OUTSOURCE

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THE SOURCE

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What US truck shippers need to watch in 2019

Ari Ashe, Associate Editor, Dec 13, 2018 Supply Chain Dive

Twelve months ago, it was quite clear shippers would battle with tight capacity and rapidly rising rates in 2018. This time the 2019 outlook is murky about where US truckload and intermodal rates will go and whether new capacity will provide relief to shippers. The electronic logging device craze has passed and the trucking industry has found a new normal. On the rails, intermodal volume has grown each week year over year — except week one — and analysts expect this to continue into 2019. Service will be a key question and whether plans to install precision scheduled railroad at Union Pacific Railroad (UP) and Norfolk Southern Railway (NS) will be smooth or bumpy like with CSX Transportation?

Here are three things to watch in the truckload and intermodal space in 2019:

Contract rates will rise for a second-consecutive year, but by how much?

It's a topic of intense debate within trucking circles. Shippers will pay more per mile on truckload contracts in 2019 than this year. Bullish analysts such as Stifel, Nicolaus & Co. predict rates will rise 5 percent to 8 percent. Bearish analysts such as Cowen and Co. believe it will be 0 percent to 3 percent. Others meet in the middle of 3 percent to 5 percent. "This year spot prices shot up above contract before falling back below. As spot prices find a floor, and where they find a floor, this will tell us much about where contract prices are headed in 2019," he said in an interview with Arrive Logistics.

FTR Transportation Intelligence forecasts upper single-digits until April, then a deceleration below 5 percent. Contract rates could eventually recede by the end of 2019. "A lot of the bid packages were put in place fairly late this year as shippers were looking to time the market. So I think there will be some carryover on rates into the first quarter, but they will continue to decelerate below 5 percent [in the second quarter]," said Avery Vise, FTR's vice president of trucking and research.

One reason spot rates have slipped is that more freight is being tendered directly to core carriers. Spot pricing recovered between October and the final work week before Thanksgiving but remain flat to down versus one year ago. However, volumes continue to exceed capacity, Broughton said. "I think [it's] because we are transitioning from 105-degree weather [very hot] to still warm [75 degrees, which seems cold compared to 105 degrees]," he told Arrive Logistics.

Truck utilization remains high, but should taper off in 2019

FTR reports that there has been 100 percent utilization of trucks for most of 2018. The statistic measures trucks in use against seated trucks available. This utilization number means that if there is a driver, freight is available to fill the trailer. Drivers are not twiddling their thumbs, sitting in an empty truck with nothing to haul. The last time truck utilization was 100 percent was 2004. In 2019, however, the percentage is expected to dip back towards 94 percent, a trajectory that would indicate similar conditions to 2015. In that situation, motor carriers ordered scores of new trucks to capitalize on the strong market in 2014. By 2016 an industrial recession left carriers with new trucks and nothing to put in them.

Class 8 truck orders are higher than anytime in the last 10 years, FTR reports. August was an all-time high of nearly 50,000 orders. The monthly numbers have dropped in recent months only because manufacturers already have taken all the orders they can handle for the next several months. For shippers, more trucks and lower utilization is a good thing because it's easier to find capacity. No longer do they have to wait for a truck or pay a repositioning fee to secure immediate capacity. New supply is being injected into the system and catching up with demand. Carriers order more new trucks because turning down shippers is a lost opportunity. If we only had another tractor-trailer and a driver, a trucking CEO would say, then I wouldn't have to say 'no' to profitable freight. Continued on Page 2

" The entire Outsource team would like to wish each and every one of you a Happy Holiday season "

What US truck shippers need to watch in 2019

(Front page article continued)

Will intermodal become more or less competitive with trucking in 2019?

The answer depends on where the shipper is located, what is the destination, service levels, and precision scheduled railroading (PSR). Among US railroads, NS and UP trains have been slower and dwell times longer than a year ago. UP CEO Lance Fritz acknowledged it wasn't meeting customer expectations in September. Will the foray into precision scheduled railroading help UP and NS achieve better train speeds and shorter dwells, like CSX? UP and NS will take a first step towards PSR principles by eliminating interline service on hundreds of routes in January and February. CSX made similar changes in September. If a shipper uses one of these origin-and-destination pairs, their costs through Chicago will skyrocket, which makes intermodal less competitive in 2019.

