OUTSOURCE

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THE SOURCE

Deficit pricing: In LTL it's par for the course

According to noted consultant Satish Jindel, it's been an ironclad way for carriers to leave money on the table.

By Satish Jindel August 15, 2018 DC Velocity

The less-than-truckload (LTL) industry has long practiced what can best be described as "deficit pricing." Some might think it's counter-intuitive (and effective) to have a pricing model designed to create a loss or to reduce operating margins. Rest assured, it isn't. Like other bad habits it's acquired through the years, the LTL industry routinely gives away money by the way it prices its services. In the case of deficit spending, carriers charge the same amount per hundredweight in order to recognize economies of scale that result from an increase in weight.

The problem is caused by the weight bands used to recognize such economies. The LTL industry developed its pricing bands with a much wider range because it handles shipment weights that range from 100 pounds to 10,000 pounds. The bands extend from 100 to 500 pounds, 501 to 1,000 pounds, 1,001 pounds to 2,000 pounds, 2,001 to 5,000 pounds, and, finally, 5,001 to 10,000 pounds. As a result, the LTL carriers have the same rate per hundredweight for all shipments ranging from 100 to 500 pounds and similarly for all shipments ranging from 2,001 to 5,000 pounds. In the parcel industry, by contrast, rates will change with each pound but the weight tops out at 150 pounds. To make matters worse, to avoid charging more for a lighter shipment than they do for the heavier shipment, LTL carriers rate the shipment at its actual weight at the higher hundredweight rate, then compare it to what the charge would be at a higher weight with a lower hundredweight rate. Then they bill the shipper for the lower amount.

An LTL carrier was kind enough to share the details of this pricing insanity. One shipment of a Class 100 commodity weighing 950 pounds was moved from ZIP code 29073 to ZIP 75201. The actual charges were computed at $2,933 but billed at $2,460, a reduction of $473, or 19 percent. In another case, a Class 60 item weighing 4,500 pounds was moved from ZIPs 30301 to 23211. The actual charges were computed at $3,801 but billed at $3,276, a reduction of $525, or 16 percent. Let's get this right: The carriers take on extra work (including re-weighing the shipments) to collect lower charges by adjusting the weight to a higher number so they can apply a lower rate per hundredweight to charge less than if it was just billed at its actual weight of 4,500 pounds! Common sense would indicate that if a shipper has a lower rate for a 5,000-pound shipment, then it should be told to put extra product in the shipment to increase the weight. That doesn't happen, however. Some people involved with developing LTL tariffs will claim there is a law requiring carriers to use deficit pricing. In that case, why are the parcel carriers not in compliance? ShipMatrix, which has visibility to parcel rates for thousands of shippers, shows that many shippers have contract rates which result in a lower charge for a heavier parcel. For example, the rate for a 6-pound package is lower than on a 5-pound package. If parcel carriers were following such a "law," they would raise the weight of the 5-pound parcel to 6 pounds, and then bill the shipper at the lower rate. It is clear that LTL uses an antiquated and broken pricing model. Carriers rely on rate tables that date back to 1988, before some pricing analysts in the LTL industry were even born. In addition, with several hundred rate tariffs and a very aggressive discount structure that exceeds 90 percent in some case, LTL pricing makes the mattress business, with its 80 percent discounts off list price, look attractive by comparison.

(continued on page 2)

Deficit pricing: In LTL it's par for the course (Continued from front page)

Carriers and shippers are familiar with the idiosyncrasies of LTL pricing. However, few are aware of the specific problems created by deficit pricing. The practice actually pre-dates deregulation, reverting to a period when LTL carriers used calculators to determine charges and consumers used rotary dial telephones. However, while the rest of the world has made quantum leaps in technology consumption, the LTL industry is stuck in the 1970s. The carriers should start by replacing the weight bands that are used at smaller increments; for example, they could make the changes at 100-pound bands, or even 50 and 10-pound bands and then reduced to 50 or even 10 pounds. With the industry making extensive use of computing power, changing the weight bands as suggested herein should be a high priority. Another positive effect of eliminating the deficit rating mechanism will be fewer invoice adjustments by audit and payment firms. While that will not be welcome news for those firms, it will be a blessing for the carriers and their shippers.

