-OUTSOURCE→

VOLUME 8, ISSUE 5 May 2020

THE SOURCE

May 8th Blog Post

The Way Forward

***By* Chris Spear,** *President and CEO*
American Trucking Associations

The road to a responsible and quick recovery is now before us. As Congress returns to Washington this week, lawmakers on Capitol Hill are grappling with the same question on the minds of most Americans: Where do we go from here? Having already passed four rounds of COVID-19 relief legislation, they must now decide on our next course of action as the country looks to turn from crisis to recovery. Gauging the headlines, the road ahead might seem impassable. Beyond the staggering human toll, the coronavirus has left a devastating trail of economic destruction in its wake—and its impact continues to spread. Before the pandemic swept the globe, America was sliding into a deepening infrastructure crisis, but COVID-19 has now brought it full bore:


USA TODAY

Coronavirus cuts transportation funding, puts major road and bridge projects on hold

In Ohio, an interstate project in downtown Columbus was punted for a year because of reduced fuel taxes. Missouri delayed a handful of projects valued at $40 million slated for May. North Carolina postponed more than 100 transportation projects valued at $2.2 billion during the next year because of concerns that reductions in traffic volume would translate into steep reductions in fuel and motor-vehicle taxes.

As state transportation budgets run dry, the federal Highway Trust Fund hurtles toward insolvency. Thousands of jobs across the country, tied to urgent infrastructure projects in crucial battleground states, are now on the chopping block. It's challenging to spot silver linings amid a global pandemic, but if there's something working Americans can be grateful for during lockdown, it's a reprieve from the wretched traffic that's plagued daily commutes for years. But what happens when life returns to a new normal? America's sagging roads and cracking bridges will still be there, causing the bottlenecks and accidents that are the signature of everyday gridlock:

Whatever the future holds, it's clear we can no longer rely on yesterday's roads to get us there.

Rebuilding America Together. What if there was a smart way forward that finds common ground? What if we could jumpstart our economy, putting hundreds of thousands of Americans back to work in good-paying, private sector jobs—without adding another dime to the deficit? What if we could capitalize on this this rare moment in the global oil market—paying dividends to working Americans for decades to come?

Continued on page 2

ATA Blog The Way Forward

(Front page article continued)

There is. And we can. All that's needed now is the political courage to get there.

President Trump has never lost sight of his big and bold vision to revitalize America's degraded infrastructure – a cornerstone of his 2016 campaign. Speaker Pelosi has made rebuilding roads and bridges a top priority for her caucus, signaling she's ready to work with Treasury Secretary Mnuchin on a plan. And Leader McConnell has wisely insisted any infrastructure package be fully paid for.

Truckers agree with all three. Where pundits see conflict, we see alignment—and the way forward. In one package, infrastructure offers a singular solution to the tangled web of policy challenges woven by COVID-19: It would generate powerful economic stimulus in the near-term, providing hundreds of thousands of good-paying, private sector jobs. It would lay a strong foundation for long-term economic growth, strengthening our supply chain and securing America's preeminent position in the global economy. Most importantly, it can be done responsibly—and fully paid for—without adding a dime to the federal deficit.

Paying for It

While the COVID-19 crisis will pass, one of its lasting legacies has already been written. We've managed to pile $3 trillion onto our nation's credit card bill in a matter of weeks. These actions were necessary to prevent a catastrophic economic collapse, but their steep cost will reverberate for many years to come.

America's total national debt now tops $25 trillion – another crisis decades in the making. It's a heavy price dropped on our kids and grandkids, which they'll pay throughout their lives in the form of higher taxes and fewer economic opportunities. Moreover, an infrastructure bill without a dedicated funding stream has no teeth. Without budget certainty over a multi-year window, transportation officials can't move projects from the planning phase to the construction phase. Ground can't be broken, jobs are frozen and any progress is bogged down by Congress' annual appropriations cycle. In order to create value, infrastructure has to be funded. President Reagan knew how to do it. And like never before, the time to do it is now.

