OUTSOURCE

VOLUME 7, ISSUE 2 FEBRUARY 2019

THE SOURCE

Inside this issue
Cover Story:
Chassis' are still in short supply causing LA/LGB continued congestion?

Worsening LA-LB port congestion stalls recovery

Bill Mongelluzzo, JOC Senior Editor | Feb 08, 2019

Congestion at the Los Angeles-Long Beach port complex is worsening, having bled into intermodal rail operations and drayage to regional warehouses, pushing back expectations for relief to no sooner than March. "We still remain in peak situation. We are expecting relief around the third week of February," said Gene Seroka, executive director of the Port of Los Angeles. December was a big month for the ports, with imports increasing 21.6 percent in Los Angeles and 7.9 percent in Long Beach, according to port statistics. Rather than dissipating with the onset of the Lunar New Year on Tuesday as anticipated, port sources are now projecting congestion will remain for about two more weeks. "Truckers, who are finding it increasingly difficult to secure appointments at the marine terminals and deliver inbound containers to severely impacted import distribution centers, are suffering collateral damage because of mounting storage charges. Known as demurrage, the charges for storing containers on the docks are assessed to beneficial cargo owners (BCOs), but if the BCOs delay in paying charges, truckers are shut out of the marine terminals, further compounding the congestion problem.

The largest US port complex, which handles close to 40 percent of US imports, has struggled with congestion problems since last autumn due to a busy peak season for holiday merchandise, followed immediately by front-loading of imports as retailers and manufacturers attempted to get ahead of threatened 25 percent tariffs on more than $200 billion of imports from China. The more than 1.5 billion square feet of industrial real estate space in Southern California was over-subscribed because retailers delayed in shipping their spring merchandise to the eastern half of the country, causing inbound containers to back up at the ports. Making matters worse, an unusually large number of inbound containers and empties have been stored on chassis throughout the region, resulting in a chassis shortage. When container and chassis dwell times began to drop last month, the ports and terminals predicted congestion would dissipate in February and the harbor would return to fluidity later in the month. Now, the predictions do not look as rosy. "From what I've heard, everyone thought it would be over sooner than this. It's still pretty bad," said Michael Klage, solutions director at TOC Logistics International. Even in some cases where containers have been cleared, truckers cannot take delivery of the inbound loads because they can't secure enough chassis, he said. "Nothing has changed," said Scott Weiss, vice president of business development at Port Logistics Group. "We tell our customers, 'We sent the trucks there, but the containers weren't available.'" Weiss said it's taking about 15 days on average for containers to move from the ports to inland destinations. Some outlier cases are in the four to five-week range, he said.

A persistent problem since late last year has been at the import warehouses where spring merchandise is being held rather than being shipped inland. "They're bringing in more volume than they're shipping out," Weiss said. Chassis shortages and dislocations are contributing to the congestion at the marine terminals and warehouses. Hundreds of chassis are sitting under loaded import containers that can't be unloaded at the warehouses. Hundreds more are stuck at trucker yards and warehouses with empty containers that marine terminals are refusing to accept because there is no space at the terminals for the empties. Continued on Page 2

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THE FREIGHT MANAGEMENT COMPANY

Worsening LA-LB port congestion stalls recovery

(Front page article continued)

The chassis dislocation problem, while bad for the past few weeks, has not gotten any worse, said Ron Joseph, executive vice president and chief operating officer of Direct ChassisLink, Inc. Currently there are about 26,000 chassis at the 12 container terminals and four intermodal rail yards in Southern California, the same as for the past six weeks, he said. Chassis street dwell time is also unchanged at about five days, he said.

Railroads compounding issues

The backlog of containers at the marine terminals because imports can't be drayed to distribution warehouses in a timely manner is now being compounded by service issues at the western railroads, BNSF and Union Pacific. The railroads are not departing trains on schedule, especially to secondary locations outside of the major hubs such as Chicago and Dallas Fort-Worth, so intermodal containers that should be moved from the marine terminals within 24 hours are sitting there for days. "Union Pacific is still working through the surge of international intermodal volume into the West Coast late last year," said Raquel Espinoza, senior director of corporate communications and media relations. "We continue working with customers and others in the supply chain to move these shipments in a safe and efficient manner."