For decades, LTL carriers have tried to improve their profitability with annual or bi-annual rate increases. Yet, during all these years, they have failed to revise the rate table that results in deficit pricing. It is ironic that a far more fragmented truckload industry has a healthier pricing model than its LTL counterparts where the top 25 carriers control about 90 percent of the market. With tight capacity prevailing in LTL, the timing is right to get rid of deficit rating. It will yield an instant increase in operating margins sorely needed to catch up with the rates of return generated by parcel and truckload carriers, and to reinvest in its drivers, equipment and technology.

Logistics Payrolls Surging Ahead of Fall Shipping Season

Transportation and warehousing companies added 15,600 jobs in July even as hiring in the broader U.S. economy cooled

By Jennifer Smith Aug. 3, 2018

Logistics sector hiring kept up a brisk pace in July as delivery firms, trucking companies and warehouse operators added 15,600 jobs ahead of the peak shipping season. Courier and messenger company payrolls rose by 7,600 jobs in July, the biggest monthly gain since March, according to preliminary figures the Labor Department released Friday, extending an expansion in transport operations driven by e-commerce and the home delivery of online purchases. It is the 18th straight month of gains in a sector that includes parcel carriers. Warehouse and storage firms, where hiring has also has expanded under growing digital commerce grows, added 3,600 jobs last month. Trucking companies hired 4,400 workers in July, gains that come as some carriers' report turning down freight because they don't have enough drivers.

Truck operators have added more than 27,000 jobs over the past 12 months despite what company officials say are big challenges recruiting and keeping drivers in a tight labor market. Old Dominion Freight Line Inc., one of the largest U.S. truckers, boosted its head count by 16% in the second quarter from the same period in 2017, and expects shipping demand to grow in the fall. Many transportation and logistics firms have been reporting near-record earnings, and companies say they are hustling to keep up with surging shipping demand amid the strongest freight market in years. Transport companies also have been announcing wage increases this year, and industry experts say it could be several months before those wages gains trigger more hiring. “Carriers have to have profits sufficient enough to go out and recruit drivers,” said Matthew Harding, a vice president at Atlanta-based research and consulting group Chainalytics. The broader U.S. economy added 157,000 jobs in July, fewer than economists had expected, and the unemployment rate fell to 3.9%.

Gains included the manufacturing sector, where payrolls swelled by 37,000, led by growth in durable goods producing companies. Transportation equipment makers, including auto makers and heavy-duty truck manufacturers, added 13,000 jobs last month. Truck orders have been growing at a historic pace this year, and reached a record high in July, with nearly triple the orders from the same month last year. The retail sector, boosted by strong growth in consumer sales in recent months, added 7,000 jobs. Overall wages rose 2.7% in July year-over-year, but the transportation and warehousing sector has seen wages grow only 1/9%

TRIVIA QUESTIONS

1) **Where is the "Ring of Fire" located?**
   A. Asia's East Coast **B.** Alaska & Aleutian Islands **C.** West Coast of Americas **D.** all choices

2) **What percent of the world's earthquakes occur within the "Ring of Fire"?**
   A. 90 % **B.** 40 % **C.** 65 % **D.** 83 %

3) **How long does the average earthquake last?**
   A. 30 seconds **B.** 1 minute **C.** 45 seconds **D.** 90 seconds

4) **How many people die in the world per year due to earthquakes on average?**
   A. 12,000 **B.** 1,900 **C.** 8,000 **D.** 15,000

5) **How many active volcanos are in the USA and its Territories**
   A. 169 **B.** 37 **C.** 250 **D.** 420

6) **There are 4 states with active volcanos. WA, CA, AK are 3 of the 4 states. Which state is the other?**
   A. Idaho **B.** South Dakota **C.** Oregon **D.** Hawaii

