OUTSOURCE

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THE SOURCE

Editor's Comment: Rates are a product of the marketplace. Supply and demand can be defined through transportation as when there is a lot of freight and less capacity rates go up while when the environment is reversed, rates go down. For the past year we have been hearing of a great deal of investment in equipment and facilities. Companies don't make that investment without anticipating significant ROI. Rates are going up. Plan accordingly. Be ready.

Trucking Rates Come Down a Bit but Problems Persist for Shippers

By Jennifer Smith, WSJ 2/15/18

Manufacturers and retailers are enjoying a breather from soaring trucking costs, but many shippers say lingering problems in booking big rigs point to more turmoil ahead. Rates on the spot market, where companies book last-minute transportation, have come down from record highs hit last month amid a nationwide shortage of available trucks. Shippers have postponed deliveries that aren't urgent or are moving more cargo by rail, reducing pressure on trucking fleets struggling to hire drivers. But many shippers and trucking companies warn that the lull may not last, for a number of reasons. The strong economy is boosting freight demand. Produce distributors typically hire more trucks starting this month to move crops from Mexico and Southern states to grocery stores around the country. Full enforcement begins in April for a new federal safety rule that requires truckers to electronically log hours behind the wheel, potentially removing some big rigs from the road.

Trucking costs have come off their highs, but lingering capacity issues have many shippers bracing for another spike. Last week, the average spot rate for the most common type of big rig was $2.17 per mile, down from $2.26 in January, though still up a third from a year ago, according to online freight marketplace DAT Solutions LLC. Capacity remains tight, with demand measuring at about seven loads per available truck for the week ending Feb. 10, compared with 2.4 loads per truck during the same period in 2017, according to Source: DAT Solutions

Heartland Express Inc. a large trucking company based in North Liberty, Iowa, has been turning down an average 10,000 loads a week from shippers like Walmart Inc. and Lowe's Co's. The turndown rate was about 500 loads a week at the start of 2017. We'd love to haul them but we don't have any drivers," Heartland Chief Executive Michael Gerdin said. Carriers often have trouble recruiting drivers, particularly for long-haul trucking where drivers might spend weeks out on the road. And the tight labor market has compounded the problem, with some drivers leaving for construction or energy jobs that pay better or offer more time at home.

Higher freight costs are weighing on corporate profits and raising prices for consumers. On Thursday, wholesaler US Foods Holding Corp. said the shortage of available trucks hurt its fourth-quarter profits, and it will attempt to pass along those costs to its restaurant and food-service customers in the coming months. Last week, Tyson Foods Inc. said rising freight costs will help push meat prices higher at the supermarket.

Cereal-maker Kellogg Co.'s logistics costs rose at a double-digit rate in the fourth quarter, with percentage increases in the high single digits expected in 2018.

Tight capacity is giving trucking companies the upper hand in negotiations over long-term freight contracts. Contract rates are expected to rise as much as 10% in 2018. This week, Werner Enterprises Inc., a large Omaha-based trucking company, reset its guidance on rate increases at between 6% and 10%, up from 4% to 8%. Some of the increases will go toward raising drivers' pay and recruiting new operators, analysts say.

Some shippers are moving freight over to rail, benefiting carriers that offer intermodal service to manage transportation on both road and rail. The number of truck trailers moved by rail in January rose 10% from the year before, according to the Association of American Railroads.

While shipping containers from the ports account for most intermodal traffic, "in the domestic interior of the country, everything from diapers to widgets is going intermodal," said Mark Rourke, chief operating officer at Schneider National Inc. a large national carrier based in Green Bay, Wis. The company plans to add more trailers to its intermodal segment this year. Cargo moves slower by rail than by truck, and service problems have dogged some railroads in recent months, though carriers say they expect metrics to improve as the weather warms.