Lawrence Burns, senior vice president of trade and sales at HMM, said inbound intermodal containers are slow in being removed from the terminals, and the railroads in some cases are not taking export containers to the ports. The situation has reached the point where the railroads are placing the ocean carriers under allocations that fall short of their import and export volumes, he said. “It’s really been a struggle,” said Burns. The rail problems in some cases began at inland locations due to weather issues this past month. BNSF for four days was not accepting containers at its Logistics Park Chicago, although the embargo was lifted earlier this week, said Kevin Krause, vice president of ocean services at SEKO Logistics. The rail problems have been somewhat random, Krause said, with some containers moving quickly from the marine terminals in Los Angeles-Long Beach while others are stuck in the bottom of container stacks for days or weeks. This situation has raised concerns about demurrage charges, he said. UP and BNSF weren’t available for immediate comment.

Harbor truckers in particular are feeling the impact of demurrage charges, even though the charges are made to the freight, not to the trucker. If the BCO does not promptly pay demurrage charges, the trucker pulling for that customer may be shut out of the terminal on future calls until the demurrage has been paid. Also contributing to elevated demurrage storage charges and detention charges on equipment return is the increasing tendency of carriers operating in vessel-sharing alliances to receive the inbound container at one terminal and then direct the trucker to return the container when it is emptied to another terminal. Fred Johring, president of Golden State Logistics, said it often happens that the trucker is unable to make an appointment at the second terminal until after free time for return of the container, known as per diem, has expired. “We can’t terminate them, and to document this to dispute the per diem is a challenge,” Johring said.

The congested terminals are playing havoc with truckers’ ability to make sufficient round trips because drivers spend too much time in long lines. Average turn times in the port complex from October through December spiked to 90 minutes from less than 80 minutes for most of the year, according to the Harbor Trucking Association, but Johring said it is the exceptions that are causing the greatest problems with turn times. “We have quite a few that are well over two hours,” he said. “In the last 30 days, 9 percent of our visits were over three hours, 4 percent were over four hours, and 2 percent over five hours.”

Transportation Management

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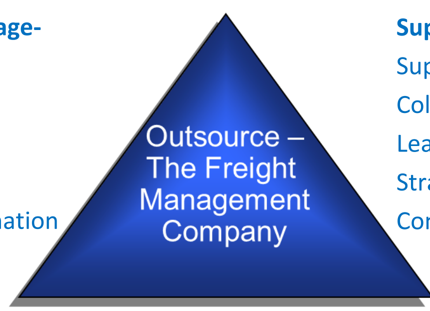

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American Association of Port Authorities President and CEO Kurt Nagle

TRIVIA QUESTIONS

1) Which US beach city was the first to be a popular spring break destination?
A. San Diego **B.** South Padre Island **C.** Panama City **D.** Fort Lauderdale

2) What beach is the top spot for finding seashells in the U.S.?
A. Gulf Shores, AL **B.** Cannon Beach, OR **C.** Sanibel Island, FL **D.** Wildwood, NJ

3) What gives black sand beaches their color?
A. Pollution **B.** Basalt **C.** Sea Shells **D.** Chemical Reaction

4) Which is the first PUBLIC U.S. beach?
A. Okracoke, NC **B.** Jones Beach, NY **C.** Revere Beach, MA **D.** Belmar Beach, NJ

5) The U.S. coastline encompasses how many miles?
A. 78,983 miles **B.** 95,471 miles **C.** 106,932 miles **D.** 89,555 miles

6) Which state, region, other than Alaska, has the longest coastline?
A. Hawaii **B.** Florida **C.** California **D.** New England