Answers Later In The Newsletter

FUEL REPORT

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

				Change from	
	8/6/18	**8/13/18**	**8/20/18**	**week ago**	**year ago**
U.S. National Average	$3.223	$3.217	$3.207	-0.010	0.611

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Independent Statistics & Analysis
U.S. Energy Information Administration

Short-Term Energy Outlook

Release Date: August 7, 2018 | Next Release Date: September 11, 2018

Notice for August 2018 release

Editor's note: below are 2 bullet points from the EIA monthly data release

- U.S. regular gasoline retail prices averaged $2.85 gallon (gal) in July, down 4 cents/gal from the average in June. EIA expects that 2018 monthly average gasoline prices peaked in May and forecasts prices will remain relatively flat in the coming months, averaging $2.83/gal in September. EIA expects regular gasoline retail prices to average $2.76/gal in 2018 and in 2019.
- EIA forecasts total global liquid fuels inventories to decrease by 0.2 million b/d in 2018 compared with 2017, followed by an increase of 0.3 million b/d in 2019. This outlook of relatively stable inventory levels over the forecast period contributes to a forecast of monthly average Brent crude oil prices remaining relatively stable between $70/b and $73/b, from August 2018 through the end of 2019.

US importers from Mexico ramp up ocean routing to avoid land border

By: Hugh R. Morley, Senior Editor, Ari Ashe, Associate Editor, Aug 17, 2018

Importers from Mexico are increasingly turning to ocean services connecting to Florida ports to serve Central Florida and the Southeast, avoiding the risks of higher costs, longer transits, and sharper delays from conventional land routes across the US-Mexico border. The Port of Tampa Bay says cargo volume on two routes started two years ago have increased dramatically – by 232 percent in 2017 and a 90 percent increase predicted this year – in large part serving the Central Florida consumer market. And the port is looking to leverage that business to encourage shippers to consider moving cargo into Atlanta, South Carolina, and even the Northeast from the port. ....

Eric Olafson, Port Miami director of global trade and business development, used an example of moving a container from Central Mexico to Atlanta to explain the advantage. "If we do it all trucking, it would take six days and $6,000," he said. "If you go to the coast and send it from either Veracruz or Tampico to Miami and then up to Atlanta, it would Sea also offers a simpler move, the ports say. Cross-border freight by land, while a thriving business, is also one that involves multiple trucks, stopping points, extensive paperwork, and a third-party logistics company to handle the cumbersome process. ....

Truck traffic from Mexico into the United States rose 3.6 percent in the first quarter, ... At Laredo, Texas, the largest border crossing by truck volume, the number of trucks across the border increased by 6.5 percent to 1.15 million in the first six months of 2018, over the same period a year before. Strong freight demand and higher trucking rates within the United States mean fewer trucks are available this year for northbound loads at the US-Mexican border. Shippers are traditionally hit hard in the spring and early summer, the peak produce shipping season from Mexico, when the imbalance in northbound and southbound shipments between the United States and Mexico creates a shortage of trucks and containers. And this year, it has been worse, with an imbalance rising to about three northbound trucks to one southbound truck. ....

The Port of Tampa Bay cites speed as a key advantage, saying it takes two to two-and-a-half days sailing time to reach Tampa from the largest Gulf Coast ports in Mexico, among them Altamira, Tuxpan and Veracruz. From Tampa Bay, it takes an additional one and a half days by truck to reach South Carolina from Tampa, and two-and-a-half days to make that trip by rail, for a total of four to five days from Mexico's Gulf Coast to South Carolina, Alfonso said. Taking cargo from Tampa Bay to the North East takes three days by truck, and six days by rail - for a total of about five to eight-and-a-half days from Mexico's Gulf Coast to the North East the port says. .... To read the full story please go to the link provided https://www.joc.com/port-news/us-ports/us-importers-mexico-ramp-ocean-routing-avoid-land-border_20180817.html

Number of the Day

31.9%

Increase in Shanghai to Los Angeles container shipping rates in the two weeks ending Aug. 2, according to Drewry Shipping Consultants Ltd.

