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THE SOURCE

Inside this issue

Impasse on Infrastructure Funding Stirs Concern

Amid stalemate in Washington, experts say neglecting roads and bridges poses safety risk

By Likhitha Butchireddygari Sept. 2, 2019

As Congress returns for the fall, President Trump and congressional Democrats remain stalemated over moving forward on a large infrastructure package that advocates and engineers say is urgently needed. Current infrastructure funding doesn't run out for another year, so the parties have some time. The Senate may take action this fall on the latest attempt to pass an infrastructure measure, but its fate remains unclear as lawmakers struggle to figure out how to pay for it. The Senate Environment and Public Works committee in July unanimously approved a bipartisan funding bill for $287 billion for road projects, which the American Society of Civil Engineers says is a 27% increase from current funding levels but not to the level of a large infrastructure package Mr. Trump has promised. "I have already met with Finance Committee Chairman Chuck Grassley to discuss how to fund the legislation," said committee Chairman Sen. John Barrasso (R., Wyo.), who has also been pressing Senate Majority Leader Mitch McConnell (R., Ky.) to advance the measure. "I want it to pass the Senate in 2019."

On the 2016 campaign trail, Mr. Trump called for a $1 trillion investment in U.S. roads and bridges, but his attempts to deliver that package have hit roadblocks. Mr. Trump's plan for $200 billion in federal funds for infrastructure gained no traction in Congress in 2018. Earlier this year, the president met with House Speaker Nancy Pelosi (D., Calif.) and Senate Minority Leader Chuck Schumer (D., N.Y.) and roughed out an agreement for a $2 trillion infrastructure package, though the source of the necessary capital was still up in the air. A few weeks later, the deal fell apart, when a second meeting with Democratic leaders ended abruptly after the president said he wouldn't work with Democrats while the congressional Russia investigations continue. Those probes continue, and the White House says Mr. Trump is still committed to getting an infrastructure measure turned into law. Mr. Barrasso said federal investment is necessary to give states considering infrastructure projects enough certainty to move forward.

In a nod to concerns about effects of climate change on infrastructure, the bill emphasizes the importance of building resilient infrastructure to "reduce the magnitude and duration of impacts of current and future weather events and natural disasters," Mr. Barrasso said. "It just makes sense that in terms of the national disasters that we're facing, whether it's storms, or fires, you want to have projects done in ways that the resiliency and the robustness will be there," Mr. Barrasso said. In 2018, the pace of repair on America's bridges slowed to the lowest point in five years, according to the American Road and Transportation Builders Association. At that rate, it would take more than 80 years to significantly repair bridges. It is hard to isolate infrastructure as a contributor to accidents from other causes, but the number of public transit safety incidents on streets, highways and bridges rose by 13% between 2015 and 2018, and the amount of property damage caused by those accidents increased by almost 20%, according to an analysis of the National Transit Database. The National Highway Traffic Safety Administration in 2018 reported 36,750 traffic fatalities on roads, or about 101 deaths a day, up from 97 a day in 2015.

Delays in road improvements contribute to some of those deaths, experts say. "We're jeopardizing public safety and we're falling behind other countries," said Tom Smith, executive director for the American Society of Civil Engineers, which is a membership and advocacy organization. "We really need to invest. We need to maintain our infrastructure. We need to modernize our infrastructure. In order to do this, we need national leadership and that's also going to require political courage." While more cities and states have taken on the task of improving roads, they are often squeezed by funding and federal compliance issues. The city of Philadelphia, for instance, has filled 231,920 potholes in the five fiscal years ending in 2019, according to Chris Puchalsky, director of policy and strategic initiatives

 

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Infrastructure article continued for Philadelphia's Office of Infrastructure, Transportation and Sustainability—about 127 a day. "A lot of what the federal funding does is allow us to do street improvement and not just maintenance in kind," Mr. Puchalsky said. That would include redesigning streets for safety purposes or to reduce congestion or improve transit. "That's where having a strong federal presence is really important," he said.