Answers Later In The Newsletter

FUEL REPORT

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

	1/28/19	2/4/19	2/11/19	Change from week ago	Change from year ago
U.S. National Average	$2.965	$2.966	$2.966	-0.000	-0.097

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Hapag-Lloyd to retrofit 15,000-TEU ship Sajir for LNG

By Jon Shumake | Feb 5, 2019

The containership's 16 sister vessels also are technically prepared for retrofitting

The ship's fuel system and its existing heavy fuel-burning engine will be converted into a dual fuel engine during the project, which will be carried out at the Shanghai-based shipyard Shipbuilding (Group) Co. Ltd. The plan will be to operate the vessel using LNG, but to also use low-sulphur fuel oil (LSFO) as a backup.

The contract for the retrofitting, which is estimated to take about 90 days, was signed at the end of last week with Hudon HONDHOA Shipbuilding (Group) Co. Ltd., according to a press release from Hapag-Lloyd. Retrofitting a large LNG-ready vessel for LNG is projected to cost $25 million to $30 million, according to a presentation on Hapag-Lloyd's website. "By converting the Sajir, we will be the first shipping company in the world to retrofit a containership of this size to LNG propulsion," said Richard von Berlepsch, managing director fleet management at Hapag-Lloyd. "By carrying out this unprecedented pilot, we hope to learn for the future and to pave the way for large ships to be retrofitted to use this alternative fuel."

Using LNG fuel in the shipping industry potentially could reduce CO2 emissions by 15 percent to 30 percent and sulphur dioxide and particulate matter by more than 90 percent, according to the press release. The Sajir, built in 2014, is one of 17 vessels in Hapag-Lloyd's fleet that were originally designed to be LNG-ready. Its 16 sister ships are also technically prepared for retrofitting, but the Sajir is the only one currently planned to retrofit, Johanna Stroex, the company's manager of corporate communications, wrote in an email.

The retrofitting is one of several trials the German-based company is running in 2019 to determine the best mix of solutions to comply with the International Maritime Organization's 2020 mandate, which limits sulphur emissions caused by marine fuels to 0.5 percent as of Jan. 1, 2020. The current cap is 3.5 percent. Hapag-Lloyd also plans to install exhaust gas cleaning systems, often referred to as scrubbers, on two ships in 2019 at an estimated $7 million to $10 million per ship.

CMA CGM: No special forwarding favors for CEVA

Greg Knowler, Senior Europe Editor | Feb 13, 2019

CMA CGM chief financial officer Michael Sirat said CEVA Logistics will compete for the container line's business along with other forwarders even as the CMA CGM Group launched a public tender offer for the logistics provider. No special provision will be granted to the service provider, Sirat told JOC.com. "We are not going to give CEVA better rates than we give Kuehne + Nagel, for instance. Our plan is to protect our existing customer base of forwarders. Those forwarders will not gain anything from our acquisition of CEVA, but they will not lose anything, either." CMA CGM holds 33 percent of CEVA and is making its public offer of 30 Swiss francs ($30) per share as part of a new strategic plan that was developed jointly with CEVA. CEVA's board of directors earlier recommended shareholders turn down the offer from CMA CGM — a recommendation made in agreement with the container line — believing the growth inherent in the company had increased the valuation above the offer price.

Bringing CEVA into the group will allow the merged entity to offer customers integrated logistics solutions and reduce the volatility within its ocean transport business, but Sirat insisted that CEVA would be managed on an arm's-length basis. A complete CEVA acquisition will take the workforce of the CMA CGM Group past 100,000 and generate $30 billion in annual revenue, with the objective of increasing CEVA's turnover by $2 billion to $9 billion, and almost double its earnings before interest, taxes, depreciation, and amortization (EBITDA). CMA CGM's strategic plan is to improve commercial synergies by proposing the CEVA offer to CMA CGM customers, and vice-versa, integrating CMA CGM's logistics activity — 1,200 people and $650 million in turnover — into CEVA to increase the logistics provider's footprint in ocean freight forwarding and allow economies of scale, and provide cost reduction with pooled operations, such as purchasing and shared services.