Remember also that CSX's transition under the late Hunter Harrison to PSR was rocky, at best, prompting a contentious meeting before the Surface Transportation Board in 2017 about service problems. CSX has been able to overcome the hiccups this year. Train speeds are faster and terminal dwell times are lower, even though volumes are higher. It's the only Class I railroad to achieve such a result. Will the same initial bumpiness happen with NS and UP? If so, intermodal service will deteriorate in 2019 and rebound in 2020. NS's management, however, told Cowen and Co. analyst Jason Seidl that it plans a gradual transition to PSR, not sudden as was the case with CSX. FTR's forecast calls for intermodal to become more competitive in 2019. The research firm's Intermodal Competitive Index peaked in April 2018 before reaching neutral conditions in October. Next year the index is expected turn positive once again, but not as strong as 2018.

"Folks will continue to see intermodal volumes grow going forward. For shippers, the question is where are you getting your equipment from? For railroads, how are you going to handle those increasing volumes efficiently?" said Todd Tranausky, FTR's vice president of rail and intermodal. Hub Group, which partners with UP and NS, believes intermodal pricing should rise mid-single digits in 2019. "Overall, Hub has found rail service to be a little better but still not great and believes that next year should continue to show progress. Hub's expectations for early 2019 are still strong, with the early Chinese New Year in January likely a boost to help offset difficult year-over-year comparisons. In addition, management noted that they didn't have any negative impact from a pull-forward ahead of the tariffs," Seidl wrote in an investor note.

HMM Expected to Part Ways with 2M Alliance

By Jung Min-hee December 3, 2018

Hyundai Merchant Marine (HMM), Korea's largest containers carrier, is considering joining a new ocean alliance when its ties with the 2M Alliance expire in April 2020, industry analysts say. The 2M Alliance consists of Maersk Line and MSC, which rank first and second in terms of the share of the global shipping market. HMM is currently not a full member of the alliance. Under an agreement signed in 2016, HMM purchases and exchanges slots with the two powerful shipping lines. The contract is disadvantageous to HMM as it is not a full member of the alliance. Lately, HMM's status fell as the 2M Alliance inked a partnership deal with Israel's Zim Integrated Shipping Services.

HMM's contract with the 2M Alliance is a conditional cooperation agreement which runs from April 2017 to March 2020. At the time, 2M agreed that it would accept HMM as a full membership company based on an assessment of HMM's financial structure and liquidity improvement. Taking current situations into account, HMM and 2M are highly likely to part ways. Typically, a shipping alliance runs at least five to 10 years, but HMM has a three-year contract with 2M. In addition, since HMM is not a full member, it has to endure disadvantages in terms of routes. HMM also faces restrictions in expanding its sales power because 2M requested HMM to restrict new shipbuilding orders when it signed the deal with HMM. 2M strongly protested against HMM's orders for 20 large container ships, which were placed in April under the Korean government's five-year shipping industry reconstruction plan. "2M is hampering HMM's fleet expansion even though the Korean shipper urgently needs to recover its competitiveness," said an official in the Korean shipping industry.

2M is also skeptical about maintaining its alliance with HMM. The alliance recently decided to establish a strategic partnership with Zim Integrated Shipping Services, an Israeli shipping company, for U.S. routes, putting HMM in a more disadvantageous position. Currently, HMM leases space on 2M ships to carry freights without offering its own Asia-U.S. East Coast services. HMM negotiated with Zim Integrated Shipping Services to address this issue. However, the Israeli shipper joined 2M and HMM's plan was scratched off.

Some shipping industry experts say that HMM will join a new shipping alliance other than 2M based on its enlarged fleet as the 20 ships ordered by HMM this year will be delivered starting in 2020. In particular, when HMM completes the acquisition of a stake in Busan New Port 4 which handles a high volume of transshipment cargoes, it will be able to secure a favorable position in negotiations with global shipping alliances. "After 2020, the number of eco-friendly containerships will increase significantly, and HMM's acquisition of the stake in the new port will save HMM cost in using ports. HMM's breakup with the 2M Alliance may create an opportunity for HMM," said an official in the Korean shipping industry. Shipping analysts say HMM is likely to join the Ocean Alliance, which includes France's CMA CGM, China's COSCO and Taiwan's Evergreen

TRIVIA QUESTIONS

OUTSOURCE
THE FREIGHT MANAGEMENT COMPANY

1) What year was the National Trail Systems Act established?
A. 1933 **B.** 1968 **C.** 1989 **D.** 1955

2) There are 3 trail categories established. Which one listed is NOT a category? (all start with the word National)
A. Rural Trails **B.** Scenic Trails **C.** Historic Trails **D.** Recreation Trails

3) Which is the latest route proposed to be designated as a Historic National Trail?
A. Trail of Tears **B.** Pony Express Trail **C.** Route 66 **D.** Mesa Verde N.P.