Trump announces a huge $1.5 trillion infrastructure plan – here's what's in it Business Insider 2/12/18

The White House on Monday unveiled President Donald Trump's long-awaited infrastructure plan that aims to rehabilitate the nation's roads, bridges, tunnels, and more. The plan includes $200 billion in federal funding over the next 10 years and aims to raise up to $1.5 trillion in total by incentivizing investment from state and local governments, as well as private firms. Here's a breakdown of how that would be spent:

- $100 billion for direct grants to local governments to help trigger investment.
- $50 billion to projects in rural areas in the form of block grants.
- $20 billion to large projects to "lift the American spirit."
- $30 billion for miscellaneous existing infrastructure programs.

The proposal is a departure from typical spending on infrastructure, as the federal government usually covers a bulk of the cost. Trump's plan would see local governments taking on 80% or more of the funding burden.

Another focus is streamlining the approval process for bigger projects to two years from the current five to 10, removing some regulatory red tape. The plan would allow one agency to make the final decision on permitting, something the White House is calling a "one agency, one decision" approach.

Democrats have said that shortening the approval time could be used to skirt environmental regulations.

Several other items in the package would affect things like educational grants and toll roads. Here's a brief rundown:

- Create a fund to repair infrastructure on public lands like parks and forests using money generated from "mineral and energy development on federal lands and waters."
- Expand the use of toll roads and loosen restrictions on the use of revenue from them.
- Expand the use of Pell grants to help pay for postsecondary programs, including short-term programs, apprenticeship programs, and more.
- Allow workers with out-of-state trade licenses to work on new infrastructure projects.
- Limit legal actions due to environmental concerns that can pause projects.

While the plan is set to dominate the policy agenda in Washington this week, almost no one expects Congress to pass anything resembling it this year. Isaac Boltansky, a policy analyst at the research firm Compass Point, summed up in a note to clients the reasons he thinks it's dead on arrival:

"Despite bipartisan conceptual support for infrastructure projects, we doubt that a sweeping infrastructure bill will become law in this Congress for 3 key reasons: (1) the deep policy divide over the funding mechanism; (2) unclear pay-fors as repatriation was included in tax reform and raising the gas tax remains unpopular among Republicans; and (3) the timeline is difficult given the already overburdened legislative calendar and the gravitational pull of the midterms."

Chris Krueger, a strategist at Cowen Washington Research Group, was also skeptical. He said in a note on Monday: "$1.5 trillion for infrastructure on the heels of $2 trillion in deficit-financed fiscal stimulus in the past two months is ... unlikely." Democrats have already come out against the plan, saying the private-public partnerships are a "scam" designed to enrich private contractors. "This is not a real infrastructure plan — it's simply another scam, an attempt by this administration to privatize critical government functions, and create windfalls for their buddies on Wall Street," Rep. Peter DeFazio, the top Democrat on the House Transportation Committee, said Sunday. Meanwhile, Republicans have expressed concerns about the effects of the new tax law and recent budget deal on the federal deficit, meaning another $200 billion spending proposal is unlikely to get much support.

TRIVIA QUESTIONS

1) When is an invoice issued if Incoterms are CIP?
A. When goods handed over to 1st carrier **B.** Once goods arrive at destination **C.** When goods leave factory

2) When does RISK transfer from seller to buyer when Incoterm used is DAP?
A. When goods handed over to 1st carrier **B.** Once goods arrive at destination **C.** When goods leave factory

3) Logistics, in its simplest form, ____(?)_____.
A. Is a military term **B.** Is Transportation Management **C.** Combines all inbound/outbound goods movement

4) Who was the 1st President to be a "golf nut"?
A. Dwight D. Eisenhower **B.** William Howard Taft **C.** John F. Kennedy **D.** Harry S. Truman

5) Which city is not located in California?
A. Los Banos **B.** Temecula **C.** Santa Rosa **D.** Los Alamos

6) Often used for theatrical effects, what is dry ice?
A. Ammonium Sulfate **B.** Carbon Dioxide **C.** Carbonate **D.** Nitrous Oxide

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	
	2/5/18	**2/12/18**	**2/19/18**	**week ago**	**year ago**
U.S. National Average	$3.086	$3.063	$3.027	- 0.036	0.455