In Cleveland, some elements of transit systems date to the early 1900s, said Mike Schipper, deputy general manager of engineering and project management at Greater Cleveland Regional Transit Authority. Undoubtedly, he said, some accidents are related to infrastructure deficiencies. For instance, there were at least 133 rail derailments across the country in 2018, according to the National Transit Database. The civil-engineers society estimates the rehabilitation backlog for transit infrastructure is at $90 billion. "Hopefully, we can return to the infrastructure discussion," Mr. Smith, the ASCE executive director, said. "The American people are prioritizing that at the top of their list, and we're hopeful that our nation's leaders will do the same."

Some argue the Senate bill doesn't go far enough, in terms of maintaining existing infrastructure and the climate provisions. Mr. Puchalsky, in Philadelphia, said he wasn't sure "this bill gets us all the way there." Calling the Senate bill a good start, Rep. Peter DeFazio (D., Ore.), chairman of the House Transportation and Infrastructure Committee, said there hasn't been a proposed funding mechanism, which may cause trouble for the bill's outlook. He is expected to propose his own version of the reauthorization bill in the House. He has called for an increase in the federal gasoline tax, which pays for various infrastructure projects and was last raised nearly two decades ago. "You merely index the existing gas and diesel taxes to construction-cost inflation and then you cap it so it can never exceed 1½ cents a gallon a year," Mr. DeFazio said. "If we did that, we could bond $500 billion."

Mr. Barrasso said he is hopeful that a version of the bill will be passed before then. "We've gotten a good jump-start on this," he said. "We're still a year out from when the other one expires, but I wanted to get a head start so we can work this through the process."

Supply chain leaders need to retrain their brains to innovate

By DC Velocity Staff, 9/17/2019

The more successful you are, the harder it can be to innovate. The business world is chock full of stories of industry-leading companies that had the chance to embrace revolutionary products or services but failed to see their potential and suffered the results. Kodak and digital photography. Blockbuster and on-demand video. IBM and the personal computer. The list is long.

The problem, according innovation expert Jeremy Gutsche, is that "everyone wants to innovate, but most people don't want to break from the proven path." Gutsche, CEO of Trend Hunter, used an arsenal of humorous stories and personal anecdotes during the opening keynote session at the Council of Supply Chain Management Professionals (CSCMP) yesterday to explore what holds companies back from innovating and what they can do to overcome these traps. Part of the reason for the resistance to change is neurological, says Gutsche. That's because the more expertise and experience you have doing something, the more your brain becomes hardwired into thinking that's the only way to do something. It becomes harder to force yourself to break old habits and offer new products, services, or ways of doing things. Large established companies, however, are not doomed to failure.

"Innovation is not fluffy," Gutsche says. **"It is a science. You can retrain your brain."**

Some of the suggestions that Gutsche makes includes:

- Conduct workshops where you think about potential disruptions
- Run simulations where you think about how your company would operate if it was starting from scratch
- Imagine a dystopian future where your company no longer exists
- Study case studies about disruptions in other markets

While these workshops and exercises in and of themselves might not provide immediate innovations, they do help retrain participants' brains to think more creatively and be less resistant to new ideas, Gutsche says. He concluded by urging attendees to not waste time protecting the status quo. Instead they needed to break rules, act sooner, and be curious.

7 Advantages to Outsource Inc

Today, ninety percent of Fortune 500® companies rely on 3PLs for outsourced logistics and supply chain services, according to an Armstrong & Associates report. Whether you're a B2C or B2B company, how promptly and efficiently you react to customer orders has a direct bearing on customer loyalty, retention and earnings.