4) How many National Historic and National Scenic Trails will there be by the end of 2018 combined?
A. 84 **B.** 31 **C.** 234 **D.** 19

5) Which single year since 1968 had the most trails designated by Congress?
A. 1968 **B.** 2009 **C.** 1983 **D.** 1978

6) How many total miles are involved with the National Historic and National Scenic Trails?
A. 51,736 **B.** 33,002 **C.** 26,525 **D.** 18,734

Answers Later In The Newsletter

FUEL REPORT

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

	11/26/18	12/3/18	12/10/18	Change from week ago	Change from year ago
U.S. National Average	$3.261	$3.207	$3.161	- 0.046	0.251

Low-sulfur fuel cost uncertainty weighs on shippers and carriers

Author Edwin Lopez @EdwinLopezT37

Dive Brief:

- Ocean carriers have failed to provide enough clarity over the low-sulfur fuel surcharges the industry will face as early as 2019, shippers said in a recent survey for Drewry Maritime Consultants.
- Despite media attention on the issue, 33% of shippers said they had either poor or very poor awareness of the regulation driving upcoming low-sulfur fuel surcharges. Only one in 10 shippers, meanwhile, had conducted a cost impact assessment.

"The level of uncertainty today as to the total cost impact is so large that nobody is able to provide a confident forecast of the cost of compliance," Drewry said in a press release. "The only certainty is that the extra cost will run into billions of dollars come 2020."

It's hard to know what's really happening out in the field. That can mean missed opportunities, poor productivity or unnecessary costs. We can help change that, with a full 360-degree view of your fleet's daily operations.

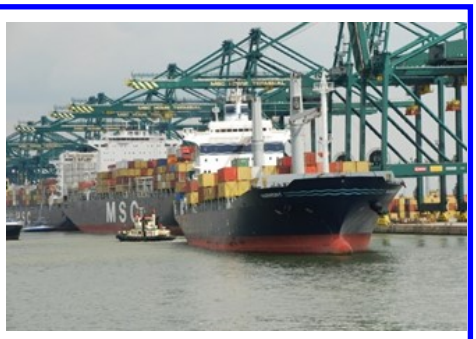
Dive Insight:

Ocean carriers are sounding the alarm of the high costs they will incur due to new environmental regulations set to go into effect in 2020, but the survey shows the noise is not reaching shippers — yet. Carriers and shippers are barely beginning their budget preparations for 2019, and the new low-sulfur regulations are but a line item in a long laundry list of risks to consider next year. However, recent announcements suggest this issue is set to be especially controversial as carriers cannot afford to shoulder the cost.

Hapag-Lloyd, which recently announced a "Marine Fuel Recovery" surcharge mechanism, said it expects the transition will cost the company $1 billion in the first year. (The group posted 32.1 million Euros, or $36.8 million, of profit in all of 2017). Other carriers have cited figures closer to $2 billion in costs. Shippers are not content with the "unilateral" mechanism carriers are using to make up the costs of transitioning to low-sulfur fuel. The lack of negotiations and mechanisms that favor fluctuation, they say, do not allow for accurate forecasting or budgeting to reasonably take on the additional costs. But someone has to pay for the changes. After all, the regulations are mandatory and — according to a recent United Nations report warning the world has just 12 years to get climate change under control — essential.

Costs found to outweigh port automation benefits

Greg Knowler, Senior Europe Editor JOC Dec 13, 2018



Mounting pressure from mega-ship calls is pushing container ports towards automating their operations, but McKinsey research suggests terminals will struggle to achieve the reduction in operating expenses and the rise in productivity required to justify the investment in automation. In a report called *The Future of Automated Ports*, McKinsey estimated that the operating expenses of an automated greenfield terminal would have to be 25 percent lower than those of a conventional terminal, or productivity would have to rise by 30 percent while operating expenses fell by 10 percent, to make it a worthwhile investment. But an industry survey found there was a clear division between the expectations of the respondents and reality. Those polled expected automation to cut operating expenses by 25 to 55 percent and to raise productivity by 10 to 35 percent, well above the actual performance. McKinsey found that while operating expenses at automated ports do indeed fall, they only decline by 15 to 35 percent, and productivity actually falls by 7 to 15 percent.

