.

The problem could become much worse much sooner than forecast if the economic recovery is stronger than expected.

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BIRMINGHAM REGIONAL INTERMODAL FACILITY: STEPPING UP THE CRESCENT CORRIDOR

With the recent opening of the Birmingham Regional Intermodal facility, Norfolk Southern has completed Step 2 of the Crescent Corridor projects, an ambitious public-private initiative to establish a fast, efficient high-capacity intermodal freight rail route, which will eventually link the Gulf Coast with the Northeast.

> *"There is no other intermodal rail public-private project today that compares with the magnitude of the Crescent Corridor in terms of job creation and environmental benefits."*

According to Norfolk Southern CEO Wick Moorman, "There is no other intermodal rail private-public project today that compares with the magnitude of the Crescent Corridor in terms of job

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WHERE ARE THE DRIVERS?

When you factor in trucking demand projected to increase as early as 2013 by about 2% due to Hurricane Sandy reconstruction efforts, as well as pending HOS and CSA driver safety legislation which the ATA claims will reduce motor carrier productivity by as much as 3%, carriers could be facing considerable challenges in finding qualified drivers.

There are many numbers floating around, culled from a variety of sources, but what is indisputable is that there is a need for decisive action soon in order to avoid a marketplace crisis.

What can be done? Page Siplon, executive director of the Georgia Center for Innovation for Logistics and an appointee to the Department of Commerce's U.S. Advisory Committee on Supply Chain Competitiveness, believes that part of the answer lies in stepping up logistics education programs of all types, from vocational training for truck drivers to global supply chain degree programs, in order to meet the demand for not just more workers, but better workers. Siplon said that for generations "logistics has been an on-the-job sort of industry. But today the demands customers place on companies are changing, and that's leading to a whole new wave of technology, new ways to do fulfillment. These skills need to be trained and you can't just do on-the-job training." Siplon sees the need to "realize that supply chains and logistics play an important role in U.S. competitiveness" and that "we need to recognize that and measure that at the federal level."

Bert Johnson, vice president of human resources and driver recruitment at Con-Way Truckload, thinks it's important to take steps "to attract new individuals to become professional drivers."

Johnson goes on to say that "a partnership of government, trucking companies and their customers needs to be established to jointly solve these problems. Trucking companies need to come together to resolve issues" related to high driver turnover, resulting from drivers switching from one carrier to another in order to gain miles or pay.

The issue of comparatively low driver pay as a leading cause of hiring difficulties will have to be addressed as part of the overall solution. One industry expert said that driver pay has gone up some, but is still well below peak levels achieved in 2005. According to the U.S. Bureau of Labor Statistics, the gap between the average annual pay for a tractor-trailer driver ($39,830 in 2011) and the U.S. average wage ($45,230 in 2011) grew to 11.9% last year, up from 1% in 2001. But carriers just emerging from weathering a tight economy are reluctant—or unable—to raise pay by very much without imposing rate increases on their customers, which they are also understandably reluctant to do. Trucking executives have been conservative about hiring and putting more trucks on the road post-recession until the cost benefit of doing so is fully evident.

Can the driver shortage be solved and a potential supply chain crisis be averted? Probably. But it won't be easy or cheap for carrier or shippers, and success will require a public partnership.

Source: Journal of Commerce—11/2012, and ATA Analysis Paper, "Truck Driver Shortage Update" - 11/5/2012

"...what is indisputable is that there is a need for decisive action soon in order to avoid a marketplace crisis"

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creation or environmental benefits. Because of its strategic location and the growing intermodal demands throughout the country, the Birmingham terminal will serve as a major gateway for truck-competitive freight moving between the South and Northeast and enable NS to launch new service from Birmingham to the Northeast and Mexico."

It is estimated that by the year 2020 U.S. freight traffic will increase 100% and international trade will increase by 200%. Given the savings that can be realized in intermodal transportation, as well as the growing environmental concerns about the role of emissions in climate change, this facility—and the Crescent Corridor project as a whole—is a proactive an-

swer to these growth projections.

The Crescent Corridor projects are designed to stand alone, but when linked as part of an integrated multi-state network they will become even more effective in reducing truck traffic on congested highways, leading to improved energy efficiency, enhanced safety on the roads, and more public benefits such as greater mobility, less congestion, improved air quality, prudent land use and reduced shipping costs. The facility will also use the latest in gate and terminal automation technology, which will result in shorter waiting time for trucks entering the terminal, hence improved air quality and more efficient traffic flow.

This $97.5 million project has been funded in part by a $52.5 million TIGER grant awarded by the U.S. Department of Transportation, as part of the American Recovery and Reinvestment Act (ARRA), along with $6.57 million in federal CMAQ funding, $4 million from the Alabama Industrial Road and Bridge Access Program, and Norfolk Southern's commitment of $34.3 million. The Birmingham facility is the second of four new Crescent Corridor terminals to open. The Memphis facility opened for operation in July, 2012. The terminal at Greencastle, PA is scheduled to open in January, 2013, and construction began in early 2012 for a new terminal in Charlotte.

Source: Norfolk Southern Corp. news release—10/17/12, and DOT FHA projects data.

TRUCKLOAD CAPACITY TIGHT, PRICES EXPECTED TO RISE IN 2013

With the 2012 election and fiscal cliff in the rear view mirror, freight demand is on the rise, despite the sequestration now in effect and forecasts of an economy expected to continue to grow at a sluggish rate. The present tight supply of truck capacity, which is judged by the Journal of Commerce to be 17.6% below its peak level at the end of 2006, coupled with new regulations scheduled to go into effect in mid-2013 and the ongoing problem of driver shortages, could cause rates to spike upward by as much as 1 to 3 percent in 2013, according to equity research firm R.W. Baird.

Truckload and less-than-truckload (LTL) shipping volumes rose 2.9% in January, and 2.4% in December, 2012. Spot volumes rose at an even more impressive rate—24% from December. Shippers may run into a capacity hurdle more quickly than predicted, and industry experts say that would push rates higher.

Increased volume expectations are one part of the equation. The new hours-of-service rules, scheduled to take effect in July, could have a significant impact on cost and, subsequently, a serious impact on rates. On the other hand, the economy was off to a good first quarter start in both 2011 and 2012, only to fall into a slower growth pattern during the rest of the year. If 2013 follows this same pattern, then it is questionable whether the current growth in volume will be sustained.

Source: Journal of Commerce, 3/14/2013.

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ABOUT US

Established in 1990, OUTSOURCE, Inc. offers a complete range of freight management services and supply chain solutions to help you improve control and increase profitability.

OUTSOURCE specializes in worldwide logistics and transport, offering your organization an optimized transportation management solution. Our customer-driven approach to doing business allows us the flexibility to select services and solutions that best serve our clients' individual needs, and our extensive collective experience in distribution, warehousing, retailing and transportation logistics provides us with the expertise to make it happen.

Air, sea, rail and truck—we can handle all of your domestic and international shipping logistics and transport needs, freeing you to do what you do best.......grow your business.

TRIVIA

1. Which is the only U.S. state to feature a chemical compound in the name of its state capital?
2. In which year was the Corvette introduced—1955, 1954, 1953, or 1952?
3. We all know that the RMS Titanic hit an iceberg and sank on April 14, 1912, but do you know what the initials RMS stand for? Is it Royal Merchant Ship (Steamer), Royal Mail Steamer (Ship), Regal Mail Sailor, or Regal Merchant Ship?

Click here for answers to Trivia questions.