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Oil price outlook

www.globalpetrolprices.com/articles/3/ (abridged)

So, what do the futures prices tell us? The market participants expect the current crude oil price of 65 USD per barrel (Brent) to gradually decrease over time and reach about 61 USD per barrel by February 2019. Oil prices increased lately due to: 1) greater than expected global demand for oil driven by strong economic growth around the world; 2) smaller than expected oil production in the U.S. due to a slowdown in oil extraction investment; 3) instability in some oil producing regions; 4) the OPEC agreement along with Russia to cut production; and 5) the declining value of the U.S. dollar. However, markets anticipate a reversal in this trend in the coming months mostly because production in the U.S. and elsewhere will probably increase as producers take advantage of the higher oil prices. You may also like to see what the oil price forecast implies about the future retail fuel prices.

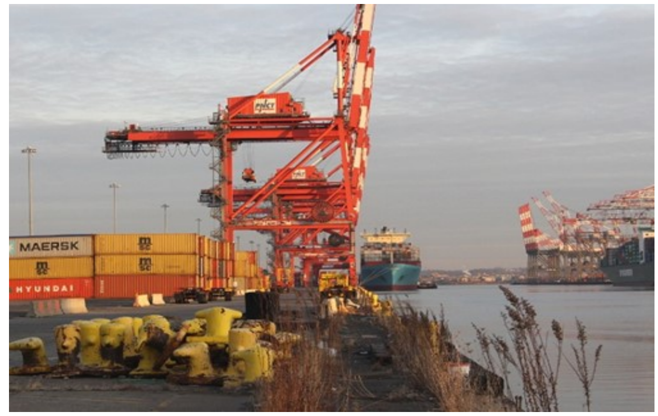
Looking longer-term, we don't see much scope for significantly higher prices. There is growing demand for petroleum products from emerging markets but the demand in developed countries is declining as environmental standards get tougher and electric vehicles spread. Also, demand in the emerging markets would probably taper off as cleaner technologies become cheaper and more accessible. Hence, the World Energy Council expects oil consumption to peak in 2030. That is also the year when Germany and India want to switch entirely to electric cars. The Saudi Vision 2030 initiative also targets 2030 in an effort to shift away from Saudi Arabia's dependence on oil revenues to other industries. Moreover, the U.S. Energy Information Administration estimates that current proven oil reserves would last until 2050 with new deposits being continuously identified. In other words, there seems to be ample amount of oil for many years after its consumption starts to decline. Of course, it matters whether the low-cost reserves dry up first but, overall, these dynamics do not suggest a steep increase in prices.

To read the full article please copy the link above and paste it into your browser

NY- NJ terminal upgrade's goal is 25% turn time reduction

By: Hugh R. Morley, JOC Senior Editor, 2/23/2018

A state-of-the-art gate system promising to shave a quarter off of the average trucker turn time at Port Neward Container Terminal (PNCT) at the Port of New York and New Jersey will come online this spring, part of $500 million upgrade to prepare the facility for an anticipated surge in mega-ship calls. When the system goes online in late April or early May, trucks that at present stop 3 times on their way through the Newark based terminal – arrival, equipment inspection, and slot and container assignment- will have to stop only once, the terminal management said. To read the complete article please click the link provided https://www.joc.com/port-news/us-ports/port-new-york-and-new-jersey/ny-nj-terminal-upgrade%E2%80%99s-goal-25-percent-turn-time-reduction_20180223.html



NUMBER OF THE DAY

7.3%

Year-over-year increase in loaded container imports and exports in 2017 at U.S. seaports, according to Cushman & Wakefield.