Sirat said among the customers set to gain from the acquisition are retailers that would have access to end-to-end logistics services and greater logistics management. "We have assets in our terminals operation [Terminal Link and CMA Terminals have 45 terminals worldwide], and CEVA has warehousing advance hubs, so we will offer warehousing at strategic locations very near the major markets," he said. "We have warehousing hubs at Tangier in Morocco for Europe and in Kingston, Jamaica, for North America. While we can offer a terminal itself, we have not had the ability to manage complex logistics that CEVA can now help us with."

Asked whether the one-stop-shop approach of CMA CGM and its competitor, Maersk Line, would increase risk for shippers committing all their cargo to one company, Sirat said no customer would place 100 percent of its volume with one liner. "But we have some key customers that we effectively are in a very deep and strong relationship with, and for these customers, this is the next step," said Sirat. He said CMA CGM is in discussion with long-standing customers on contracts and freight rates, and CEVA will be able to go further than that and have a discussion on their supply chain needs. "Obviously, we are not going to require any exclusivity. If we are good, we expect to reinforce the relationship between those customers and ourselves."

Rodolphe Saadé, chairman and CEO of CMA CGM, has made logistics a major focus since taking over the company in 2017, and digitalization is a key part of that development strategy. "The shipping business was not exactly at the forefront of digitalization," Sirat said. "There is still a lot of paper in this industry. But this is a start of the move towards digitalization. We want to acquire more customers online and deal with them purely online."

Drewry paints positive outlook for ocean freight rates

Spot and contract rates are on course to rise by a combined 7% in 2019, as the modest recovery continues, says Drewry. With carriers expected to keep a lid on supply additions, whether through demolitions, slippages or slow steaming, they should will be able to raise rates even amid slower demand growth. Drewry says, however, that rate sentiment could soon be dampened if the US-China trade war takes a turn for the worse

Ports of Seattle, Tacoma finalizing deal for major terminal renovation

By Chris Daniels Published: 2/5/19

The Port of Seattle and Port of Tacoma are close to finalizing a nearly half billion-dollar plan to renovate West Seattle's Terminal 5 and shift existing containers to other terminals in the meantime. It would likely mean significant changes at Terminal 46 near the stadium district. It's an ambitious proposal that is the result of years of work and comes after the Port of Seattle quietly approved a property tax increase last month to help subsidize some of the cost. "It is a really significant investment," said Port of Seattle Commission President Stephanie Bowman while she discussed the plan that will be fully unveiled at an 11:30 a.m. meeting of the Northwest Seaport Alliance.

The Alliance was created in 2015 to jointly handle maritime activities and investments. The ports will spend $340 million for phase 1 of the redevelopment of Terminal 5 for the world's biggest container ships. Stevedoring Services of America Terminals (SSAT) and Terminal International Limited (TIL Group), are expected to chip in $140 million and sign a 32-year lease to operate the terminal. If the deal is approved, construction could begin this spring, with Phase 1 scheduled to be completed by 2021. Once completed, Bowman says the terminal should be able to handle 1.3 million shipping containers a year. The ports have faced stiff competition for shipping routes, especially from Vancouver, B.C. and Prince Rupert British Columbia. The latter is a remote outpost, which has been heavily supported by provincial government, and just topped the 1 million container mark, with a plan to do 1.8 million standard containers by 2022.

The Terminal 5 facelift would be years in the making. Container operations were suspended there in July of 2014. The Port of Seattle, and NWSA, have since gone through an environmental review process and master use permitting. The entities have also been issued a shoreline permit to make all their improvements and secure all the needed permits in November of 2018. To continue reading this article please go to the following link https://www.king5.com/article/news/politics/ports-of-seattle-tacoma-finalizing-deal-for-major-terminal-renovation/281-e256399f-1a9f-4532-b405-d8a51b3774c0?mod=djemlogistics_h

