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THE SOURCE

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"Infrastructure" ATA calls for US Congress to Act

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It's time to put American dollars back into American roads

"**One of our great material blessings is the outstanding network of roads and highways that spreads across this vast continent. Freedom of travel and the romance of the road are vital parts of our heritage, and they helped to make America great. Four million miles of streets and roads make it possible for the average citizen to drive to virtually every corner of our country -- to enjoy America in all its beauty and variety. They also form a vital commercial artery unequaled anywhere else in the world.**"

- President Ronald Reagan
November 27,1982

By Randy Guillot, Chairman of the American Trucking Associations and President of Triple G Express and Southeastern Motor Freight in New Orleans, Louisiana

America's highway system was once the envy of the world. Led by the vision of President Dwight Eisenhower, together we built a vast and modern network of roads and bridges that connected the country, expanded interstate commerce and powered our economic engine through the second half of the 20th century. By the end of the Cold War, the United States had arrived as the world's unrivaled superpower, and this marvel of American ingenuity had—in the words of Ronald Reagan—truly made the average American driver "king of the road."

How times have changed. Since the turn of the century, our infrastructure has been in a state of steady and managed decline. While the U.S. Constitution entrusts the Congress with maintaining our national road and bridge network, leaders in Washington have failed to uphold this responsibility for decades, opting time and time again to kick the can down the road and pass the buck. Make no mistake: When Washington fails to properly fund national infrastructure, it's the motoring public who pays the price. In 2019, the average American spent 99 hours stuck in traffic, costing them $1,377 in wasted gas, lost time and vehicle maintenance. Today, our degraded roads and bridges are slowing the economic recovery, draining motorists' valuable time and hard-earned income, and—worst of all—burying our children and grandchildren in mountains of debt as we become increasingly dependent on borrowing from overseas to pay for the things we need here at home. No one sees these consequences more clearly than America's truckers. Our industry loses $73.5 billion every year to congestion on the nation's highway system, totaling 1.2 billion hours of lost productivity – the equivalent to 425,533 truck drivers sitting idle for a year. That hits consumers in the form of higher shipping costs and delayed deliveries. It also harms our environment with 67.3 million metric tons of excess carbon dioxide emissions being emitted into the atmosphere—and trucks account for only four percent of vehicles on the road.

- President Reagan understood infrastructure's value isn't measured in asphalt, concrete and steel—it's measured in long-term growth and prosperity. Infrastructure is the underlying foundation of an economy that, when properly maintained, opens up the arteries of commerce. Investing in this cherished national asset is key to realizing America's greatness, potential and destiny. And only the

“INFRASTRUCTURE” Cover Story continued

to get the job done. Starved of federal funding, many states are doing their best to pick up the pieces and make ends meet. In my home state of Louisiana, I commend Governor Bel Edwards and his administration for making infrastructure a top priority, investing more than $3.6 billion toward 1,452 infrastructure projects, totaling nearly 5,000 miles, and doing so in a fiscally responsible manner. Even so, the state still faces a project backlog of $14.6 billion. Unless Congress can get its act together, projects like these all across the country will continue to be put on hold at motoring public’s expense.

Improving our nation's infrastructure is critical to America’s 3.6 million truck drivers. Every day, they must traverse our country’s sinking roads and sagging bridges in order to meet the demands of consumers and provide for our recovering economy. Truckers don’t outsource our responsibilities, and we’re asking Washington to stop outsourcing theirs to future generations and foreign countries.

- No more delays. No more borrowed cash from China.
- Pass reform and pay for American infrastructure now.