Capitalizing on this Moment

Reagan twice oversaw increases in the federal fuel tax during his Presidency, and for good reason. It's the most conservative, efficient and viable funding mechanism readily available for infrastructure improvements. That's as true today as it was back then. That's because the fuel tax is collected at the wholesale level – at what's known as a "terminal rack" – well before it reaches the retail pump. There are roughly 1,300 racks across the country, but collectively they're operated by only 300 entities.

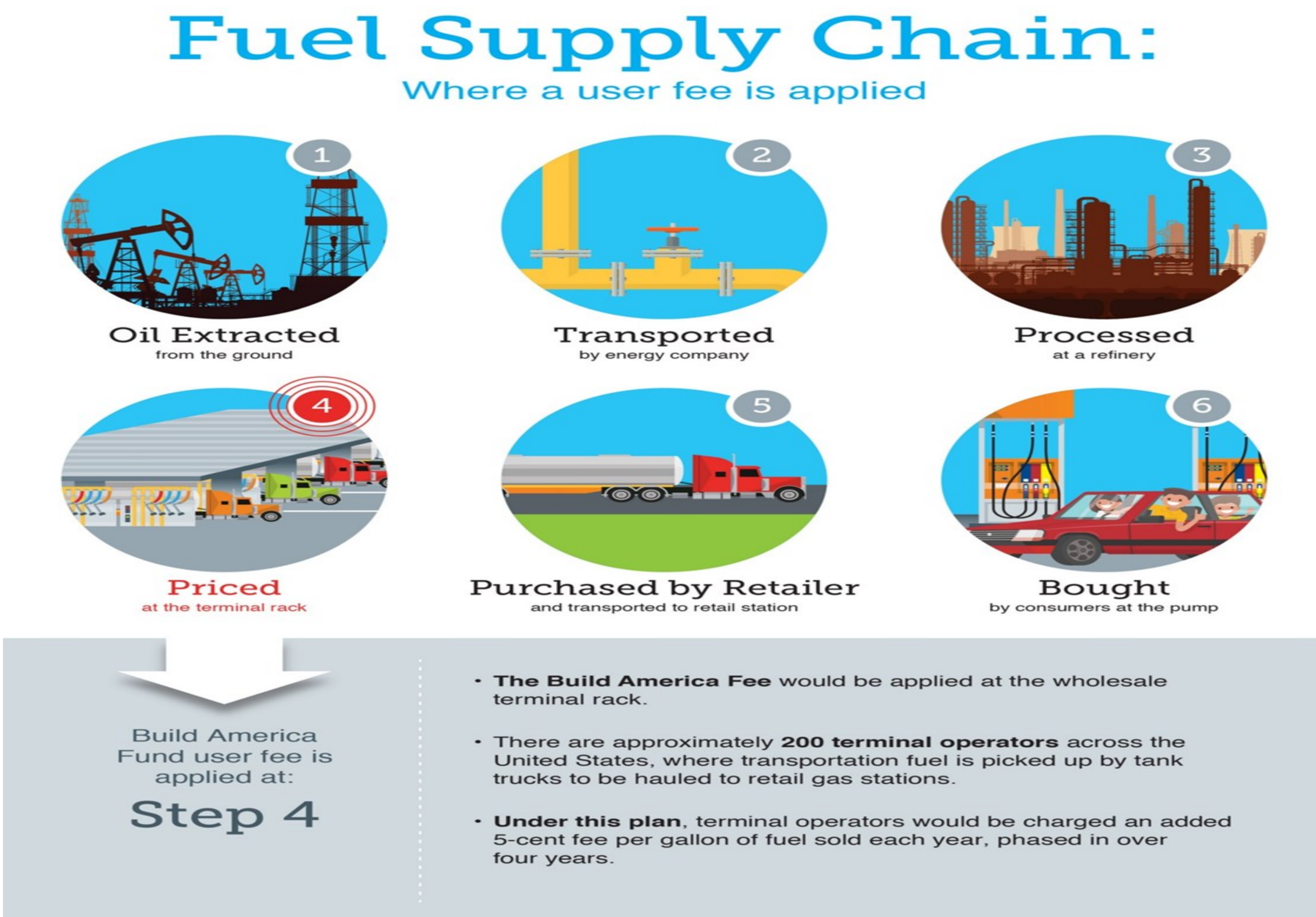
Yet Congress hasn't adjusted the fuel tax since 1993. Make no mistake—when government fails to fund infrastructure, it's the motoring public who pays: the typical motorist now loses $1,600 every year in wages, gas and vehicle repairs because of poor road conditions and the traffic congestion they create.