Gross moves per hour

"An executive of a global port operator told us that at fully automated terminals, the average number of gross moves per hour for quay cranes — a key indicator of productivity — is in the low 20s," McKinsey noted. "At many conventional terminals, it is in the high 30s. With numbers like these, automation can't overcome the burden of the up-front capital expenditures." Dean Davison, technical director, maritime, for the engineering firm WSP, told approximately 200 attendees at the JOC Port Performance North America Conference in Newark, New Jersey, that a global issue afflicting terminals in all regions was dealing with large volumes of cargo from bigger container vessels. "Productivity gains are not keeping pace with increased vessel and consignment sizes," he said. "The relative position has actually gone backwards. The question is, with more bigger ships coming next year, are we going to go further backwards? All container ports and terminals have to keep improving, and they're under pressure to do so."

Global container moves per hour, the top-line measure of port call productivity, decreased 4 percent, effectively meaning ships spent an extra 70,000 hours in port in the first half of 2018 compared with the first half of 2017, according to an analysis of JOC Port Productivity data. After an extended period of high growth, average call sizes, or the number of containers exchanged per call, did not increase in the first half of 2018, compared with the same period in 2017.

Mega-ship volume leading to bottlenecks

Automated container terminals can help European hubs handle mega-ships and the exchanges of up to 10,000 TEU that can accompany each port call, but those efficiencies are often lost as inland-bound cargo moves from the quay to the intermodal connections. Hub ports such as Rotterdam, Antwerp, Le Havre, and Hamburg have had little choice but to invest in upgrading infrastructure and deploying the largest available cranes to handle the giant vessels in one port call. Developments in technology have allowed terminals in these ports to automate many functions that create faster and more efficient handling solutions. But as technologically advanced as a terminal may be in the loading and off-loading process, having such large exchanges of containers from the mega-ships still creates significant bottlenecks that ports such as Rotterdam and Antwerp are finding difficult to solve. The problem is as much moving containers out of the port as it is unloading or loading a vessel. "Automation is not a panacea," Davison warned. "There's no point having an efficient automated terminal if the gate or the truck becomes the logistics bottleneck."

While ports puzzle with the cost-benefit analysis of automation in addressing productivity issues, the McKinsey survey of senior industry executives uncovered some of the barriers to investing in the technology. For instance, there was perceived to be a shortage of capabilities in specialized technical positions that could take engineers five years to train for. Building this talent pool would be crucial in the future. Data silos and a lack of data standards was another basic problem to be found in automation, where the quality of data and the data analytics were not sufficiently strong to run automated ports efficiently. This lack of a structured, transparent data pool made it difficult to monitor and diagnose the operations and performance of equipment quickly. The standards, formats, and structures of the data may be misaligned or even wholly absent, so ports can't collect and exchange data efficiently. A solution to this, McKinsey said, was data-infrastructure applications that can help predict and forecast demand and the arrival-and-departure patterns of container ships. The apps can schedule the maintenance of equipment for optimal availability, allocate equipment and frontline staff, and adjust the allocation in real time. They can also use machine intelligence to make plans more accurate.

Other problems — siloed operations at ports, handling exceptions

Another two barriers were siloed operations at ports that had to be broken down and handling exceptions that many ports found were the greatest single challenge for raising productivity. McKinsey noted, "More than 60 percent of the operators in our survey agree that when ports have large numbers of exceptions, the likely culprit is a mistaken approach to automating manual processes. Such ports skip an important step: simplifying processes before automating them. These processes therefore remain cumbersome even after they are configured by automated systems."

McKinsey outlined the way forward, which included ports building automation-ready capabilities, setting up a strong project-governance and communication plan, having a road map to realize value from automation, building and continually refreshing the technology ecosystem, and incorporating external data into the automation system. Over the years, ports have evolved through several basic models of operation, and McKinsey said they were now on the cusp of a Port 4.0 transition. In this model of the future, 4.0 will enlarge the port's role by orchestrating physical and information flows inside and outside terminals to enhance the port ecosystem's broader, systemwide efficiency. Every player — terminal operators, trucking companies, railroads, shippers, logistics providers, and freight forwarders — would be connected to optimize not just the port but also its entire ecosystem.

McKinsey said the journey from Port 1.0 to Port 3.0 has been evolutionary, but Port 4.0 required a leap into the future and bold changes to the operating model. "We estimate that for a six- to eight-million TEU port that handles both imports and exports, the value at stake from Port 4.0 might be more than $1.5 billion a year for the port community, including terminal operators, shipping companies, intermodal operators, freight forwarders, shippers, and consignees," McKinsey wrote in its conclusion. "Terminal operators might capture less than 20 percent of the value pool directly, and other parties in the ecosystem would claim the rest."