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Forward Air acquires CLW Delivery Inc., in move geared towards expanding final mile services

By Jeff Berman, Group News Editor · September 17, 2020

Earlier this week, Greeneville, Tenn.-based asset-light freight and logistics services provider Forward Air Corporation announced it has acquired the assets of Johnson City, Tenn.-based CLW Delivery Inc., a privately held final mile provider specializing in last-mile logistics and in-home installation services for national retailers and manufacturers, for cash consideration of $5.5 million. Forward Air said it anticipates that this transaction, which will be funded from cash on hand, will close in October 2020. And it also noted that this acquisition of part of a growth strategy it is executing that is focused on organic infrastructure investment, including its ongoing LTL (less-than-truckload) network expansion and its organic investments, in the form of acquiring complementary businesses. What’s more, the company noted that bringing CLW into the fold supports Forward’s strategic growth plan by expanding the footprint of Forward’s Final Mile business into an additional 14 markets. And it added that with this acquisition, coupled with FSA Logistix and Linn Star Transfer in 2019, Forward Final Mile has “experienced a period of hypergrowth, expanding from eight operating locations into 110 in under two years. “

CLW is expected to contribute $20 million of revenue and $1 million of EBITDA on an annualized basis, noted Michael J. Morris, Forward AirSenior Vice President and CFO, in a statement. “Our Final Mile business is a key area of growth for Forward,” said Tom Schmitt, President, Forward Air Chairman and CEO, in the same statement. “CLW offers a unique opportunity to expand our Final Mile service offering by stretching into customized installations and builder projects, which is something we haven’t provided in the past. Bringing in CLW marks our commitment to advancing our capabilities within this space.”

A Forward Air spokesman told LM that there were multiple drivers for acquiring CLW Delivery. “CLW is a reputable player in the industry, and their footprint complements our existing final mile footprint nicely,” he said. “Another thing we like about CLW is their ‘asset-light’ model. The assets we acquired were relevant to the continuation of the business service. The acquisition of CLW helps expand our customer base and our service offering into customized installations and various builder projects. This is a step toward advancing our capabilities within the final mile delivery space and supporting growth in a new vertical.” As for the main competitive advantages of this deal, from a Forward Air perspective, the spokesman pointed to how the company has increased its footprint within the final mile space, while also adding bench strength, saying that this acquisition expanded customer relations and allowed it to add business segment verticals.

TRIVIA QUESTIONS

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1) The Supreme Court ruled in 1893 that Tomatoes were a fruit. What other food item did they rule was a fruit?
A. Potatoes **B.** Carrots **C.** Pickles **D.** Peppers

2) Where is the "Highest Court in the Land" located?
A. New York City **B.** Washington D.C. **C.** Basketball Court on top floor of Supreme Court

3) How old was the youngest Supreme Court Justice ever?
A. 43, Jacob Ladder **B.** 32, Joseph Story **C.** 47, Thurgood Marshall **D.** 36, William Armbruster

4) Who was the only President who also became a Supreme Court Justice?
A. James Madison **B.** Herbert Hoover **C.** John Quincy Adams **D.** William Howard Taft

5) There are 10,000 assigned cases considered annually. How many are actually heard and a decision returned?
A. 150—200 **B.** 75—85 **C.** 1,000 approximately **D.** 10—25

6) With Samuel Alito being appointed to the Court, which Law School had the most alumni of the S. Court?
A. Harvard **B.** Yale **C.** Columbia **D.** Stanford

Answers Later In The Newsletter

FUEL REPORT

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

	8/31/20	9/07/20	9/14/20	Change from week ago	Change from year ago
U.S. National Average	$2.441	$2.435	$2.422	. - 0.013	- 0.565

U.S. Secretary of Transportation Elaine L. Chao Announces $1 Billion to Upgrade American Infrastructure

Wednesday, September 16, 2020 Department of Transportation Briefing Room

WASHINGTON – U.S. Secretary Elaine L. Chao today announced that the Trump Administration will invest $1 billion in American infrastructure through the Better Utilizing Investments to Leverage Development (BUILD) Transportation Discretionary Grants program. The funding has been awarded to 70 projects in 44 states. "This Administration is making significant investments in infrastructure, and this $1 billion in BUILD grants will repair, rebuild, and revitalize transportation systems across America," said U.S. Secretary of Transportation Elaine L. Chao.