Number of the Day

$1,683

Average third-quarter price for container transport from Asia to the U.S. West Coast, according to the Shanghai Containerized Freight Index and Braemer ACM, up 28% from the second quarter.

FOR IMMEDIATE RELEASE August 20, 2018

New Report Finds Trucking Industry Revenues Topped $700 Billion

Latest American Trucking Trends *Highlights Industry's Dominance in Freight Market*

Arlington, Virginia – Today, American Trucking Associations released the latest edition its annual compendium of trucking industry data – *ATA American Trucking Trends 2018* – highlighting the industry's dominance over the freight market. "Information, when presented properly and accurately, tells a story," said ATA President and CEO Chris Spear. "The information in these pages highlights exactly what I tell elected officials, regulators and key decision-makers every day: trucking is literally the driving force behind our great economy. Safe, reliable and efficient motor carriers enable businesses throughout the supply chain to maintain lean inventories, thereby saving the economy billions of dollars each year."

Among the findings in this year's edition of *Trends*:

- Trucks moved 10.77 billion tons of freight, 70.2% of all domestic freight tonnage;
- The industry generated $700.1 billion in annual revenue in 2017, 79.3% of the nation's freight bill;
- The industry moved 69.1% of all trade between the U.S. and Mexico, and 57.7% of Canada-U.S. trade;
- Roughly 7.7 million people were employed in jobs related to trucking activity, including 3.5 million drivers;
- Of those 3.5 million drivers, there were 1.7 million heavy and tractor-trailer drivers. Minorities account for 40.6% of all drivers and 6.2% of truck drivers are women.

"Trucking is a critical part of the economy and the supply chain," said ATA Chief Economist Bob Costello. "*Trends* allows policymakers and business leaders to see just how big that impact is while debating key issues like trade, infrastructure investment, workforce development and tax policy."

Answers to Trivia

CSX-served inland port opens in Georgia

Progressive Railroading magazine 8/23/2018

Yesterday, Georgia Gov. Nathan Deal joined other state officials, port representatives, and business and civic leaders at a ribbon-cutting ceremony in Chatsworth to officially open the Appalachian Regional Port (ARP). Managed by the Georgia Ports Authority (GPA) and served by CSX, the inland port facility will provide logistics services for customers in a four-state region and remove an estimated 50,000 trucks from local highways each year, GPA officials said in a press release. The ARP targets shippers in north Georgia, northeast Alabama, Tennessee and Kentucky who seek a more efficient option to move cargo to and from the Port of Savannah, they said.

"The ARP is part of our Network Georgia initiative that brings services from the coast to communities around the state," said GPA Executive Director Griff Lynch.

Handling both import and export containers, CSX will provide service on a 388-mile direct route to and from the port's Garden City Terminal.

"CSX is proud to serve regional customers through the ARP, which will unlock new economic opportunities while lowering shipping costs," said Dean Piacente, the Class I's vice president of intermodal sales and marketing.

The ARP's new rail terminal features three electric rubber-tired gantry cranes designed to perform 100,000 container lifts per year.

Teamsters Win Agreement For UPS Aircraft Mechanics

New Tentative Agreement Provides The Best Pay And Benefits For Aircraft Mechanics At Any U.S. Airline, Union Says

Mon, Aug 20, 2018

One thousand three hundred UPS aircraft mechanics and related employees represented by Teamsters Local 2727 have secured significant raises in pay, improved retirement security and the protection of health care benefits in a new tentative agreement reached with the shipping company.