ODFL reports solid tonnage trends in November update December 6, 2018 · By Jeff Berman

The Thomasville, N.C.-based carrier reported that LTL tons per day increased 3.1% in November on an annual basis, which it said was driven by a 7% increase in LTL shipments per day that was offset by a 3.6% decrease in LTL weight per shipment.

National less-than-truckload carrier Old Dominion Freight Line (ODFL) provided guidance for key operating metrics for November. The Thomasville, N.C.-based carrier reported that LTL tons per day increased 3.1% in November on an annual basis, which it said was driven by a 7% increase in LTL shipments per day that was offset by a 3.6% decrease in LTL weight per shipment. On a fourth quarter-to-date basis through November, ODFL said revenue per shipment was up 13.5% annually.

"Our revenue growth for the first two months of the fourth quarter reflects the ongoing strength of the domestic economy and our ability to win market share," said Greg C. Gantt, President and Chief Executive Officer of Old Dominion, in a statement. "Customer demand continues to be favorable, and we look forward to the opportunity for further growth in 2019."

In previous monthly updates provided by ODFL this year, Gantt mentioned that while the rate of the company's LTL volume growth has slightly trailed what it experienced during the first half of 2018, ODFL believes change is primarily attributable to our decision to reduce the number of heavy-weighted shipments in our network. This strategic reduction also had a positive impact on LTL revenue per hundredweight. Customer demand for our service offerings remains strong, and we believe our service center network capacity will remain sufficient to support the anticipated growth of our business for the foreseeable future. Gantt added that ODFL intends to continue to reinvest in its business to ensure that it has the necessary equipment, facilities and people to support our long-term strategic initiatives, which it believes will continue to increase shareholder value. Credit Suisse analyst Allison Landry wrote in a research note that despite the subdued tonnage growth for ODFL, shipment trends are better than expected, while the pricing backdrop remains relatively strong.

Answers to Trivia

R.J. Corman Railroad Co. has acquired six rail companies, according to a Nov. 5 press release. Nicholasville, Ky.-based R.J. Corman is expected to take over operations in January of Nashville & Eastern Railroad Corp., Nashville & Western Railroad Corp., Transit Solutions Group, a commuter rail operation, and three related operating entities. Nashville & Eastern is a 130- mile railroad, operating on leased track from the Nashville & Eastern railroad Authority from Nashville, Tenn., to Monterey, Tenn. NWR is an 18-mile railroad, operating on leased track from the Cheatham County Rail Authority from Nashville to Ashland City, Tenn. Together, NERR and NWR transport 12,000 carloads annually, interchanging with CSX in Nashville, R.J. Corman officials said. The companies haul diverse commodity mixes, including chemicals, aggregates, waste, paper, energy products, metals and building materials, and have developed industrial load facilities on both short lines. R.J. Corman operates 11 shortline railroads in nine states, including Tennessee. The

Charleston Harbor Gains $41.4 Mln. for Dredging

The Army Corps of Engineers will grant $41.4 million to the Charleston Harbor Deepening Project in its 2019 work plan, helping to get the South Carolina port to 52 feet deep, the Corps of Engineers said in a Nov. 21 press release. Construction to deepen the Charleston Harbor Entrance Channel began in February after the first two dredging contracts of about $300 million, according to the Corps of Engineers. The federal department intends to get the port to 52 feet by 2021, making it the deepest harbor on the East Coast. The deeper port will mean thousands more cargo ships using East Coast ports by 2019, the Corps of Engineers said. Large cargo ships require harbors of 50 feet or more in draft to remove navigation restrictions, the agency said. Upon completion of Charleston's deepening, the Inner Harbor will offer 52 feet of depth with a 54-feet entrance channel.

— Transport Topics

Self-Dimming Headlights Could Be Coming to US

By Ryan Beene *Bloomberg News*

U.S. auto safety regulators are moving to allow a new generation of brighter, self-dimming headlights that won't blind other drivers on the road ahead. The National Highway Traffic Safety Administration is proposing to permit so-called adaptive driving beam headlights on new cars, according to an agency notice made public Oct. 11. The advanced lights essentially operate as high-beam headlamps at all times while automatically dimming specific portions of the beam to cast less light on oncoming vehicles detected by sensors. The technology "has the potential to reduce the risk of crashes by increasing visibility without increasing glare," NHTSA said in a notice made public Oct. 11. The agency added that "it offers potentially significant safety benefits in avoiding collisions with pedestrians, cyclists, animals and roadside objects." Automakers including Toyota Motor Corp. and Audi AG for years have urged NHTSA to update the headlight standard to accommodate the high-tech lights, saying they can improve safety by providing better illumination while avoiding glare for other drivers. The technology is available in other markets, including Europe, but carmakers have interpreted NHTSA's long-standing headlight rule as prohibiting the technology. The agency is seeking comments on the proposal, which would establish performance requirements for adaptive driving beams. Toyota petitioned the agency to amend its headlight rules in 2016.