Fiscal Year 2020 BUILD Transportation grants are for planning and capital investments in surface transportation infrastructure and were awarded on a competitive basis for projects that will have a significant local or regional impact. BUILD funding supports roads, bridges, transit, rail, ports or intermodal transportation. Since 2017, the Administration has awarded nearly $4 billion in BUILD grants to improve America's infrastructure. The program selection criteria encompassed safety, economic competitiveness, quality of life, state of good repair, environmental sustainability, innovation, and partnerships with a broad range of stakeholders.

To better address the needs of rural America, which has historically been neglected, the Department is awarding 50% of BUILD Transportation grant funding to projects located in rural areas that deliver positive benefits for these communities, consistent with the Department's R.O.U.T.E.S. initiative. For this round of BUILD Transportation grants, the maximum grant award is $25 million, and no more than $100 million can be awarded to a single State, as specified in the appropriations act.

COSCO MALAYSIA rescues four from sailboat off Tampa Port, FL

By: AJOT | Sep 16 2020

On September 13th, the Captain and crew of the COSCO SHIPPING Lines container ship COSCO MALAYSIA rescued a sailboat crew in distress in the Gulf of Mexico, 130 nautical miles west of Port Tampa Bay, Florida. At 8:22 local time, the COSCO MALAYSIA received a distress call from the sailboat and immediately carried out rescue operations under instruction from local U.S. Coast Guard officials. At 11:00 local time, the four seafarers on the distressed sailboat were successfully rescued by the crew of COSCO MALAYSIA and boarded the over 1,000 feet long 8,500 TEU container ship safely.

The crew of COSCO MALAYSIA provided water, food and dry clothing for the rescued party while complying with all regulations including appropriate social distancing measures. The rescuees disembarked approximately 21:00 local time at the Port Tampa Bay in Florida.

Paul Anderson, President & CEO of Port Tampa Bay said, “The COSCO MALAYSIA was on her way to Port Tampa Bay from Mobile, Alabama, and Tropical Storm Sally caused severe weather and waves in the Gulf of Mexico. We are thankful that the COSCO MALAYSIA and her crew were able to save the sailors and bring them to safety. Mariners saving fellow mariners, this has been going on for millenniums, and part of what a mariner is called upon to do.”

Maerk first to cancel GRI and cut transpacific rates as China wades in

By Alex Lennane, The Loadstar, 09/15/2020

Maersk has reportedly reduced its planned mid-September transpacific GRIs, thought to be due to China’s move to step in to reduce freight rates on the trade. Last week, Zest Shipping Media reported that Chinese authorities planned to interfere in pricing and capacity management on the transpacific as rates soared to record highs. Dennis Zhou, founder of Zest, noted this morning that Maersk had quoted $4,200 for US west coast, and $5,000 for the east coast, and it was now $3,900 and $4,700, respectively.

Cosco/OOCL also cancelled its September 15 GRI plan, he added, and “other carriers are expected to follow Maersk”. Mr Zhou said the rate cuts were in response to decisions made at a conference for Chinese authorities, on Friday, to limit capacity management and high rates, in an attempt “to further stabilise foreign trade and maintain the stability of the international container liner markets such as China and the United States”.

Maersk’s reported move was welcomed by one analyst. “That would seem to be the most sensible thing to do right now,” noted consultant Andy Lane on LinkedIn. “The rates are already at a level where good voyage profits can be made, and this is not the time to get too greedy. “One can only hope that when the market turns, which ultimately it will, that rates remain in the profit-making range and don’t decline to loss-making, where they have been for the majority of the past decade.” But last week, Sea Intelligence’s Lars Jensen warned of the risks of government interference in rates and capacity: “This would have an unprecedented impact on the market and, more worryingly, potentially derail the carriers’ ability to manage capacity in the face of extreme demand volatility.”

Number of the Day

182%

Annual increase in average spot-market price to ship a container from Shanghai to Los Angeles in the third week of September, according to Drewry Shipping Consultants.

Maersk to Cut Jobs in Major Reorganization

By Reuters Staff, 9/15/20

COPENHAGEN (Reuters) - Maersk will cut jobs in a major shake-up that will affect a third of the shipping giant's staff as it seeks to integrate its seaborne container and in-land logistics businesses, it said on Tuesday. Maersk, which handles about one in five containers shipped worldwide, has been under pressure from investors to speed its transformation from an unwieldy conglomerate but has proved resilient in the face of the COVID-19 pandemic. Cost cuts and its reinstatement of more upbeat guidance last month have helped to double its share price since March.