1. Focus on Core Business
2. Gain Access to Technology
3. Drive Efficiency and Cost Savings
4. Improve Risk Management
5. Acquire Custom Solutions
6. Develop Internal Staff
7. Improve Customer Satisfaction

TRIVIA QUESTIONS

1) In what 'autumn' movie can you see Richard Gere and Winona Ryder walking through a beautiful fall foliage?
A. Autumn in New York **B.** Autumn Leaves **C.** Autumn Sonata **D.** Autumn Song

2) Which of these birds do NOT migrate in autumn?
A. Swallows **B.** Storks **C.** Hummingbirds **D.** Ravens

3) The Legend of Sleepy Hollow story takes place where in the USA?
A. Vermont **B.** Hudson Valley NY **C.** Maine **D.** Virginia

4) According to Linus from "The Great Pumpkin Charlie Brown", The Great Pumpkin rises up from the most __?_ pumpkin patch.
A. Boisterous **B.** Colorful **C.** Sincere **D.** Unscrupulous

5) What is the name of the popular harvest festival celebrated in China close to the autumnal equinox?
A. Sun Festival **B.** Moon Festival **C.** Dragon Festival **D.** Lantern Festival

6) About how many feathers does a mature turkey have?
A. 5,000 **B.** 1,500 **C.** 2,000 **D.** 3,500

Answers Later In The Newsletter

FUEL REPORT

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

	9/09/19	9/16/19	9/23/19	Change from week ago	Change from year ago
U.S. National Average	$2.971	$2.987	$3.081		0.094 -

FOR IMMEDIATE RELEASE September 11, 2019

ATA Tells Congress to Put Brakes on Spread of Tolls

YRCW Executive Testifies About Harm Tolling Does to Trucking

Arlington, Virginia — Today, the American Trucking Associations told a House subcommittee that the use of tolls to finance infrastructure construction and maintenance was inefficient, unsafe and damaging to the trucking industry. “While the trucking industry is willing to pay its fair share for infrastructure improvement, we believe that tolls are not the right solution, and in fact can be very harmful to our industry, our customers and ultimately, to consumers,” YRC Worldwide Inc. CEO Darren Hawkins told the House Transportation and Infrastructure Committee’s Subcommittee on Highways & Transit on behalf of ATA.

In his testimony, Hawkins cited inefficiencies in toll collection, traffic diversion and misdirection of toll funds as significant problems with tolling when compared to other financing methods. “Tolling has very high collection costs relative to other highway user fees,” he said. “While the cost of collection has come down with the introduction of transponders, costs can still exceed 10 percent. On some major toll facilities, these costs are much higher. On the Ohio Turnpike, for example, 19 cents out of every dollar is spent collecting tolls, while the Pennsylvania Turnpike’s collection costs exceed 20 percent. Contrast this with the 0.2 percent cost of collecting federal fuel taxes. Clearly, the waste that goes into collecting a toll is simply unacceptable when far more efficient alternatives are available. Our user fees should be used to build roads, not toll road bureaucracies,” he said.

Hawkins also warned that because of federal funding shortfalls, states are abusing tolls to fund other projects at the expense of toll payers, particularly the trucking industry. “Federal law allows states to shift excess toll revenue to any Title 23 eligible purpose. This results in toll payers bankrolling projects that they may not benefit from,” he said. “In addition, because the vast majority of roads can’t support tolls, a small minority of motorists can be saddled with the subsidization of a state’s surface transportation system, regardless of whether the toll payers’ benefit.”

Because tolls are only even a potential solution for a handful of projects, Hawkins urged Congress to do more to fund infrastructure, so states aren’t forced to look to tolling or other riskier financing schemes. “It is important to note that tolls will not solve the most important challenge facing this subcommittee – the impending bankruptcy of the Highway Trust Fund. Failure to address the shortfall will continue to induce states to consider bad options like tolls,” he said. “ATA and nearly every organization that cares about surface transportation efficiency has proposed an increase in the fuel tax to address these needs, and we urge your support.”

CMA CGM says "no" to the Northern Sea Route

By DC Velocity Staff 9/20/2019

The ocean carrier says newly thawed Arctic seas are too fragile for risks posed by cargo ships.