Highlights of the new tentative agreement include:

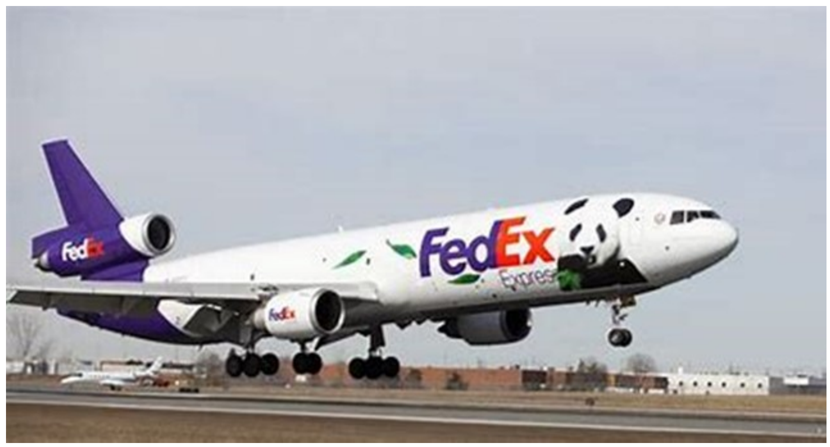
- Dramatic increases in pay for all mechanics and related employees, including an immediate 16 percent pay increase;
- Three percent raises each year, resulting in a 30.7 percent increase in pay from current rates by the end of the contract;
- Retroactive pay for hours worked from 11-1-2013 (the day the current contract first became amendable) to the date of ratification;
- Protection of an unparalleled health care package with no premiums; and
- An increase in UPS's pension contributions.

To read the complete article please follow the link provided.

http://aero-news.net/index.cfm?do=main.textpost&id=4342aed7-c2f0-464f-bf4e-0946c71c7cf4

FedEx to not charge extra for most peak-season home deliveries

By Reuters Staff August 3, 2018



(Reuters) - FedEx Corp said on Friday it would not charge customers extra fees for most packages delivered to homes during the peak holiday shopping season, except packages that are oversized, unauthorized or require additional handling. However, rival United Parcel Service Inc said last year it would raise surcharges for most residential packages for the 2018 peak season.

FedEx would charge $3.20 at its U.S. express business and U.S. and international ground services for a package that needs additional handling, while the surcharge on an oversized package would be $27.50. A $150 surcharge will apply to an unauthorized package at the package delivery company's U.S. and international ground business. The surcharges are from Nov. 19 to Dec. 24.

In June, UPS started charging an extra $150 to handle oversized packages and pallets, along with a new charge for packages with mislabeled dimensions. FedEx on Friday also updated its surcharges on some U.S. and international packages, effective September and January. The rise of e-commerce has forced UPS and FedEx to grapple with increased volumes of massive goods such as sofas and televisions that consumers are increasingly buying online.

FedEx versus UPS comparison chart

As presented by Diffen (www.diffen.com), a Wikipedia inspired organization that will compare anything by using unbiased, free, concise and easy to understand information, per their website www.diffen.com

	FedEx	UPS
Headquarters	Memphis, TN	Sandy Springs, GA
Founded	1971	1907
Market Share (as of 2012)	49% of express shipping in US	46-50% share of domestic US market as a whole
Fleet	401 aircraft, including 71 Airbus A300, 65 Boeing 757 and 67 McDonnell-Douglas DC-10	203 aircraft, including 53 Airbus A300, 75 Boeing 757 and 51 Boeing 767, plus over 100, 000 ground vehicles.
Revenue	$42.7 billion (2012)	$53.105 billion (2011)
Operating Income	$3.19 billion (2012)	$5.874 billion (2010)
Net Income	$2.03 billion (2012)	$3.804 billion (2011)

LTL carriers taking contract price hikes to shippers

By: William B. Cassidy, Senior Editor | Aug 13, 2018

Less-than-truckload (LTL) shipper heading into annual contract talks with carriers this quarter should brace for another round of rate increases. The largest public LTL operators claimed mid to high single digit contract rate increases in the second quarter, and they're not finished. LTL contract rates "don't appear to have peaked," Darren Hawkins, CEO of YRC Worldwide told investment analysts on Aug. 2. In the second quarter, year over year rate increases won in contract renewals averaged 7.2% at YRC Freight, the company's national LTL carrier.