As COVID-19 roils oil markets, the present moment offers an enormous investment opportunity to recoup the economic losses inflicted on our country. As of May 8, the national average price for a gallon of gas is $1.82, compared to $2.88 one year ago. With prices now at historic lows to protect consumers, increasing the federal fuel tax by only a nickel each year, over four years, would generate $340 billion in new revenue over the next decade. A five-cent increase in the fuel tax would cost the average motorist merely an extra 50 cents at the pump each week. Even if a 20-cent increase was phased in immediately, motorists today would still be paying 80 cents less on each gallon of gas than they were a year ago because of COVID-19's effect on oil markets.

More importantly, well-maintained and responsibly funded surface transportation would realize significant savings for motorists by steadily reducing the $1,600 and 54 hours they're currently losing every year as roads and bridges fall deeper into disrepair.

Continued on page 3

continued from 2nd page



In It Together

"We're all in this together," is a common refrain heard as we confront one of history's greatest challenges. Truckers have helped carry America through this crisis, and we'll continue to lead as our country emerges out of it. When it comes to funding the roads and bridges that Americans use every day, the trucking industry more than carries its weight—and we're proud of the fact. While trucks account for only four percent of vehicles on our nation's roads, we pay nearly half of all Highway Trust Fund user fees. And we're willing to pay more to get this job done. But we're not alone. America's farmers, manufacturers, building trades, steel workers, business and labor leaders all stand in unison behind this national goal. Together we can rebuild America—faster, better and stronger than ever before.
So the question for Congress becomes: Are you with us?

TRIVIA QUESTIONS

1) **What year was Memorial Day first instituted?**
   A. 1919 **B.** 1796 **C.** 1868 **D.** 1947

2) **What was the original name for Memorial Day?**
   A. Decoration Day **B.** Flag Day **C.** National Enshrinement Day **D.** Day of the Dead

3) **Which event has been held on Memorial Day since 1911?**
   A. DC Cherry Blossom Festival **B.** Indianapolis 500 **C.** National Memorial Day Concert

4) **Which is the largest Military organization?**
   A. Disabled Veterans (DAV) **B.** Amvets **C.** Veterans of Foreign Wars **D.** American Legion

5) **What year was Memorial Day adopted as a National holiday?**
   A. 1919 **B.** 1971 **C.** 1967 **D.** 1948

6) **What year was Memorial Day adopted as a Federal holiday?**
   A. 1967 **B.** 1868 **C.** 1971 **D.** 1898

Answers Later In The Newsletter

FUEL REPORT

U.S. On-Highway Diesel Fuel Prices* (dollars per gallon) http://www.eia.gov/petroleum/gasdiesel/

	5/04/20	5/11/20	4/18/20	Change from week ago	Change from year ago
U.S. National Average	$2.399	$2.394	$2.386	-0.008	-0.777

Airlines to apply no fuel surcharges on int'l routes in June

May 18, 2020 Federal Despatch (www.federaldespatch.com)

Seoul (South Korea), May 18: South Korean airlines will not apply fuel surcharges on international routes in May to reflect falling oil prices, industry sources said Monday.

The surcharge for one-way tickets on international routes will come to zero the following month, unchanged from May. The zero rate will remain in place in June for the third straight month.

If the average jet fuel price on the Singapore spot market rises over US$1.50 per gallon, South Korean airlines are allowed to impose fuel surcharges starting one month later.

If jet fuel prices drop below the threshold, no surcharge is collected. There are 10 levels of surcharges, depending on the length of the route.

Jet fuel prices averaged 48.71 cents per gallon on the Singapore exchange between April 16 and Friday.

Local airlines have suspended most of their flights on long-haul routes due to a tumble in travel demand amid the coronavirus outbreak.

Air carriers will also apply no fuel surcharges on domestic routes in June for the second straight month due to declining oil prices.