The company sold its oil and gas assets in 2017 to Total as part of its efforts to become a more streamlined company focused on its container and in-land logistics business for large customers such as Walmart and Nike. Under the shake-up, its Damco freight-forwarding business and Africa-focused carrier Safmarine will be integrated into Maersk by the end of the year and their brands will cease to exist, Maersk said in a statement on Tuesday.

“Simplifying the organization will regrettably impact jobs due to duplicate roles and roles that will no longer be needed,” Chief Commercial Officer Vincent Clerc said earlier in an internal email sent to Maersk employees and seen by Reuters.

A Maersk spokeswoman said that between 26,000 and 27,000 employees out of Maersk’s total headcount of 80,000 will be affected by the restructuring. The company did not say how many would be laid off and the internal email also gave no detail on the number of job cuts. Hamburg Sud, which Maersk bought in 2016, will remain a separate brand but its back office will be rolled into that of Maersk, the company said. The Hamburg Sud unit employs 4,500 people while Damco and Safmarine have 2,300 and 1,100 staff respectively, according to Maersk.

Import Container Transloading - In the Port areas **40’ Containers turned into 53’ Trailers**

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FedEx introduces 2021 rate increases

By Jeff Berman, Group News Editor Logistics Management· 9/15/20

Memphis-based global freight transportation and logistics services provider FedEx said this week that its shipping rates are set to head up, effective January 4, 2021. Company officials said that these coming rate increases will "enable FedEx to continue investing in service enhancement, fleet maintenance, technology innovations and other areas to serve customers more effectively and efficiently." For FedEx Express, the company said shipping rates will head up by an average of 4.9%, for its U.S. domestic, U.S. export, and U.S. import services. And rates for FedEx Ground and FedEx Home Delivery will also go up by an average of 4.9% with FedEx SmartPost and shipping rates also going up, but the company did not provide specifics. The company also said that its list of delivery area surcharge U.S. ZIP codes for FedEx Express, FedEx Ground, and FedEx SmartPost are also set to change, beginning on January 4, 2021. What's more, FedEx said that, effective January 21, it will begin charging a 6% late fee to U.S. FedEx Express and FedEx Ground customers that do not pay invoices within their agreed upon payment terms.

Beginning January 18, 2021, it said that the following FedEx Express, FedEx Ground, and FedEx Freight surcharges will go into effect:

- how Additional Handling Surcharge is assessed for FedEx Express and FedEx Ground packages, with a surcharge applying to any package that measures greater than 48 inches along its longest side and measures greater than 30 inches along its second-longest side and has an actual weight greater than 50 pounds, for FedEx U.S. Express Package Services and U.S. Ground Services or an actual weight greater than 70 pounds for FedEx International Express Package Services and International Ground Services;
- a surcharge will be applied to any Express and Ground package greater than 105 inches in length and girth;
- FedEx Freight will introduce a High Cost Service Area Surcharge that applies to certain shipments;
- certain U.S. locations will be assessed an International Out-of-Delivery-Area Surcharge or an International Out-of-Pickup-Area Surcharge for FedEx International Express Freight services; and
- FedEx Freight rates will increase by an average of 5.9%, applicable to the FXF 100, FXF 501, Offshore (includes FXF 300, FXF 303 FXF 352 and FXF 370 series) and commodity rates (includes pallet, volume, or truckload), among others

Rob Martinez, president and CEO of San Diego-based Shipware, told *LM* that FedEx has presented what he described as a significant list of changes and rate hikes. "[It is] indicative of the fact that the demand for parcel delivery services through the Covid-19 pandemic currently exceeds the supply," he said. "The 'average' of 4.9% sounds rather mundane, once again, it's double the average annual inflation (2.46% 1990 through the end of 2018), and nearly triple 2019's 1.81%." And he also noted that his firm is also not surprised by continued changes to the Additional Handling Service (AHS) surcharge, as both FedEx and UPS have continued to increase fees for larger packages that don't easily fit within its conveyance system. As for the new 6% fee for the outstanding balance when invoices are not paid within terms, he explained that FedEx joins UPS that has long imposed a Late Fee. "It becomes even more important for shippers to utilize freight audit and payment providers to avoid unnecessary late payment fees," noted Martinez.