The steady rise in global temperatures has been melting the polar ice pack and opening up potential new trade routes—a development that inspired Nordic countries to propose a rail line to newly accessible ports and led the U.S. Coast Guard to invest in more icebreakers for the extended Arctic shipping season. One of the world's largest ocean carriers will be absent from the rush to seek polar pathways, however. CMA CGM announced in August that it would not send any of its 511 vessels on the Northern Sea Route.

The route, a shortcut between Asia and Europe that runs the length of Russia's Siberian coast, has become navigable much of the year due to the effects of global warming. Because it is much shorter than the transit via the Suez Canal, it saves weeks of time and offers a competitive advantage for carriers shipping freight between the continents. But dispatching cargo ships through the region's unique natural ecosystems would boost the risk of accidents, oil pollution, or collisions with marine wildlife, CMA CGM Group Chairman and CEO Rodolphe Saadé said in a statement.

Those impacts could pose a danger to the area's largely unexplored biodiversity as well as to the Arctic's role in regulating ocean currents and global climate patterns, he said. "We make these choices to meet the needs of our employees and our customers, who are increasingly concerned about the environment. But above all, we make these decisions for the future, to leave our children a cleaner planet," Saadé said. "These are brave, bold choices, which go far beyond purely business decisions."

Quotable

"If shipping companies take on all the cost, they will collapse."

— The International Maritime Organization's Kitack Lim, on environmental mandates

CMA CGM drops US detention/demurrage fee after pushback

Bill Mongelluzzo, Senior Editor, JOC, Sep 20, 2019

CMA CGM has dropped a proposed detention/demurrage processing fee for United States ports a mere 48 hours after telling customers the charge would go into effect Oct. 15. The carrier issued a customer advisory Friday canceling the proposed $50 processing fee that it unveiled only on Wednesday. CMA CGM declined to speak on the issue when reached for comment Friday.

But the move comes after the carrier received pushback from beneficial cargo owners (BCOs) in the two days since the fee was announced, said Peter Friedmann, executive director of the Agriculture Transportation Coalition. He told JOC.com Friday some of his members contacted CMA CGM and used "stern words" to express their displeasure with the administrative fee. BCOs also contacted the Federal Maritime Commission (FMC), Friedmann said. The dispute is the latest example of the tension that can occur when shipping lines levy administrative fees or other charges that BCOs say fall outside of normal charges for shipping freight. BCOs say carriers attempt to turn normal administrative functions into a "profit center."

Truckers and BCOs earlier this year criticized carriers over a new administrative fee for container "street turns." Importers, exporters, truckers, and carriers attempt to reduce gate congestion at marine terminals by collaborating through electronic platforms that allow the exporter to take possession of an empty container outside of the terminal so the importer doesn't have to return the empty to the terminal and contribute to gate congestion. BCOs maintain that the entire supply chain benefits when unnecessary returns of empty containers are avoided, so carriers should not charge an administrative fee for the transaction. Some, but not all, carriers charge an administrative fee for street turns.

CMA CGM's original customer advisory on Wednesday stated the carrier would "assess an administrative fee of US $50 for each per diem/daily usage charge invoice pursuant to CMDU100 Rule 300" beginning Oct. 15. Detention (per diem), which is charged to customers for the late return of equipment, and demurrage, charged to customers for storing containers at a marine terminal beyond the allotted "free time" for storage, have been a long-standing issue of tension between carriers and BCOs and the truckers who dray containers for the BCOs.

A chief complaint of BCOs/truckers is that they are sometimes charged demurrage even though the trucker arrived at the terminal on the last day of free time but was turned away by the terminal operator because the facility, or a portion of it, was congested. The FMC is engaged in an interpretive rule-making procedure regarding demurrage and detention under the Shipping Act. Separate from the CMA CGM issue, the FMC on Friday announced it had extended the public comment period to Oct. 31.