Over Capacity, costlier trucking frame trans-Pac contract talks

By Bill Mongelluzzo, JOC Senior Editor 2/16/18

As carriers and shippers in the eastbound Pacific begin annual service contract negotiations, carriers' reluctance to reduce capacity to meet demand threatens their ability to increase prices and build on the slight momentum they achieved in the 2017 to 2018 contracts. Shippers tell JOC.com that the only significant cost increases they anticipate this year are for surface transportation-a result of tightening truck capacity-for drayage and longer hauls. Despite vessel utilization rates of only about 80% during peak season last autumn, carriers hope to exceed last years' service contract rates in this spring's negotiations with their largest customers. However, beneficial cargo owners (BCOs) and NVOCCs say contacts with carriers so far have been preliminary and there are no firm offers to report on. To read the complete article please click the link provided https://www.joc.com/maritime-news/container-lines/overcapacity-costlier-trucking-frame-trans-pac-contract-

MOL car carrier rescues castaways

By: AJOT 2/21/2018

Three survivors rescued in the North Atlantic Ocean

TOKYO - Mitsui O.S.K. Lines, Ltd. (MOL; President & CEO: Junichiro Ikeda) announced that on February 9, 2018, the MOL-operated Car Carrier PROGRESS ACE safely rescued three survivors in the North Atlantic Ocean.

Details of the rescue

At 10:05 in local time on February 9, 2018, the PROGRESS ACE, sailing from Port of Brunswick, the United States of America to Port of Walvis Bay, Namibia, received a distress relay message from the French Maritime Rescue Co-ordination Centres and rushed to the scene and at 15:45 of the same day, all three survivors were safely rescued from a yacht (the point of rescue: 12'07"N 042'18"E).

At 12:30 on February 19, 2018, all survivors were safely handed over to the local authorities in Walvis Bay, Namibia.

FOR IMMEDIATE RELEASE February 22, 2018

New Initiative by ATA Highlights Hidden Cost of Poor Infrastructure

"Road to a Better Future" shows the steep price of inaction

Arlington, Virginia – Today, the American Trucking Associations launched a new initiative to highlight the nation's infrastructure needs by demonstrating the exorbitant cost of traffic congestion and road disrepair borne by the motoring public. "Our goal is to educate decision makers and the public about the hidden costs of the status quo," said ATA President and CEO Chris Spear. "If we're to secure a better future for our country and this economy, then we can no longer put off necessary improvements to our national network of roads and bridges."

The push comes as Washington begins debate on how best to fund roads and bridges. ATA is promoting its plan, the Build America Fund, which would generate $340 billion in new revenue over ten years without adding a penny to the budget deficit. "Opponents of a fuel user fee fail to mention a simple fact: deteriorating roads and bridges exact a heavy price on the motoring public – and that cost hits low- and middle-income drivers the hardest," Spear said. "A fuel user fee is completely paid for by users and does not add a penny to the deficit. There's a reason why Ronald Reagan was such a strong supporter of this policy throughout his presidency."

ATA's new website and infrastructure investment campaign, **Road to a Better Future**, features an educational video and call to action, urging individuals to contact their representatives and ask them to support new highway investment. "What seems to get lost in the debate about highway funding is that there is a cost to doing nothing, too," said David Congdon, CEO of Old Dominion Freight Lines and co-chair of ATA's Infrastructure Task Force. "The irony here is that the cost of doing nothing is actually much higher than what is actually required to fix our roads and bridges."

"You can't build roads and bridges with fake funding. The Build America Fund puts real money on the table," said Jim Burg, task force co-chair and president and CEO of James Burg Trucking Co. "Trucking is coming to Washington with a solution. We already pay nearly half the Highway Trust Fund, and we're saying we'll pay more to get this job done."

Answers to Trivia

QUOTABLE

We are working with our suppliers and logistics providers as they adjust to the present conditions. It takes time for them to actually put the people in place and get them trained and have them working.

Deere & Co. Chief Financial Officer Rajesh Kalathur on attempts to respond to rapidly growing demand for its farm and construction equipment..

Number of the Day

2%

Increase from December to January in American Trucking Associations' truck tonnage index.