FedEx Logs Record Revenue on Surge in Packages

Company's Ground unit handled 31% more parcels a day during summer months

Christmas came in July for FedEx Corp. The delivery company posted the highest quarterly revenue in its history as the coronavirus pandemic spurred residential-shipment levels normally seen during the holiday season. FedEx shipped 31% more packages a day through its Ground network during the summer months. The extra cargo boosted profit more than 60% for the three months ended Aug. 31. More consumers are buying products such as laptops and toilet paper online because of temporary store closures and pandemic restrictions. That has primarily been a boon to the FedEx Ground business, which handles shipments for chains such as Target Corp. and Dick's Sporting Goods Inc. Those retailers reported e-commerce sales more than doubled in their latest quarters.

FedEx expects the trend to stick. It now projects an average of 100 million parcels will be shipped daily in the U.S. across all carriers sometime in 2023, compared with its previous forecast of hitting that milestone in 2026. "The growth we expected to see in three to five years happened in a matter of three to five months," Raj Subramaniam, the company's chief operating officer, said on a conference call. The Express business, which ships packages and cargo by air, received a boost from the sharp decline in international passenger flights, which used space in their bellies to ferry shipments across the globe. With fewer commercial flights, shippers are paying to use jets flown by FedEx or its rivals. International volume in the Express business rose 16%.

After struggling to manage the rise in volume early in the pandemic, FedEx and its main rival, United Parcel Service Inc., are now turning their focus to the holiday season, which will layer another cascade of packages onto already strained networks.

"We believe e-commerce will keep volumes elevated and it will be a record breaking peak," Chief Marketing Officer Brie Carere said. The carriers and the U.S. Postal Service are trying to manage the expected shipping volume with new peak surcharges aimed at some of the largest shippers. The higher fees are also meant to offset some of the added costs of delivering packages and operating during the pandemic. In the latest quarter, FedEx spent about $100 million on protective equipment, additional cleaning and other measures to protect its workers. Delivery companies are also hiring more workers to help with the expected seasonal surge. FedEx is increasing its annual holiday hiring goal to 70,000 extra workers, up from around 55,000 in previous years. UPS, meanwhile, is hiring about 100,000 workers over the next few months after adding nearly 40,000 earlier this year.

For the quarter, FedEx reported earnings of $1.25 billion, compared with $745 million a year earlier. Excluding certain expenses, the company said earnings per share were $4.87. Revenue rose 13% to $19.3 billion from a year earlier. The results topped Wall Street's expectations, and FedEx shares were up more than 9% in after-hours trading. The stock has more than doubled from its March lows.

ATA Welcomes FMCSA Pilot Proposal for Under-21 Commercial Drivers

Federation Pleased to See Effort to Safely Expand Driver Pool **From the ATA Blog**

Arlington, Virginia – Today, leaders at the American Trucking Associations thanked the Trump administration, including Secretary Elaine Chao, and the Federal Motor Carrier Safety Administration for moving ahead with a proposed pilot program to allow in-state licensed commercial drivers between the ages of 18 and 20 to operate commercial vehicles across state lines. "This is a significant step toward improving safety on our nation's roads, setting a standard for these drivers that is well beyond what 49 states currently require," said ATA President and CEO Chris Spear. "This is an amazing block of talent with unlimited potential. If our freedom can be defended from tyranny around the world by our men in women in uniform, many well below the age of 21, then it's quite clear that we can train that same group how to safely and responsibly cross state lines in a commercial vehicle."