Uber Seeks to Build Up Freight Business

By Jennifer Smith, WSJ, Sept. 17, 2019

Uber Technologies Inc. is digging deeper into the freight business, ramping up hiring at a planned new hub in Chicago and rolling out logistics services even as its core ride-hailing business continues to post steep losses. The company's Uber Freight said Tuesday it is expanding a service aimed at making it easier for truckers to pick up already-loaded trailers ready for transport. It is the latest in a stream of upgrades at the business as it looks to grab business from traditional freight transport companies and compete with a growing field of like-minded digital brokerages. Uber Freight also said carriers using its mobile app can now book multiple loads at one time, a service it says will help truckers plan better and reduce the number of miles spent hauling empty trailers. Rival freight-booking startup Convoy rolled out a similar service earlier this year.

The actions mark the latest steps to extend Uber Technologies' reach beyond its ride-hailing app. Uber's overall revenue reached $3.17 billion in the second quarter, but the company still expects to lose $3 billion to $3.2 billion this year. Uber, which logged $11.3 billion in full-year revenue for 2018, doesn't break out financial results for Uber Freight, which it launched in 2017, but said in its IPO filing that the division had $359 million in gross freight bookings in 2018. The company's Other Bets segment, which primarily consists of Uber Freight and its mobility business focused on electric bikes and scooters, generated $373 million in revenue in 2018. That is a small sliver of the U.S. domestic freight transportation management business estimated at $86.5 billion, according to research group Armstrong & Associates. Uber Freight "is to a point now where they have hit scale," said Armstrong & Associates President Evan Armstrong. "Really the next target for them is to get to $1 billion."

Uber said last week it is opening an office in Chicago that will serve as its Freight headquarters and will be the division's first engineering hub outside of San Francisco. Uber says it plans to invest over $200 million annually in the region and hire 2,000 employees in the next three years. Chicago is a major transit point for North American shipping and home to several big operators. Freight brokers Echo Global Logistics Inc., Hub Group Inc. and United Parcel Service Inc. 's Coyote Logistics brokerage division are based in the region, along with a number of tech-focused logistics ventures.

To scale up faster, Uber Freight and rival digital freight platforms are also adding services intended to help truckers potentially make more money and boost efficiency for the customers whose freight they are hauling. They include ratings features for cargo pickup and drop-off facilities that help carriers decide which loads they want to accept.

Uber Freight is expanding a trucking service known in the industry as "drop-and-hook" to California after an initial rollout in Texas. With the service, truckers can hitch their vehicles to already-loaded trailers instead of having to wait for goods to be loaded and unloaded. The aim is to speed up cargo transfers for shippers and for drivers. Such services can help smaller truckers gain business that is typically the province of big trucking companies with large fleets of trailers.

Old Dominion expands service center network

Carrier invests in eight new and expanded facilities in second half of 2019. By DC Velocity Staff 9/20/2019

Less-than-truckload (LTL) carrier Old Dominion Freight Line Inc. has expanded its service center network, opening a handful or new and remodeled facilities across the country in the second half of 2019, the company said this week. North Carolina-based Old Dominion said it is investing in service center upgrades to accommodate growing capacity needs and customer demand in specific markets. The carrier has opened new facilities in Central Point, Ore.; Blackfoot, Idaho; Cartersville, Ga.; and Little Rock, Ark., and re-opened expanded facilities in El Paso and Lubbock, Texas; Columbus, Ohio; and Chicago. Facility expansion includes adding doors, upgrading technology, and hiring additional staff, the company said. "Our long-term strategic plan includes continual investment in our network to improve efficiencies and increase capacity so when our customers grow, we can serve them," Old Dominion's Terry Hutchins, vice president of real estate, said in a statement announcing the openings. "The end goal of helping our customers keep their promises is solidified by our continued investment in new technology and service center expansion."

FedEx to increase shipping rates across units in 2020

(Reuters) - U.S. package delivery company FedEx Corp said on Monday shipping rates at its express unit, which delivers packages using planes, will increase by an average of 4.9% for domestic, export and import services starting Jan. 6 next year.

There will be a similar increase for its ground and home delivery units as well, the company said in a statement.