US LTL trucking firms plan expansions, higher rates

By William B. Cassidy, JOC Senior Editor, 2/14/18

US shippers will like the additional capacity less-than-truckload (LTL) trucking companies plan to provide this year…but they will not like the LTL price increases that are sure to come. Still, the added revenue will fund much-need investments in capital and talent. To read the complete article please click the link provided https://www.joc.com/trucking-logistics/ltl-shipping/us-ltl-trucking-firms-plan-expansions-higher-rates_20180214.html

UPS to open new facility in US – Mexico Borderplex Air Cargo News 07/02/2018

North America's Borderplex – a tri-state, bi-national region that includes El Paso and Las Cruces in the US state of New Mexico and Ciudad Juárez, Chihuahua in Mexico – will be home to a new $41m UPS package operations centre located near El Paso International Airport by the end of 2018. The new, 153,000 sq ft building will support manufacturers in the region, including automotive, electronics, appliances, and machinery producers, as their cross-border business grows.

"El Paso is the gateway to one of the most important industrial corridors in the US – Mexico trade lane," said Craig Wiltz, president of UPS's Red River District that includes Texas and Oklahoma. Indeed, Mexico ranks second among US export markets and third in total US trade. According to the Borderplex Alliance, the region is "the seventh-largest manufacturing hub in North America and a globally competitive advanced manufacturing centre, with over 340 significant manufacturing operations, employing over 275,000 individuals".

The new facility is also expected to help UPS better satisfy the "rapidly changing business and residential needs" of its customers in West Texas, Wiltz added. Finally, UPS said the center will support its Trade Direct Cross Border service, which enables shipments to bypass distribution centers and instead move directly to stores or consumers across the Mexican, US and Canadian borders.

Southwest to start international cargo shipping from May Air Cargo News 2/20/2018

US-based carrier Southwest Airlines intends to begin shipping cargo to international destinations from this May, subject to receiving the necessary government approvals. Southwest Airlines Cargo expects to initially serve Mexico City, Cancun, Cabo San Lucas/Los Cabos and Puerto Vallarta – all of which are in Mexico – before expanding its shipping connections to more international destinations later in the year.

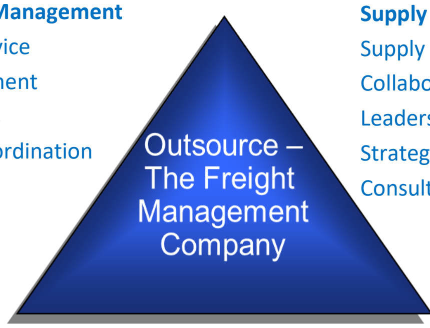
"By offering the cross-border services that our customers are looking for, we're able to help meet the needs of businesses throughout the United States and, soon, in Mexico," said the carrier's vice president of cargo and charters, Matt Buckley.

According to a statement from the airline, the new international shipping options are made possible in part due to the forthcoming roll-out of Southwest Cargo's new point-of-sale and back office accounting system, Southwest Cargo Suite (SCS). SCS is expected to replace the current system in March and, along with its ability to handle international shipments, will give customers the ability to make advanced cargo bookings and use electronic air waybills. Southwest currently operates more than 4,000 weekday departures among a network of 100

Airfreight demand up 9% in 2017, strongest growth since 2010 says IATA. 1/31/2018 Air Cargo News

Global airfreight markets in 2017 saw demand grow by 9.0%, more than double the 3.6% annual growth recorded in 2016, and IATA expects a "very healthy 4.5% expansion" in 2018, measured in freight ton kilometers (FTKs).). IATA's full year 2017 statistics show that airfreight capacity, measured in available freight ton kilometers (AFTKs), rose by 3.0% in 2017, the slowest annual capacity growth seen since 2012. Demand growth outpaced capacity growth by a factor of three. Airlines in all regions reported an increase in demand in 2017.