No 'crash' ahead after US truck capacity crunch

William B. Cassidy, Senior Editor | Feb 08, 2019

Nearly seven weeks into 2019, the contour of the US trucking landscape is becoming somewhat clearer. Truck capacity generally should be less tight this year than in 2018, but shippers shouldn't expect another 2016, when excess capacity was the rule, rather than the exception. The US economy is expanding more slowly than it did a year ago, but it is still expanding, not contracting, and chances for a recession this year are deemed slim (2020 is another matter). That means shippers at times will still be tasked to find trucks and drivers, and will pay more for transportation, unless they can work collaboratively with their transportation and logistics partners to reduce costs. That's not easy, but in a more balanced market, it should be easier. So, don't panic, but don't be overconfident or vice versa. This promises to be a year when shippers and truckers return to the "rough equilibrium" enjoyed since the recession. It's also an opportunity to prepare for the possibility of an actual recession further down the road.

Why won't there be a capacity "glut" in 2019 following last year's crunch? In the first quarter, capacity is readily available, according to freight brokers that spoke with JOC.com. But the first quarter is seasonally one of the softest periods of the year for trucking. The second quarter, with the spring retail season, is another story. Last year, truck freight demand peaked in July. It's true there will be more tractor-trailers if truck manufacturers actually can build all the Class 8 tractors and trucks motor carriers ordered in 2018. FTR Transportation Intelligence pegged net Class 8 orders at 482,000 units last year. Many of those trucks, however, may not be built until late in 2019. And some orders will be canceled if carrier expectations for additional freight fall short.

Even more important, the economy is growing faster than the supply of truck drivers, which, despite shortages in some sectors, has also been growing over the past six years. On top of that, trucks, drivers, and rolling stock often aren't where shippers need them. The US transportation industry suffers from a broader version of the "matchback" problem shipping lines face when ocean containers wind up at locations where there are no export goods to refill them. That's increasingly true for tractor-trailers as well as containers, and that limits capacity. This was made painfully clear a year ago, when rising freight demand and limited truck capacity collided with the new US electronic logging device (ELD) mandate, which required truck drivers to stop recording their work hours in easily manipulated paper logs and use ELDs hardwired into their trucks instead. In less than a month, supply chains in the US came up seriously short.

If you're a shipper that burned through your routing guide to find a truck in the first quarter last year, that's why. The good news is that trucking companies and owner-operator drivers appear to have come to grips with operating in the ELD era and reset their networks. Many shippers have changed either their lanes, distribution points, detention practices, or trucking partners as a result. Those that haven't made changes, or at least started thinking about them, could find more than a shipment at risk. "A transportation manager's job will be gone if he has another 2018 out there and can't move his freight," David Parker, chairman and CEO of Covenant Transportation Group (CTG), a truckload operator, said in a Jan. 24 earnings call with Wall Street analysts.

Answers to Trivia

FOR IMMEDIATE RELEASE **February 13, 2018**

ATA President Urges Congress to Move Forward on Needed Highway Funding

Spear Outlines Support for Increasing Fuel-Based User Fee

Arlington, Virginia — Today, American Trucking Associations President and CEO Chris Spear testified before the Senate Commerce, Science and Transportation Committee about the urgent need to address the nation's failing infrastructure, pressing the committee to put forward a real solution that includes new revenues. "Just last week, chunks of falling concrete struck cars traveling under bridges in California and Massachusetts," Spear said. "We are no longer facing a future highway maintenance crisis – we're living it – and every day we fail to invest, we're putting more lives at risk." The nation's crumbling and failing infrastructure is taking a tremendous toll on Americans' time and their pocket books and has impacted the trucking industry in a significant way.

"Trucking now loses $74.5 billion sitting in gridlock. That equates to 1.2 billion lost hours or 425,000 truck drivers sitting idle for an entire year," he said. "These are the regressive costs of doing nothing. And they are reflected in the prices we all pay. These costs to consumers and economy are measurable… and they can and should serve as offsets for new spending on our nation's infrastructure."