Shipping rates at FedEx's freight unit will increase by an average of 5.9% for shipments within the U.S. and between U.S. and Canada. The company said it would not apply additional residential surcharges during the holiday season, except for certain shipments, following a similar move by rival United Parcel Service Inc last month.

Answers to Trivia

Stretched resources see cases of ‘narco-torpedoes’ on the rise out of South America

September 4th, 2019 by Sam Chambers Splash24

Countries across South America are struggling to crack down on so-called “parásito” trafficking whereby metal cylinders full of drugs are being welded onto the hulls of ships by divers. The tubes – sometimes dubbed narco-torpedoes – are often painted the same colour as the ship’s hull to avoid detection.

Peruvian police have just busted a drug ring that used divers to attach cocaine shipments to the hulls of a number of ships. Among the 12 arrested were two Peruvian naval officers. Similar tactics have been seen in ships leaving Colombia and Ecuador.

The problem facing South American authorities is a lack of resources with Ecuador, for instance, having just 30 government-paid divers at its disposal across eight major ports.

Three months ago a man was caught swimming in Ecuador’s Guayaquil port dragging cases containing 138 kg of cocaine, heading towards a vessel bound for Spain.

FMCSA Hours of Service Proposed Rule

****Update: Public Comment Period Now Open Until Monday, October 21, 2019****

The Federal Motor Carrier Safety Administration (FMCSA) has published a notice of proposed rulemaking

(NPRM) on updates to hours of service (HOS) rules to increase safety and provide additional flexibility for commercial drivers.

The proposed rule on hours of service rule offers five key modifications to the existing HOS rules:

- The Agency proposes a change the short-haul exception available to certain commercial drivers by lengthening the drivers’ maximum on-duty period from 12 to 14 hours and extending the distance limit within which the driver may operate from 100 air miles to 150 air miles.
- The Agency proposes to modify the adverse driving conditions exception by extending by 2 hours the maximum window during which driving is permitted.
- The Agency proposes to increase flexibility for the 30-minute break rule by tying the break requirement to 8 hours of driving time without an interruption for at least 30 minutes and allowing the break to be satisfied by a driver using on duty, not driving status, rather than off duty.
- The Agency proposes to modify the sleeper-berth exception to allow drivers to split their required 10-hours off duty into two periods: an 8 and 2 split or a 7 and 3 split, either off duty or in the sleeper berth. Neither period would count against the driver’s 14-hour driving window.

The Agency proposes to allow one off-duty break of at least 30 minutes, but not more than 3 hours, that would pause a truck driver’s 14-hour driving window, provided the driver takes 10 consecutive hours off-duty at the end of the work shift.

FedEx to cut freighter capacity on weak outlook

By Damian Brett, 9/18/2019

Express giant FedEx will cut its freighter capacity in response to weaker macroeconomic conditions. Speaking after the company announced its fiscal first-quarter results, FedEx chairman Fred Smith said the airline would retire 20 MD-10-10 aircraft over the current and next fiscal year to eliminate that fleet type from its operation. Meanwhile, it was also “highly likely” that it would axe its remaining 10 A310 aircraft this year to exit that fleet type. “In addition, we are parking the equivalent capacity of seven MD-11 aircraft this fiscal year,” he said. The reduction comes as the company reports a continued softening in the global macro economy.

FedEx Express chief executive and president Raj Subramaniam explained further: “We expect the current softness in air cargo demand to continue into calendar year 2020. “As such, we will take action to reduce our intercontinental flights after our peak season to better match supply to demand. We have already decreased US domestic flight hours and we will be aggressively looking for additional opportunities.” The delivery firm is also busy renewing its fleet, adding Boeing 777F and B767F aircraft, which have lower operational costs than the aircraft they will replace. Smith added that every time the company adds a B767, and to a lesser degree a B777, it is accretive to earnings because reliability goes up and costs are lowered.

It is not just in the air that the company is looking to reduce costs – it is taking similar actions on the ground. This includes deferring non-critical hiring, limiting discretionary spending and implementing structural cost initiatives. The company is also increasing its use of automation and processing capabilities at two of its main hubs in Memphis and Indianapolis. This will improve productivity and also help mitigate recruitment issues. The company has also lowered its expectations for the year and saw its first-quarter profits slip.