FMCSA's announced pilot program is modeled on the bipartisan DRIVE Safe Act, legislation strongly supported by ATA and more than 90 other industry groups and currently co-sponsored by 144 congressmen and 34 senators. "For years, ATA has made the case to the Transportation Department and lawmakers that trucking can safely bring these younger professional drivers into our industry fully," said ATA Executive Vice President for Advocacy Bill Sullivan. "With strong support from both sides of the aisle and on and off the Hill, it is clear that moving forward with a pilot program is an important step to bringing 18-, 19- and 20-year-olds into our industry safely and responsibly."

"As an industry, we need to find new ways to connect with potential new drivers," said ATA Chairman Randy Guillot, president of Triple G Express and Southeastern Motor Freight. "By providing young people the opportunity to fully participate in the financially rewarding and dynamic world of trucking, we will be in a better position to bring in a new generation of valuable talent to our industry."

"Using good data, not emotions, is an important part of good policymaking," Spear said. "We appreciate Secretary Chao and Deputy Administrator Deck proposing this pilot program and asking for comments on their proposal so we can have good data on this important issue. The proposal has a 60 day comment period, and ATA will be providing supportive comments on FMCSA's proposal."

Answers to Trivia

Capacity crunch gives shippers a headache as US-Mexico trucking rates soar

By Ian Putzger, Americas correspondent The Loadstar, 09/16/2020

US-Mexico trucking is no smoother since USMCA, the revised trade agreement between the US and its neighbours that replaced the NAFTA framework on 1 July, was roundly welcomed by trade groups. It has not eased capacity problems on the US-Mexico border and trucking rates continue to go up as a rising tide of cargo is struggling to move. And capacity is set to tighten further, which will push up rates even higher, warned Troy Ryley, president of Redwood Mexico, a division of Redwood Logistics set up two years ago to provide cross-border solutions. He added that overall lead times were likely to be stretched further as demand has been building in several sectors. "The automotive and manufacturing sectors continue to drive increased demand for capacity in the market, as their production ramps up to pre-Covid levels. This, coupled with the fact that the consumer and retail sector is coming back on line, will increase capacity demand even further and put additional pressure in the market. Retail inventory levels have been at an all-time low, but with the holiday season approaching, demand is coming back strong," he added.

The Covid-19 lockdown in Mexico stopped automotive production in its tracks, and as the sector rebounds, demand for capacity has soared, said Carlos Duron, president of Mexpress, which runs a bonded airfreight trucking service across the border. Mexpress business remained strong through the lockdown due to the lack of bellyhold capacity in and out of Mexico, said Mike Gamel, chairman and vice-president of sales & marketing. "Our bonded truck service is the next best thing to an air service, since we don't have to clear freight at the border, as all other trucking companies do. A lot of international forwarders we have chased over the years are now using our services." In addition to its scheduled LTL departures connecting a number of Mexican airports to US gateways in California and Texas, Mexpress has been handling intercontinental charters that slot Mexican traffic through US gateways. In recent months, that was predominantly PPE traffic, but charters with auto parts to and from Europe have been on the rise.

What compounds the situation for US shippers is a strong domestic trucking market that has tightened capacity and driven up rates. According to Truckstop.com, nationwide truck rates rose almost 10% last week. In this strong market, US truckers appear less willing to venture into Mexico, with its increasing demand for transload options at the border, Mr Riley said. He estimates that about 35% of northbound freight is transloaded, while the majority of southbound traffic is offloaded at the border for customs inspection. "Equipment is so tight that many companies are paying the carrier to deadhead from the border to plants so they can continue to move finished product northbound," he said.

And most observers do not expect the situation to improve in the near future, meaning further pain for shippers as their contracts expire. "Clients that were not locked into contractual rates have seen the greatest increases – anywhere from 10% to 50%, and even higher depending on the lane," Mr Ryley noted. "This does not include the deadhead costs of getting equipment south to clients' facilities, as this even effected those with contracted rates," he added.

Varner AS: Building the world's best warehouse

By Bob Trebilcock · September 16, 2020

From the start of the project, we declared that we wanted to build the best warehouse in the world." So says Anders Eriksson, the supply chain director for Varner AS, one of Scandinavia's largest retailers. Eriksson oversaw the design and implementation of a new 500,000-square-foot, omni-channel distribution center in Vänersborg, Sweden. "Of course, it's impossible to know or measure if it is the best warehouse in the world," he adds, "but it was important for us to challenge ourselves and our partner."