Trucking contract negotiations occur throughout the year, and half or more of some carrier contracts come up for renewal in the second half of the year as the autumn peak plays out. Prices are simply rising with the market, however. "We certainly have a better handle on what we're pricing than at any time in my career," Hawkins said during an earnings call. Technology that accurately measures dimensions and weight of palletized shipments is helping.

Most of the publicly owned LTL carriers told Wall Street analysts of "pricing initiatives" designed to increase profitability of the freight they handle and discourage shippers from endering less profitable or leaset profitable freight- especially deconsolidated truckload freight. "We continue to see spillover from the truckload market, which is impacting YRC Freight's year over year increase in weight per shipment," Hawkins said. "We have proactively been pushing back on these shipments through contract adjustments and dynamic volume pricing."
LTL carriers have used pricing to ensure they're not handling too many heavier partial truckloads. "We want to make sure that we're continuing to handle LTL freight and not truckload freight," Adam Satterfield, CFO at Old Dominion Freight Line said July 26. At Arcbest LTL subsidiary ABF Freight System, year over year increases in contractual rates averaged 4.5%. In the second quarter, "we handled some additional spot quoted truckload rates shipments," CFO David Cobb told Wall Street analysts August 1.

To read the full story please follow the link provided) https://www.joc.com/trucking-logistics/ltl-shipping/ltl-carriers-taking-contract-price-hikes-shippers_20180813.html

Pennsylvania to spend $64 billion in 12-year transport improvement plan

Multi-modal, freight rail projects to receive nearly $1.5 billion.

By DC Velocity Staff August 17, 2018

The Commonwealth of Pennsylvania will spend nearly $64 billion over the next 12 years to improve its transportation infrastructure, under an updated plan disclosed yesterday by the State Transportation Commission. The updated program, which takes effect October 1, anticipates $11.53 billion being available for highway and bridge projects in the first four years, $228 million for freight rail projects, and $319 million for multimodal projects, among other spending. From 2023 through 2026, the plan calls for $348 million for multimodal and $229 million for freight rail. From 2027 to 2030, $391 million would be earmarked for multimodal and $229 million for freight rail. By law, the commonwealth is required to update its transport spending plans every two years. No capital project can proceed unless it is first included in a two-year plan.

The projects depend on the availability of funding, which the commonwealth's transportation officials anticipate would come from a combination of federal, state and local dollars. The plan has been submitted to the Federal Highway Administration (FHwA) and the Federal Transit Administration for review and approval. The FHwA will coordinate with the U.S. Environmental Protection Agency (EPA) to review the plan's conformity with air quality requirements. The Commission is chaired by PennDOT Secretary Leslie S. Richards and consists of 10 appointed citizens and the majority and minority chairs of the House and Senate transportation committees. "While we are fortunate to have revenues to support an effective program, we understand that we face challenges to maintain this progress," Richards said in a statement.

Among the projects in the plan are $1 billion in improvements to the I- 83 corridor, including $668 million for the reconstruction of I-83 around Harrisburg, the state capitol, and $389 million for widening near York. In addition, $320 million has been earmarked to rebuild portions of I-70 in Washington and Westmoreland counties near Pittsburgh.

OUTSOURCE THE FREIGHT MANAGEMENT COMPANY

Curse of the Internet: E-commerce creates new challenges for customs

Agencies are struggling to process a surging tide of time-sensitive e-commerce shipments while keeping tabs on security and regulatory compliance.

By Toby Gooley August 8, 2018

Earlier this year, World Customs Organization (WCO) Secretary General Kunio Mikuriya spoke of e-commerce bringing a "tsunami of small packages to the doorsteps of customs administrations and other regulatory agencies around the world." Mikuriya was not exaggerating.

Millions of international packages are shipped to consumers daily, and that volume is rising fast. *E-Commerce Logistics in the United States,* a 2018 report by the market research firm Armstrong & Associates, says cross-border e-commerce today accounts for 15 to 20 percent of the world's online traffic. Growing at about twice the rate of domestic e-commerce, it's expected to represent 22 percent of global online sales by 2020, the report says. The surge is straining customs operations and creating challenges for authorities around the globe.