Source: Yonhap News Agency

Editor's Note: Cathay Pacific also announced ZERO fuel surcharge as of June 1st. Other's should follow BUT…….

Taiwan Firm to Build Chip Factory in U.S.

By Bob Davis, Kate O'Keeffe and Asa Fitch May 14, 2020

Taiwan Semiconductor Manufacturing Co., TSM -1.87% the world's largest contract manufacturer of silicon chips, said Friday it would spend $12 billion to build a chip factory in Arizona, as U.S. concerns grow about dependence on Asia for the critical technology. TSMC said the project, disclosed earlier Thursday by The Wall Street Journal, has the support of the federal government and the state of Arizona. It comes as the Trump administration has sought to jump-start development of new chip factories in the U.S. due to rising fears about the U.S.'s heavy reliance on Taiwan, China and South Korea to produce microelectronics and other key technologies. TSMC made the decision to go ahead with the project at a board meeting on Tuesday in Taiwan, according to people familiar with the matter, adding that both the State and Commerce Departments are involved in the plans. Construction will begin next year with production targeted for 2024, the company said in a statement.

TSMC's new plant would make chips branded as having 5-nanometer transistors, the tiniest, fastest and most power-efficient ones manufactured today. TSMC just started rolling out 5-nanometer chips at a factory in Taiwan in recent months. TSMC said the plant would make 20,000 wafers a month, making it a relatively small facility for a company that made more than 12 million wafers last year alone. TSMC's Fab 18 in Taiwan, which currently produces its 5-nanometer chips, was targeted for 100,000 wafers a month when it broke ground in 2018. The company didn't say what financial incentives it may have secured to build in the U.S., or where in Arizona the plant would be built. TSMC said the factory would employ more than 1,600 people, the company said. The company cited the U.S.'s investment climate, skilled workforce and investment policies as reasons to extend manufacturing in the country beyond a smaller factory in Washington state. Most of TSMC's factories are in Taiwan.

Politically, the announcement could be a win for President Trump who has been campaigning to get companies to build in the U.S. He has also been looking to make sure that Republicans retain their majority in the U.S. Senate. Arizona Sen. Martha McSally is among the Republicans facing a tough challenge in this November's election. "We shouldn't have supply chains. We should have them all in the U.S.," the president said on Fox Business on Thursday, when discussing production during the pandemic. In a statement, Commerce Secretary Wilbur Ross praised TSMC's plan and called the plant a sign that Mr. Trump's manufacturing agenda was succeeding. It resulted from years of talks between TSMC, Arizona's government and the administration, he said.

TSMC has had to spend big to maintain its lead in chip-making, which requires some of the world's most complicated manufacturing tools. In January the company outlined capital expenditures of between $15 billion and $16 billion for this year. The chip plant investment could also help TSMC in lobbying efforts to get the Trump administration to drop its plans to require an export license for many chips shipped to Chinese telecom giant Huawei Technologies Co. that are produced by U.S.-designed chip-making tools. The proposed new rule would give the Commerce Department the ability to block the sale of semiconductors manufactured by TSMC for Huawei, which the U.S. deems a major national security threat. Huawei denies the allegations.

U.K. Announces Plan for Sweeping Tariff Cuts After Brexit

By: Joe Mayes | May 19 2020

The U.K. set out its post-Brexit tariffs plan, cutting import duties on many products while protecting industries such as automotive and agriculture in global trade beyond Europe. Items like dishwashers, freezers and Christmas trees will be able to enter the U.K. tariff-free as of Jan. 1 2021, the Department for International Trade said in a statement Tuesday. Under the plan, 30 billion pounds worth ($36.6 billion) of tariffs will also be removed on supply chain imports, like copper alloy tubes, and screws and bolts, the department said.