Smith said that global macroeconomic conditions were taking their toll on performance. He explained that the China-US tariff war was not only affecting the US, but Europe was also coming under pressure because a slowdown in China was having an impact on German exports to the Asian powerhouse. FedEx has also been caught up in the spat between the US and telecom firm Huawei and has been backing out of its deals with e-commerce giant Amazon.

On Amazon, Smith listed the e-commerce company alongside UPS and DHL as one of its competitors. He said FedEx has added additional business to make up for the loss of Amazon and this extra traffic would begin to flow through its financials over the coming months. The company also continues to face costs associated with the integration of TNT.

Empowering the logistics for offshore wind power

By Matt Miller, AJOT, 9/23/2019

There's a big promise in offshore wind power in the U.S. But it isn't going to happen without a lot of logistics coordinating a brand-new supply chain. After years of false starts, America's offshore wind power industry is revving up. Developers are unveiling projects up and down the eastern seaboard, as state governments clamor to structure power sharing agreements that would provide the financial foundation for the industry. "They're establishing a pipeline of offshore wind projects basically from now through at least 2035," said Richard Baldwin, principal consultant for Ramboll, the engineering, design and consultancy company.

Onshore infrastructure to support these wind farms is critical. Specialized supply chains must be structured, and soon. "It's critically important that infrastructure gets developed alongside market creation," said Liz Burdock, the CEO and president of the Business Network for Offshore Wind, a Washington-based nonprofit dedicated to advancing the industry. Added Baldwin: "It's going to be logistics, logistics, logistics." These supply chains are centered on specially designed, purpose-built ports, or dedicated terminals within larger port boundaries. Because of the immense size of offshore wind components and the complexities of wind farm construction, utilizing current port facilities and sharing them with other maritime commerce will be difficult, if not impossible. Even after the wind farms are constructed, facilities will be needed for ongoing monitoring and repair.

Specialized Port Boom

Indeed, specialized ports can become the focal point of this fast-growing industry. They can provide not just the staging of the wind farms, but host everything from maintenance and warehousing, to testing and training. A few will encompass manufacturing facilities as well. Bruce Carlisle, senior director for offshore wind at the state development agency, the Massachusetts Clean Energy Center, breaks down this infrastructure in three ways:

- **The** staging, marshaling and deployment, where components of the wind turbine are brought into the port, prepped and then loaded on either installation vessels or barges to transport them to the offshore site.
- **Ongoing** operations and maintenance, which can include everything from hosting crew transfer vessels to spare parts.
- **Component** manufacturing onsite, which provides easier and more economical access to the wind farms themselves. These dockside facilities will become more and more necessary as the turbines grow in size and weight and the offshore wind industry in the US grows. (The latest generation offshore wind turbines churn out 8MW or 10MW each. However, a new generation is fast approaching. GE is now erecting a prototype 12MW turbine in the port of Rotterdam, which will tower more than 850 feet high, with each blade weighing 35 tons. Fifteen MW and even 20MW turbines are now in the planning stages.)

"There's going to be very significant both direct and indirect induced supply chain and economic benefits and workforce opportunities from these projects," said Carlisle. The industry talks about the levelized cost of energy (LCOE). This takes into account everything from wind speed to cost of components. So, most obviously, a more powerful turbine costs more, but its added production more than offsets that initial outlay. Fewer turbines are necessary to produce the anticipated power. Infrastructure is definitely part of the LCOE equation. A state-of-the-art, efficient port facility can translate into an overall 5% savings on the cost of offshore wind, according to estimates by Wind Europe, the Brussels-based wind industry policy group.

Peter Friedmann's View from Washington DC – September 2019

www.FederalRelations.com

Congress is back from August recess. If they are going to get any legislation passed this year, it better start moving in September! Thus far, other than prison reform, Congress has produced precious little (but they passed a budget, so Federal spending continues at record pace). Politicians make public statements 'back home' about gun violence; but once in their Capitol Hill offices, gun control legislation remains a topic that many Members of Congress try to avoid, while the others won't compromise.