FedEx to Change Head of Express Unit

By Paul Ziobro WSJ, Dec. 7, 2018

David Cunningham, a FedEx veteran who has been with the company for more than three decades, will be replaced by current Chief Marketing and Communications Officer Raj Subramaniam, 52 years old, who has held various roles with the company over 27 years. David Cunningham took the top job in the Express division in February 2017, replacing David Bronczek, FedEx's current president and chief operating officer. Mr. Cunningham, 57, will receive a severance payment of nearly $1.8 million early next year, according to a separation agreement filed with the Securities and Exchange Commission. He has also agreed not to work for rivals, including United Parcel Service Inc., the U.S. Postal Service and Amazon.com Inc., for at least two years. Companies rarely pay severance for planned retirements. FedEx stated in its most recent annual proxy statement, filed in August, that its top executives don't have employment agreements—and the company isn't obliged to pay severance when they depart.

Citi Research transportation analyst Christian Wetherbee said the terms of his retirement suggest that Mr. Cunningham is being forced out, potentially calling into question his performance at FedEx's Express unit, which represents the company's air delivery network that CEO Fred Smith started in 1973. "This raises concern that the Express segment is not performing up to expectation and Express targets, which are beginning to seem ambitious, could be revised," Mr. Wetherbee wrote in a research note. A FedEx spokeswoman said the company wouldn't comment beyond the news release and securities filing.

Mr. Cunningham took the top job in the Express division in February 2017, replacing David Bronczek, who now runs most of FedEx's day-to-day operations as president and chief operating officer. Mr. Cunningham had overseen the integration of TNT Express, which FedEx acquired in 2016 for $4.8 billion to expand its footprint abroad. A June 2017 cyberattack on TNT sped up integration plans and required additional spending on information technology and other infrastructure. FedEx has said that it expects to improve profit in its Express unit by between $1.2 billion and $1.5 billion in fiscal 2020 versus 2017. FedEx reports fiscal second-quarter earnings on Dec. 18.

UPS announces 2019 Rate Increase

United Parcel Service will increase shipping rates effective December 26, 2018 by an average of 4.9% for UPS Ground, UPS Air, and International services, while UPS Freight rates will increase by an average of 4.9% on December 27, 2018. The change will impact the following:

- UPS Daily Package Rates including UPS Ground, UPS Air, and UPS International services
- UPS Alaska and Hawaii Daily Package Rates
- UPS Retail Package Rates including UPS Ground, UPS Air, and UPS International services
- UPS Hundredweight Service Package Rates
- UPS SurePost Rates
- UPS Air Freight Rates
- U.S. Origin UPS Express Freight Premium Direct Rates

Surcharge	2018 Rate	2019 Rate	Percentage Increase
Over Maximum Limits	$500.00	$850.00	70.00%
Additional Handling, Weight (Over 70 lbs)	$19.00	$23.00	21.05%
Additional Handling, Length	$12.00	$14.25	18.75%
Additional Handling, Width	$12.00	$14.25	18.75%
Additional Handling, Packaging	$12.00	$14.25	18.75%
Large Package Surcharge, Commercial	$80.00	$95.00	18.75%
Large Package Surcharge, Residential	$90.00	$115.00	27.78%
COD	$13.50	$14.50	7.41%
Ground Weekly Pick Up (>$75/week)	$12.50	$13.50	8.00%
Ground Weekly Pick Up (<$75/week)	$25.00	$27.00	8.00%
Address Correction	$15.90	$16.40	3.14%
Delivery Area Surcharge, Commercial Ground	$2.60	$2.80	7.69%
Delivery Area Surcharge, Commercial Air	$2.75	$2.95	7.27%
Delivery Area Surcharge, Commercial Ground Extended	$2.60	$2.80	7.69%
Delivery Area Surcharge, Commercial Air Extended	$2.75	$2.95	7.27%
Delivery Area Surcharge, Residential Ground	$3.50	$3.80	8.57%
Hazardous Materials, Air, accessible goods	$48.00	$53.00	10.42%
Delivery Area Surcharge, Residential Air	$4.05	$4.35	7.41%
Delivery Area Surcharge, Residential Ground Extended	$4.45	$4.85	8.99%
Delivery Area Surcharge, Residential Air Extended	$4.45	$4.85	8.99%
Residential Surcharge, Ground	$3.60	$3.95	9.72%
Residential Surcharge, Air	$4.15	$4.55	9.64%
Hazardous Materials, Air, inaccessible goods	$46.50	$49.00	5.38%
Hazardous Materials, Ground	$33.00	$35.00	6.06%
Dry Ice	$5.25	$5.55	5.71%
Delivery Confirmation Signature Required	$4.75	$5.00	5.26%
Delivery Confirmation Signature Required Adult	$5.75	$6.05	5.22%
Third Party Billing Fee	2.5%	4.5%	80.00%