Britain's so-called "global tariff" regime is a key part of its economic policy as it leaves the European Union, because it replaces the EU's common external tariff, which sets duties on non-EU trade not otherwise covered by a preferential agreement. The U.K. said 60% of its trade will come in tariff-free under its plan, compared to 47% currently. "Our new global tariff will benefit U.K. consumers and households by cutting red tape and reducing the cost of thousands of everyday products," International Trade Secretary Liz Truss said in the statement. "We are backing U.K. industry and helping businesses overcome the unprecedented economic challenges posed by coronavirus." However, the U.K. said it would maintain a 10% tariff on cars, and also keep duties on agricultural products like beef, lamb and poultry, to protect those industries. The government also said it was cutting duties on renewable energy items like thermostats, vacuum flasks and LED lights, to promote a green economy.

Separately, the U.K. is engaged in trade talks with the EU, aiming to sign a Canada-style accord that would eliminate most tariffs and quotas on goods but introduce new barriers like customs paperwork. The latest round of talks ended with little progress last week. The U.K.'s announcement will help its ongoing trade negotiations with the EU, the U.S and Japan because it makes clear what the default duties would be if no agreement is reached in these talks, said Sam Lowe, senior research fellow at the Centre for European Reform. Britain's plan also marks a walk-back from the temporary tariff schedule it proposed in the event of a no-deal Brexit last year, which would have seen 87% of U.K. imports made tariff-free. That proposal was criticized for giving away too much British leverage in future trade talks. "It seems to me that those in government who wanted to retain tariffs for the purpose of future trade negotiations won the argument this time round," Lowe said.

Highway Regulators Shift Work Rules for Truck Drivers

By Jennifer Smith, WSJ, May 14, 2020

Highway safety regulators are changing work rules that limit truck drivers' time behind the wheel, shifts they said would give drivers more flexibility without increasing overall daily driving time.

The new regulations, which come as truck drivers face tough operating conditions amid the coronavirus pandemic, would save trucking companies an estimated nearly $274 million annually over 10 years, the Federal Motor Carrier Safety Administration said Thursday. The modifications are aimed at settling years of debates between safety advocates, trucking companies and drivers over regulations intended to reduce accidents caused by highway fatigue. The rules limit most commercial truck drivers to 11 hours of driving time in a 14-hour workday, with certain prescribed rest breaks. Some trucking companies and independent truck drivers say the existing rules are too rigid and end up running out the clock when drivers get stuck in traffic or are waiting at loading docks. Safety advocates and the Teamsters union warn that altering the regulations could increase the risk of crashes.

Under the hours-of-service rules set to take effect later this year, periods when long-haul truck drivers are on duty but not driving can be used to satisfy a required 30-minute break after eight hours of driving. Drivers also gain additional leeway to split a mandated 10-hour off-duty period into two separate breaks, neither of which would count against their 14-hour driving window. The agency extended drivers' maximum on-duty period by two hours in the event of adverse conditions such as severe weather. The new rules also expand an exemption for short-haul drivers, who can now be on duty for 14 hours instead of 12 and are allowed to travel 150 miles, up from the previous limit of 100 miles. "These reforms will improve safety on America's roadways and strengthen the nation's motor carrier industry," FMCSA Acting Administrator Jim Mullen said in a statement. The changes will take effect 120 days after they are published in the Federal Register.

The updates come as trucking companies are coping with sharply reduced freight volumes because of coronavirus-driven lockdowns. An index of North American trucking and rail shipments fell 22.7% in April compared to the previous year, to the lowest level in more than a decade, according to Cass Information Systems Inc., which handles freight payments for companies. Cass said trucking rates declined 7% last month from a year ago. In March the FMCSA suspended driving-time limitations for truckers moving emergency supplies or personnel in response to the coronavirus pandemic. The agency this week extended that exemption through June 14.

PS Logistics buys assets of Georgia trucking company

Posted May 20, 2020 on AL.com

Birmingham's PS Logistics has announced an agreement to purchase the assets of Savannah, Ga.-based CT Transportation. Terms of the deal were not disclosed. CT Transportation, originally Coastal Transport & Trading Company, was founded in 1939 and is the flatbed subsidiary of Comcar Industries, while filed for Chapter 11 bankruptcy protection today in Delaware. PS Logistics' acquisition is subject to approval by the bankruptcy court and is expected to close in the next 30 days. CT Transportation has about 250 drivers and specializes in the building materials industry.