The world watches with trepidation: first **Iran** attacked tankers carrying Saudi oil. Now it has **attacked Saudi Arabia and its oil production directly** – will Saudi's treat it as an 'Act of War'? Will the US intervene?

The **US-China trade dispute** has done nothing but accelerate, with both sides rapidly approaching the bottom of their bags of trade weapons. Tariffs have been imposed now on most of what we import from China, (with a few exclusions). And China has reciprocated on our exports. We're not done; the President continues to ratchet up tariffs – from 10% to 15% to 25%, changing the effective dates on short notice, keeping both the Chinese trade negotiators and all the US businesses, guessing. The biggest "List 4" on all consumer goods, has been announced, many are now at 15% tariffs, with the very 'sensitive' imports such as cell phones, electronics, televisions, footwear, apparel, going up to 15% in December…unless the President feels a delay (or acceleration) is warranted to get China to a deal.

How long will the **US-China trade war** last? Good question, particularly since the President seems to be supported, or at least not opposed, by most Members of Congress, both Republican and Democrat. In fact, shortly before the President declared China to be a currency manipulator, the Senate Democratic Leader urged the President to do so. Overall, **Democrats and Republicans continue to support a tough position** versus China to address intellectual property theft, cyber security and hacking, counterfeiting, technology transfer. Meanwhile Wall Street gyrates violently

A **glimmer of hope**: lower level US and Chinese trade negotiators are wrapping up meetings here in DC, which were sufficiently promising to set the stage for senior trade officials' negotiations in coming weeks. At least they're talking again. Meanwhile hundreds of imports from China have been excluded from the tariffs following petitions to, and review by the US Trade Representative. That process remains available to those US importers who can make the case for exemption from the tariffs.

What about **Japan**? Trade negotiations promise some new opportunities for US ag to enter the Japanese market duty free or with reduced barriers – except of course, rice, maybe beef; Japan wishes to protect its domestic producers from competition from US imports. It does not appear that Japan will budge on the President's desire to limit the imports of autos from Japan. So, it will be a limited agreement.

More challenging is the **US-European** Union trade relationship. The World Trade Organization ruled that the EU unfairly subsidizes Airbus, and authorizes billions of dollars of US retaliation in the form of higher duties against EU products entering the US, such as wine, cheese, etc. EU isn't having any of it.

The **southern border**, recently the center of attention, has quieted down. The number of immigrants approaching the border have dropped dramatically as Mexico has acquiescence to President Trump's demands that it enforce its own southern border. This has curtailed the flow of people from Central America.

It's not only tariffs that challenge international trade: **international transportation** is increasingly imposing costs on importers and exporters.

An international mandate to ocean carriers to shift to expensive **"low sulfur fuel"** by January 1, 2020 is resulting in surcharges on importers and exporters.

Congestion at US ports is caused by marine terminal inefficiency, ocean carrier consolidation and massive new vessels with capacity that overwhelms many US marine terminals. Meanwhile, political and labor interests limit automation that would address congestion, creating at times a debilitating bottleneck on US international commerce. The Federal Maritime Commission may act to stop ocean carriers from imposing costly penalties on US exporters, importers, and truckers when their containers are delayed due to this congestion.

If surviving legal challenges, California's newly enacted legislation to limit Independent contracting in transportation will be felt nationwide. Getting cargo in and out of California ports will be more expensive; Uber and Lyft also subject to this new law, are fighting back.

We have the **lowest legal truck weights** in the world. The cost on US commerce is significant: it takes 4 trucks to carry the same amount of cargo carried by 3 trucks in Canada, Mexico, Europe, etc. Decades of effort to bring US truck weights up to global standards continue to be thwarted by the railroads.

Lots of challenges, lots of Presidential campaign talk, but not so many solutions…