To address the nation's need to re-invest in its roads and bridges, Spear again pushed forward the Build America Fund – a 20-cent per gallon fee at the terminal fuel rack phased in over four years that would generate billions in new revenues for investment. "Trucking pays for nearly half the Highway Trust Fund, and we're willing to pay more," he said. "The Build America Fund would increase the price of fuel 20 cents per gallon at the fuel rack – just a nickel a year over four years – generating $340 billion over 10 years. This new revenue is real, not fake funding like P3's and asset recycling. "The Build America Fund is the most conservative proposal… costing less than .01 cent on the dollar to administer, versus up to .35 cents a dollar for tolling schemes," Spear said.

Trump considers 60-day extension for China tariff deadline

By: Jenny Leonard, Jennifer Jacobs, Saleha Mohsin and Haze Fan | Feb 13 2019

President Donald Trump is considering pushing back the deadline for imposition of higher tariffs on Chinese imports by 60 days, as the world's two biggest economies try to negotiate a solution to their trade dispute, according to people familiar with the matter. The president said Tuesday that he was open to letting the March 1 deadline for more than doubling tariffs on $200 billion of Chinese goods slide, if the two countries are close to a deal that addresses deep structural changes to China's economic policies—though he added he was not "inclined" to do so. The people said that Trump is weighing whether to add 60 days to the current deadline to give negotiations more time to continue. "I think it's going along very well," Trump told reporters in the Oval Office this week. "They're showing us tremendous respect." A spokeswoman for U.S. Trade Representative Robert Lighthizer declined to comment.

Chinese officials had initially proposed an extension of 90 days, but that was knocked back by the U.S. side, people familiar with that request said. Lighthizer and Treasury Secretary Steven Mnuchin are in Beijing for the latest round of high-level talks with Chinese Vice Premier Liu He on Thursday and Friday. A meeting between Lighthizer and Chinese President Xi Jinping is being tentatively scheduled for this week. Trump's willingness to extend the deadline may depend on the outcome of that meeting, one of the people said. Trump has indicated he will need to meet Xi to agree on a final deal. While no date has been set, a White House aide this week said the U.S. president still wants to meet his Chinese counterpart soon in a bid to end the trade war.

Negotiations this week are focused on how to enforce the trade deal and putting on paper a framework agreement to present to the two presidents. In the talks, the U.S. is pushing for wide-ranging changes in the way China manages foreign trade and its own economy. Specifically, Lighthizer has zeroed in on China's alleged abuses of intellectual property and state sponsorship of companies. Trump has also railed against the size of the U.S. trade deficit with China, and negotiators have made varying demands about how Beijing addresses this. The goal of "reciprocal trade" has been a clear priority of Trump's policies.

China wants to have the tariffs that have been imposed so far removed. To get the U.S. to do that, negotiators are trying to focus attention on their efforts to reduce China's more than $300 billion goods trade surplus. Beijing has offered to ramp up its purchases from the U.S. massively over the next six years in order to even the scales. It is going to take a lot of work to shrink that. While down from the record peak late last year, China still had a $27.3 billion trade surplus in goods with the U.S. in January, according to data released on Thursday in Beijing.

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4/9/19 (begins at 2PM) - 3 CONCURRENT SESSIONS each hour 2:00PM – 3:00PM and 3:10PM – 4:10PM
Topics: Import 101, Ocean Tradelane Updates (repeated 2nd hour), Export 101, Advanced Imports, Advanced Exports;
Peter Friedmann, FBB Federal Relations, CONECT Counsel, Off the Record Session;
CBP's 2019 focus Enforcement & Revenue collection

4/10/19 - Topics Current & Future Free Trade Agreements / Sourcing Shifts;
Ocean, Road and Rail Transport, Chassis & Driver shortages. Gridlocked ports, volume exceeds truck capacity, imports struggle with all;
Luncheon Keynote Speaker - Erin Ennis, Sr. VP, US China Business Council;
Vessel Fires & Cargo Insurance; Customs Regulatory Update

4/11/19 (ends at 2PM) – E-Commerce Technology. Speakers include Wayfair LLC and LL Bean;
Peak Season (shipping) cause & effect of Tariffs and domestic congestion – from 3 perspectives…Port, Shipper & Trucker;
Keynote Luncheon Speaker, Steve Lamar EVP American Apparel and Footwear Assn.