PS Logistics is one of the largest and fastest growing flatbed transportation providers in the U.S., and the deal will beef up its operations in the southeast and mid-Atlantic regions. It also adds terminals in Bridgeport, Ala., Savannah, Ga., Jacksonville and Apollo Beach, Fla., Mocksville, N.C. and Baltimore. Since 2007, PS Logistics has successfully acquired 19 trucking and brokerage operations. PS Logistics CEO Scott Smith said the company is looking forward to working with the company's "excellent drivers and experienced operations team to continue their 80-year legacy of strong customer service."

Panel of shippers looks at the question of YRCW's fate

By John Kingston May 20, 2020

In a broad-based discussion about the state of the trucking market with a panel of shippers, the talk got very specific when the panel's moderator asked about one particular carrier – YRCW. At the Wolfe Research Global Transportation & Industrials conference, analyst and moderator Scott Group asked the virtual gathering about whether the large shippers he had brought together might be impacted by the ongoing financial troubles at the less-than-truckload (LTL) carrier. Specifically, he turned to one shipping manager who does a great deal of business with YRCW. "All four of their divisions are big within our network," the shipping manager said, an apparent reference to not just YRC Freight but also to USF Holland, New Penn Motor Express and USF Reddaway. "We are staying close and monitoring their status. They've been a big partner for us as long as I've been in the business," a period he said was about 10 years.

The shipping executive had said earlier on the panel that his company was going through a bid process now for future freight needs and that YRCW was a part of the exercise. He added that his firm has "no immediate plans" to reduce its activities with YRCW, "but we are making sure we have a contingency plan or two in place for the worst-case scenario. We've been there with YRC from the get-go and our plan is to stick with them in challenging times," he said. But less optimistic was another shipper that is near a bid round for LTL services, and YRCW "has been talking with us over the past year and we'll see what comes from that."

But he was blunt. "Given the risk involved, it is unlikely we would bring them in as a carrier," he said. "But we will see."

Postal Service to review package delivery fees as Trump influence grows

By Jacob Bogage and Josh Dawsey, May 14, 2020

Weeks before a Republican donor and top White House ally becomes postmaster general, the U.S. Postal Service has begun a review of its package delivery contracts and lost its second-highest executive, which will leave its board of governors without any officials who predate President Trump. The moves, confirmed by six people with knowledge of the Postal Service's inner workings but not authorized to speak publicly, underscore how Trump is moving closer to reshaping an independent agency he has dubbed "a joke." The Postal Service in recent weeks has sought bids from consulting firms to reassess what it charges companies such as Amazon, UPS and FedEx to deliver products on their behalf — often in the "last mile" between a post office and a customer's home. Higher package rates would cost shippers and online retailers billions of dollars, potentially spurring them to invest in their own distribution networks instead of relying on the Postal Service.

Trump for years has alleged, without evidence, that the Postal Service is undercharging companies, particularly Amazon (whose founder and chief executive, Jeff Bezos, owns The Washington Post). The agency has steadfastly rejected that assessment, saying it charges what it can given a competitive marketplace.

The Postal Service and the White House declined to comment. Trump has recently threatened to withhold a $10 billion line of credit approved by Congress in a coronavirus stimulus package unless the Postal Service quadruples what it charges to deliver packages. Independent analysts warn that such a change would devastate the agency, which has increasingly relied on such deliveries for a fast-growing portion of its business.

But recent developments show that Trump's efforts to reshape the USPS are gaining traction. By the end of next month, every member of the agency's bipartisan governing board will be a Trump appointee. Democratic vice chairman David Williams resigned April 30, fed up with Trump's approach to the agency, according to people familiar with his thinking.

(appearing later in the article*) Postal leaders have told lawmakers that they expect the agency to lose $13 billion this year as the pandemic causes the volume of personal and marketing mail — on which the USPS has its highest profit margin — to fall by close to 20 percent and 45 percent, respectively.* Copy & paste the following link to read the rest of the article https://www.washingtonpost.com/business/2020/05/14/trump-postal-service-package-rates/?mod=djemlogistics_h

Answers to Trivia

Amazon to add new SBD cargo hub

5/11/2020 By Damian Brett, Air Cargo News

Photo: Amazon Air B737-800F

Amazon Air has announced plans to open a new regional air hub at San Bernardino International Airport (SBD).