Take a closer look at Additional Handling, Large Package Surcharge, and Over Maximum Limits. UPS increased these accessorials during the 2018 General Rate Increase in December 2017 and then again in July 2018, and all three are going up again. Additional Handling Weight has increased over 91% in 12 months!

Accessorial	December 2017	July 2018	December 2018	Percentage Increase
Additional Handling Weight	$12.00	$19.00	$23.00	91.67%
Large Package Surcharge	$80.00	$90.00	$115.00	43.75%
Over Maximum Limits	$500.00	$650.00	$850.00	70.00%

This year, UPS is giving its customers only three weeks' notice of the 2019 increase, even though many contracts state that there must be a period of 30 days' notice. Some of the most notable changes in 2019 will be the following:

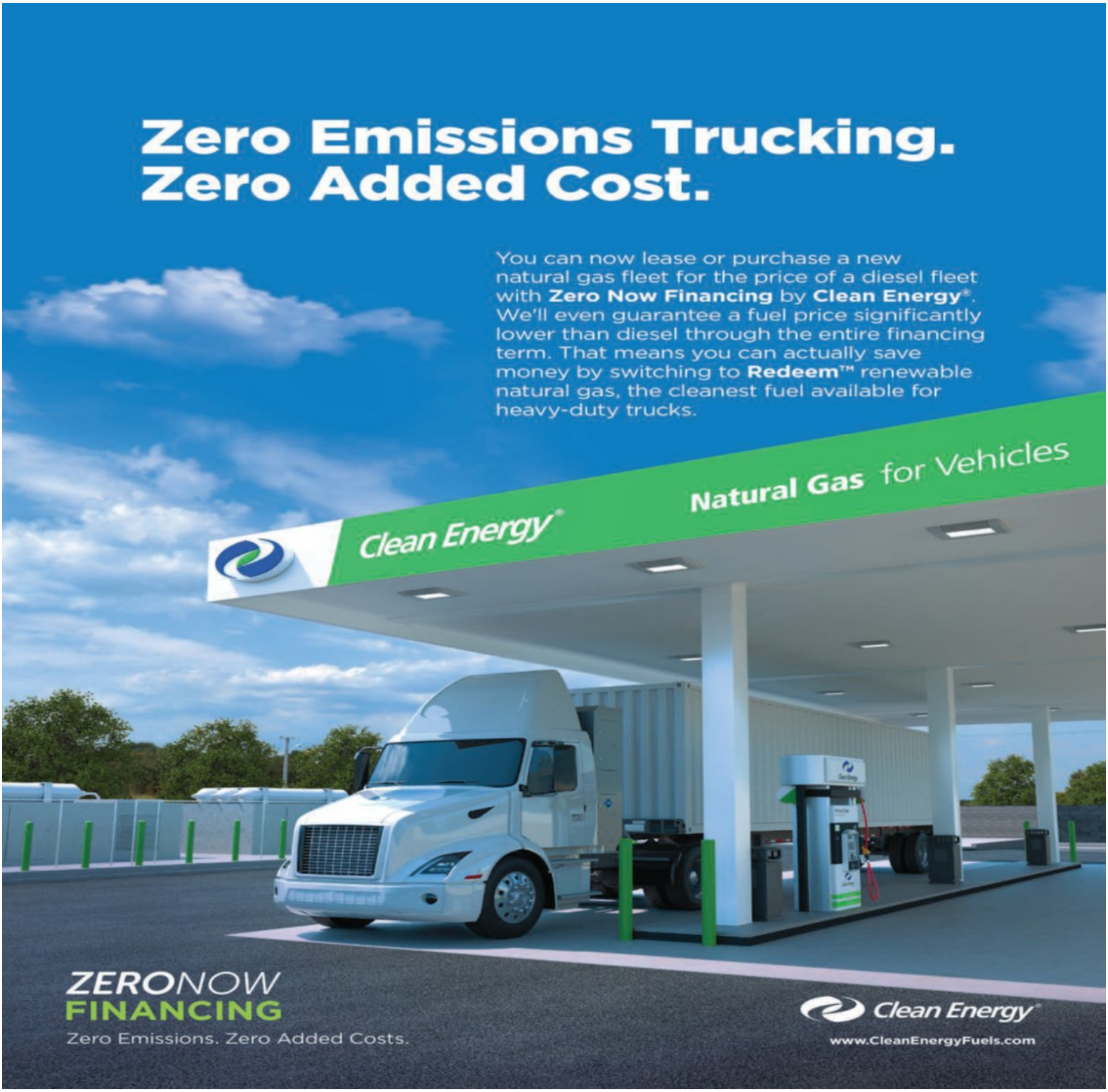
·Fuel surcharges will now apply to more surcharges than ever before. Included among those are Additional Handling, Over Maximum Limits, Signature, and Adult Signature Required.