Did they succeed? As Eriksson notes, it's tough to say. But the final design, developed in conjunction with a system integrator (Swisslog), is one of the most highly automated and flexible retail distribution centers we have come across.

The facility can handle the store replenishment needs of 10 unique retail chains, each with its own go-to-market strategy, along with a fast-growing e-commerce business. The materials handling systems address robotic palletizing and depalletizing, automated pallet storage, automated case storage, automated garment-on-hanger (GOH) storage and robotic goods-to-person piece picking. What's more, it was designed not only with growth in mind, but also to be ergonomic and sustainable.

The solution features a representation of most of the tools from the materials handling tool box, including:

- A cross-belt sortation system capable of handling 6,000 cases per hour.
- A seven-crane pallet handling automated storage and retrieval system (AS/RS) with 48,000 pallet locations.
- A 22-crane case handling mini-load AS/RS with space to store approximately 500,000 cartons.
- An AutoStore goods-to-person picking system, currently being expanded to 12 decanting stations, with 224 robots and the capacity to store 116,300 bins serving 24 pick stations.
- A three-level garment-on-hanger storage and pick mezzanine.
- Automated palletizing and depalletizing.
- Automated packaging and bagging.

Eriksson's take on the facility: "We have a state-of-the-art facility and a supply chain organization that is well equipped, highly competent and prepared for the future."

Automation by design

The new distribution center has been described as a "complete solution that handles today's demands for omni-channel" and "supply chain operations on the customer's terms, whether they buy in the store or online." It balances the need for speed and accuracy; handling goods at the pallet, carton, each and hanger levels; and to minimize labor given the low employment rates and relatively high wages in Norway and Sweden. Receiving, palletizing and depalletizing, storage, picking and packing, and labeling have been automated to the extent possible. For that reason, the facility is able to operate with 80 to 100 employees—a relatively low number given the size of the facility and the number of cartons handled per hour.

There are five areas of automation:

1. A cross-belt sortation area near receiving;
2. Robots palletize and depalletize cartons depending on where they are needed next;
3. Buffer storage at the pallet level and case-level storage are automated;
4. A robotic goods-to-person picking area further breaks down cartons into unit level totes for piece picking;
5. Garments that are handled on hangers are processed in the three-level pick module.

The cross-belt sorter is essentially the traffic director for the facility, making sure cartons get to the right area in the facility based on where they're most needed, from crossdocking inbound merchandise to an outbound truck to replenishing the robotic goods-to-person picking area.

The mini-load, which is automatically replenished by the pallet warehouse, is the main engine for carton flow—it brings cartons out of storage on an as-needed basis and sends them to the area where there is demand. That could be a full carton that goes to shipping or a carton that will be decanted into a tote to replenish the robotic goods-to-person picking area. The robotic goods-to-person picking area creates single and multi-line orders for e-commerce fulfillment as well as mixed SKU cases for store replenishment. Once a shipping carton or e-commerce package is complete, the items are sorted by the cross-belt or a bag sorter to the right area. And, the garment-in-hanger area combines automated storage with conventional picking in a three-level pick module for items that aren't handled in cartons or totes. The additional data, as well as the quality of the data, collected by the automated system has been a bonus benefit. "We improved the quality of our logistics data and we have a better understanding of the importance of data quality" as a result, Eriksson notes.