The 660,000 sq ft facility is being built through a partnership with the airport and developer Hillwood Enterprises. The project was approved by the Federal Aviation Administration (FAA) late last year. UPS and FedEx also have facilities at the airport, meaning it will cater for three of the largest cargo carriers in the US. Local press reports suggest that operations could begin in the Autumn, although environmental campaigners are taking the FAA to court over the approval. Michael Burrows, executive director of SBD International Airport, said: "We are pleased to invite Amazon Air to initiate cargo operations alongside other partners at our new cargo facility to benefit local residents and contribute to the region's job growth and economic recovery." Sarah Rhoads, vice president, Amazon Global Air, added: "Our new Regional Air Hub at SBD International Airport allows us to better deliver on our commitment of fast, free shipping for our customers. "The Regional Air Hub is being built from the ground up to fit Amazon Air's operational needs, including the use of solar power and electric ground support equipment. We look forward to opening the facility in 2021. Ever since the 1988 closure of Norton Air Force Base, our community has been looking for new ways to utilize the airport's potential to bring good-paying jobs back to San Bernardino," said Representative Pete Aguilar of California's 31st Congressional District. "In these challenging times, this type of investment will make the San Bernardino International Airport an engine for future economic growth and create thousands of new jobs for our residents. I look forward to working with Amazon Air and the San Bernardino International Airport Authority to ensure this development leads to the best possible outcomes for our community."

The e-commerce giant has announced a series of cargo hub developments over the last few years as it looks to support its rapidly growing air cargo network. These cargo hubs include Chicago Rockford, Baltimore/Washington International, Miami,Dallas and its main hub at Cincinnati/Northern Kentucky International Airport.

-OUTSOURCE-
THE FREIGHT MANAGEMENT COMPANY

The Cost of PANDEMIC

Quotable

"If this isn't the retail apocalypse I don't know what would be."

— Sarah Wyeth, lead analyst for retail and restaurants at S&P Global Ratings.

Number of the Day

1.53

U.S. retailers' inventory-to-sales ratio in March, up from 1.43 in February and the highest level since April 2009.

Toyota Motor plans to slash production in North America by 29% through October. (Reuters)
https://www.reuters.com/article/us-toyota-production-exclusive/exclusive-toyota-to-cut-north-american-output-by-29-through-october-idUSKBN22N1W4?mod=djemlogistics_h

Japan's economy fell into a recession in the first quarter, shrinking at an annualized 3.4% in the period. (WSJ) https://www.wsj.com/articles/japans-economy-falls-into-recession-in-first-quarter-of-2020-11589760760?mod=djemlogistics_h

Germany fell into recession in the first quarter, shrinking at 8.6% rate. (WSJ) https://www.wsj.com/articles/germany-enters-recession-but-fares-better-than-neighbors-11589547264?mod=djemlogistics_h

Canadian housing sales plunged at a record rate in April. (WSJ)
https://www.wsj.com/livecoverage/coronavirus-2020-05-15/card/3M30qLmlGNDurg1AAfki?mod=djemlogistics_h

A Mercedes-Benz SUV plant in Alabama will stop production this week because of snags in its international supply chain. (WSJ) https://www.wsj.com/livecoverage/coronavirus-2020-05-15/card/eaIrjBLsxZqH343z7HwJ?mod=djemlogistics_h

Taiwanese container line Yang Ming lost $27.2 million in the first quarter on a 4% drop in container volume. (Lloyd's List) https://lloydslist.maritimeintelligence.informa.com/LL1132359/Yang-Ming-underscores-state-backing-amid-firstquarter-losses?mod=djemlogistics_h

Recession wipes out 88,000 trucking jobs: BLS 08 May 2020 https://www.joc.com/trucking-logistics/truckload-freight/recession-wipes-out-88000-trucking-jobs-bls_20200508.html

The recession caused by the COVID-19 pandemic has erased years of trucking employment gains, bringing payroll headcounts below 2006 levels, US data shows.