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



Supply Chain Management
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Collaboration;
Leadership
Strategic Management
Consulting

Profit Improvement Plan
Leverage Opportunity Analysis
Baseline Measurement
Profit Improvement Measurement

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Trucking Companies Ordered Most Big Rigs In 12 Years

By Jennifer Smith and Bob Tita 2/6/2018

Trucking companies in January ordered the most new big rigs in nearly 12 years, as they hustled to take advantage of one of the hottest freight markets in recent memory. A nationwide shortage of available trucks has sent shipping costs soaring, with retailers and manufacturers in some cases paying over 30% above typical rates to book last-minute transportation for cargo. Trucking companies, buoyed by strong demand and flush with cash following the recent tax overhaul, are accelerating plans to replace or expand their fleets.

Inside the Volvo New River Valley Plant in Dublin, Va. Photo: JUSTIN IDE/BLOOMBERG NEWS

The arrival of more trucks could stabilize the freight market, helping shippers. But relief could be months away. Many trucks ordered in January won't be delivered until the second half of the year, and fleets are having trouble recruiting enough drivers to fill seats in their existing big rigs. Meanwhile, companies ranging from Hershey Co. to over-the-counter medicine provider Prestige Brands Holdings Inc. are reporting that the cost of moving freight is weighing on earnings. On Monday Sysco Corp. the world's largest food distributor, said steep freight cost increases hurt its profits, with additional hikes expected for several more quarters. "We are struggling to be able to pass all that along," said Sysco chief executive Tom Bene.

In January, North American trucking companies ordered 48,700 heavy-duty trucks, the big rigs used for regional and long-haul routes, according to a preliminary report from ACT Research. That is more than double the prior-year level. Some fleets hope to lure drivers by investing in new vehicles with features such as automated manual transmissions, which are easier to drive. Newer trucks typically get more miles a gallon of diesel, helping offset the impact of rising diesel prices. "We're seeing the big fleets come back and modify their orders, and kick them up a little bit," said Rick Reynolds, chief executive of Peach State Truck Centers LLC, which has 11 dealerships in Georgia and Alabama. "Trucking capacity is getting tighter, and this is obviously driving people to get new product and meet that demand." Regional carriers, which tend to follow the big fleets, "are also jumping in the game," Mr. Reynolds said.

Trucking companies are expected to benefit from the tax reform passed last month, including smaller carriers taxed at the owner's personal tax rate, giving them more money to spend on equipment, said Kenny Vieth, ACT's president. Freight rates are soaring on strong demand from retailers and manufacturers after a standout holiday season. Truck capacity is also under pressure because of a new federal safety rule that requires truckers to electronically track their hours behind the wheel, which has kept some trucks off the road and lengthened delivery times.

Despite the rush of new truck orders, some big fleets say they are more focused on replacing their equipment than expanding. USA Truck Inc., a large carrier based in Arkansas, plans to spend between $40 million and $50 million this year to replace between 300 and 400 trucks. Christopher Lofgren, chief executive of Schneider National Inc., another carrier, said in an earnings call last week that he hasn't noticed competitors expanding their fleets. Trucking companies binged on new trucks in 2014, creating a glut when freight demand slumped in late 2015 and 2016. Fleets sharply cut back on orders after that, helping to set up today's shortage. Truck manufacturers shut down production lines and laid off workers, though many began raising output last year as the market began to improve. Truck industry analysts expect production of heavy-duty trucks in North America to grow by about 25% this year to about 320,000 vehicles. That represents an increase in daily production to about 1,300 trucks, from 1,100 in December. But it may take longer for those trucks to reach the market, as the backlog of orders is now at 159,000 trucks, from 134,000 at the end of December, according to ACT.

Daimler Trucks North America, whose Freightliner brand accounts for 40% of retail sales in the heavy-duty truck market, is increasing production levels at several plants, said Jeff Allen, vice president for operations and specialty vehicles for the Portland, Ore.-based unit of Daimler AG. The company anticipates a significant increase in 2018 sales. Daimler is relying on its flexible manufacturing system to alleviate production bottlenecks by distributing orders to whichever plants have available production capacity. For the North America market, Daimler operates truck assembly plants in North Carolina, Oregon and Mexico.