WHO GOES THERE?

Historically, customs agencies have dealt with large-scale industrial transactions between established companies that are known to government authorities. But the Internet makes it easy for even the smallest businesses and entrepreneurs to sell their wares overseas. As a result, business-to-consumer (B2C) transactions often involve "one-off" orders shipped by companies or individuals that customs authorities may not know and that are bound for individuals who are also unfamiliar. This has made it harder for authorities to identify criminals and fraudulent activity, including duty evasion, smuggling, and improperly described goods. Furthermore, e-commerce has created a new category of casual buyers and sellers with limited knowledge of export/import processes and regulations. Consequently, documentation, product descriptions, and declared values for B2C shipments often are incomplete or inaccurate.

In such circumstances, imports can be flagged for review and held up for hours, or even days. But e-commerce merchants who compete on timely deliveries are anxious to keep merchandise moving. That puts pressure on customs authorities to clear shipments quickly, sometimes without sufficient staffing to handle the huge growth in volume, said Amy Magnus, president of the National Customs Brokers & Forwarders Association of America (NCBFAA) and director of customs affairs and compliance for customs broker A.N. Deringer, at the Coalition of New England Companies for Trade's (CONECT) Northeast Trade & Transportation Conference in April. To read the full story please go to the link provided. http://www.dcvelocity.com/articles/20180808-curse-of-the-internet--e-commerce-creates-new-challenges-for-customs/

Mexico, U.S. Signal Progress but No Imminent Deal on Nafta

'Better to have a good agreement than a fast agreement,'

By Josh Zumbrun WSJ Aug. 23, 2018 9:14 p.m. ET

WASHINGTON—U.S. and Mexican officials played down the chances of the two countries imminently reaching a trade deal but said they had made advances in the negotiations. Those advances centered on rules for car makers unable to meet stricter regional requirements on manufacturing content, people familiar with the matter said. Mexico's chief trade negotiator, Ildefonso Guajardo, said "progress has been made" in bilateral talks to revamp the North American Free Trade Agreement, but that they may need to continue over the weekend and into next week. "Nothing is agreed until everything is agreed," he said.

Both sides expressed hope the U.S. and Mexico can hammer out their differences in coming days to allow enough time for Canada to re-enter the talks later next week and clear remaining issues. "We need to have engagement with Canada and the only way it can happen is if we continue into next week," Mr. Guajardo said Thursday afternoon. A deal isn't imminent, one U.S. official said. Trade negotiators had said they hoped to have a deal as soon as Thursday, but the two sides have yet to work out final details on rules governing the automobile trade in Nafta.

Negotiators face an informal deadline at the end of this month if they want to avoid complications from Mexico's political transition. Mexico will swear in Andrés Manuel López Obrador as president on Dec. 1, and U.S. law calls for a three-month period after a deal is reached before Congress can ratify it. If negotiations are completed next week, the deal could be formally signed in late November at the earliest. If talks extend into September, Mr. López Obrador would have to sign the deal, and would likely want a bigger say in what he would be signing.

Mr. Guajardo declined to provide details on the sticking points in the talks, but people close to the talks said trade officials were discussing increased requirements for how much of an auto must be manufactured in North America for it to be imported free of tariffs. Both sides have agreed, for instance, to raise the amount of a car that has to be manufactured within North America to 75% from a current 62.5%, according to people close to the talks, and boost the percentage of a vehicle that comes from factories that pay higher wages—a move aimed at preventing more jobs from going from the U.S. and Canada to lower-wage Mexico.

A thornier problem, say people close to the talks, is what to do if auto manufacturers in the region can't meet higher requirements. One proposal is for existing plants to pay a 2.5% tariff if they fail to meet the requirements but for new plants to face a higher rate. To read the rest of the story please follow this link. https://www.wsj.com/articles/mexicos-economy-minister-downplays-chances-of-nafta-deal-thursday-1535033545?mod=djemlogistics_h