·Fuel surcharges are scheduled to increase, but details won't be available until 12/27/2018.

·UPS will charge a processing fee when Package Level Detail (PLD) is not provided to them prior to delivery.

Both UPS and FedEx continue to create a more complex pricing environment year over year. Many shippers understand that there is usually very little correlation between the carriers' announced average increase and the actual increase by service level, zone, and weight. The impact to their parcel budget can vary significantly from the announced average increase depending on their shipper profile.

Editor's note: Our world needs to make changes for the sake of our planet. Transportation is a major component of the problem….unhealthy emissions. The below was an advertisement in a trucking publication that I read. It is an example of innovative marketing ideas that have a chance at helping our planet while driving away some obstacles to the clean fuel market segment. I, for one, want to commend Clean Energy Fuels. They will drive their business while doing their part for cleaner air. Congratulations to them. Win/Win (hopefully).



Going green may be popular, but US express customers are loathe to pay for it

By Alexander Whiteman 12/4/2018 THE LOADSTAR (making sense of the Supply Chain)

Customers need to play a bigger part in improving carbon neutrality on express delivery networks. However, while a green sheen may be popular with customers, they are not particularly willing to pay more for it, claimed one operator. Chief executive of DHL Express US Greg Hewitt told The Loadstar the company was on course to meet both short- and long-term targets for neutralising emissions, but one area was lagging. "By 2025, one of the short-term initiatives we want to have achieved is to have 50% of our customers leveraging the available green solutions," he said. "But in some cases, these come at a premium and we are seeing that consumers are not willing to pay for these more expensive, though greener, transport options."

Even so, DHL's Manhattan facility is on course to meeting the company's 2050 carbon neutrality goals, with 100% of its final-mile operations already running under its green initiative and leading its US operations when it comes to environmental sustainability. "The short-term goal is to have 75% of final-mile operations running under a green solution by 2025," said Mr Hewitt. "Well, here in Manhattan we are setting an example for the others."

Asked by The Loadstar how DHL would cut carbon while using air freight, Mr Hewitt said the aim was to neutralise rather than remove emissions and the company has made efforts in local communities – in New York, DHL is ahead of its targets with 1m trees already planted across the city's five boroughs.

Area operations manager for NYC Juan Cucalon told The Loadstar the region had also launched walking delivery facilities.

"This is another part of our green initiative to minimise our carbon footprint, with many parcels in the Manhattan area being delivered by foot," he said. "Alongside this, we are working with local government to get authorisation for our quadcycle to be used on the city's roads and cycle paths."

Already operating in The Netherlands, the quadcycle can carry up to 125kg of shipments, with most cycle couriers using it covering 50km a day.

Mr Cucalon said the quadcycle was not allowed on New York city roads, only two-wheelers in designated bike lanes, but he hoped this would change soon.

"Our vehicle make-up comprises only electric and hybrid trucks, 95 in total, and these are charged at our Manhattan facility," he added. "While we get some energy from the grid, the bulk comes from our own micro-turbine, itself fuelled by eco-friendly natural gas.

"The smaller vehicles cover 40 miles on a single charge and the larger ones 80, and with our delivery range being dense, on average drivers only cover 80 miles a day."

The efforts made in Manhattan are being mirrored in the new facility DHL is about to open in Garden City in the NY borough of Queens. This is already set up for electric vehicles and will be part of what Mr Cucalon described as the company's "aggressive efforts" to be carbon neutral by 2050.