Transportation Management

Multi-modal Service; Carrier Management; Auditing Services; Supply Chain Coordination

Supply Chain Management

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Profit Improvement Plan

Leverage Opportunity Analysis; Baseline Measurement; Profit Improvement Measurement

Analysts continue to raise the bar for trucking companies

Deutsche Bank's Amit Mehrotra moves his estimates for carriers well above consensus

By Maiden Todd MaidenTuesday, September 8, 2020

Another equity research analyst has pulled up earnings estimates for trucking companies. Citing recent conversations with management teams from several transportation companies, Deutsche Bank analyst Amit Mehrotra raised his earnings per share (EPS) forecasts for the rest of 2020 and all of 2021 on the carriers he follows. "The bottom line is we expect Transportation results to be very strong across the board, with likely more to come over the course of the next several quarters," stated Mehrotra in a weekend note to clients. On average he increased his third-quarter earnings estimates for truckload (TL) and less-than-truckload (LTL) companies by approximately 18%. Mehrotra said his third-quarter estimates now range between 12% and 32% higher than the current consensus estimates. He believes the expected outperformance in the third quarter will result in forward-looking estimates being raised as well. As such, he raised his full-year 2020 and 2021 estimates by an average of 9% and 10%, respectively.

Mehrotra also implemented short-term, high-conviction favorable ratings on the shares of TL carriers Knight-Swift Transportation and Werner Enterprises and LTL carriers Old Dominion Freight Line and SAIA. Prior to the report, Mehrotra had positive ratings on most of the carriers he follows. He doesn't believe the increase in third-quarter earnings estimates will result in declines in the multiples used to value the shares of these carriers, which is typically the case as earnings forecasts begin to improve. "It's important to note that the positive inflection we expect with 3Q results is occurring against a backdrop of still-low absolute new truck orders, which should limit potential for the de-rating of positive earnings revisions … a key risk for Transports (and cyclicals, in general) as we progress through the cycle," he stated.

Improved outlook partly company-specific

Mehrotra believes the positive year-over-year inflection in August revenue at Old Dominion is largely attributable to higher weights per shipment. He sees the fuller shipments (weights up 3.6% year-over-year in July and 5.9% in August) as carrying less incremental expense, meaning more revenue will "drop to the bottom line." He also views Old Dominion's use of company-owned linehaul capacity as a margin tailwind compared to carriers that rely on third-party TL capacity and expects the favorable trends in the third quarter will change the mid- to long-term consensus outlook for operating ratios (ORs), or margins, for the carrier. He believes Saia has seen "outsized price increases" as the carrier has sacrificed volume for yield. The company reported a slight year-over-year decline in August shipments after a 1.5% increase during July. The thought is improved pricing will allow the company to see twice the sequential OR improvement guided to for the third quarter (200 basis points instead of 100 basis points). Mehrotra believes the third-quarter margin result "helps support the path to mid-80% OR and the significant increase in earnings power that comes with that profit improvement."

Last week, both LTL carriers reported year-over-year improvement in tonnage during August for the first time since the April swoon. Mehrotra sees the "very strong truckload market" as a catalyst for improved earnings at carriers Knight-Swift and Werner Enterprises. He believes Swift's expansive trailer fleet has created incremental revenue and pricing opportunities and that both Knight and Swift are potentially operating at a sub-80% OR level during the third quarter. Knight's trucking OR was 84%, with Swift's at 85.3% during the second quarter. He sees these trends as catalysts for the company to potentially raise 2020 earnings guidance. The opportunity for Werner is improved utilization and revenue per total mile, according to the report. The company was stated as having the ability to reset up to 25% of its one-way contracts higher, in essence allowing it to participate in the spot market to a larger degree than some may think. Further, the improvements don't accompany cost inflation like broad driver pay increases as driver turnover remains low in relative terms throughout the industry. Mehrotra sees these trends "as sustainable, given the still-significant need for inventory restocking." He noted a "significant gap" between sales and inventories at major retailers, which he sees as "disproportionately" benefiting Werner, which has significant exposure to discount and home improvement retail. Shares of ODFL finished the day down 1% while SAIA was up 0.6%. KNX and WERN were basically flat. The S&P 500 moved nearly 3% lower on the session.

How tight is truck capacity?

The Outbound Tender Reject Index (SONAR: OTRI.USA), a measure of tendered loads rejected by carriers, stands near all-time highs at more than 26%. A sustained capacity drawdown, the result of increased costs and regulation which led to carrier failures and lower levels of equipment purchasing, has been met by shippers struggling to procure equipment to replenish inventories depleted from COVID-related buying.

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