PORT AUTHORITY ANNOUNCES COMPLETION OF FOUR-LANE MAIN SPAN ON NEW BAYONNE BRIDGE

Date: Feb 08, 2019 Press Release Number: 20-2019

The 1,651-foot-long bridge main span scheduled to open at 5 a.m. Monday, February 11; Main span will allow for two 12-foot lanes in each direction plus shoulders; Work to complete approach roads to bridge main span, along with work on ramp to local streets and other site restoration work to be completed in the spring

The Port Authority announced today that the 1,651-foot-long, four-lane roadway on the main span of the new Bayonne Bridge will be completed this weekend – allowing the crossing to open at 5 a.m. Monday, February 11, with two, 12-foot state-of-the-art lanes plus shoulders in each direction. Work will continue until the spring to complete the final 2,379 feet of approach roads on the New York side and the 2,927 feet of approach roads on the New Jersey side, along with work on a ramp to local streets and other site restoration work. Work also will continue into the spring on the pedestrian and bicycle path. During a tour of the project site, Chairman Kevin O'Toole and Executive Director Rick Cotton announced the latest milestone in the project and the timeline for when the work will be complete, including the opening of the approach roads and the shared use pedestrian/bicycle path in the spring.

Prior to Monday's opening, the bridge must be closed from 9 p.m. tonight, February 8, through 5 a.m. Monday, February 11, to realign the bridge's approach roads to the new span. Since the north span of the bridge opened in February 2017, it has accommodated bidirectional travel with one lane in each direction. During construction, daily vehicles on the bridge averaged approximately 7,000; upon opening of the main span, that number if expected to increase to approximately 9,000 daily vehicles. "This agency has a long and storied history of building great transportation projects, and the completion of the new Bayonne Bridge main span will further burnish that legacy," said Port Authority Chairman Kevin O'Toole. "Rebuilding this crossing while maintaining daily travel was truly an engineering marvel and a testament to the creativity of our engineering staff." "Elevating the bridge's roadway was a visionary project that showcased this agency's ability to take on a challenging project and get it done," said Port Authority Executive Director Rick Cotton. "Today's milestone to complete the four-lane main span is an important next step in this project's evolution, and we look forward to full completion in the spring." Once the main span opens, several ramps off the bridge that lead to local streets in Staten Island and Bayonne also will open. They are the Morningstar Road off-ramp in Staten Island, the Trantor Place on-ramp in Staten Island, and the Avenue A on-ramp in Bayonne. In the coming months, minor work leading to the overall project completion, including work on the approach roads, will continue. This work will require some nighttime and weekend closures which will be announced to the public.

The $1.7 billion Bayonne Bridge project was conceived in December 2010 as a way to overcome maritime navigation clearance issues under the crossing, which hindered new larger ships from accessing port terminals in Elizabeth and Newark, NJ and on Staten Island. The previous clearance of 151 feet only allowed for ships as large as 9,300 TEUs (20-foot equivalent units). The new clearance of 215 feet provides enough space for ships as large as 18,000 TEUs to travel under the bridge. Construction on the project began in late 2013 following an expedited environmental review process under President Obama's Executive Order on Permitting and Federal Review. On February 20, 2017, the first span of the bridge opened for bi-directional travel. On June 8, 2017, the 215 feet of navigational clearance was achieved. Since the navigational clearance was achieved, the port has seen a dramatic increase in the size of vessels calling on the port, with nearly 20 percent of all containerized cargo at the port now carried on vessels with the capacity to handle 10,000 or more TEUs, an increase from 4 percent before the navigational clearance was achieved. In 2018, in part due to the completion of the Bayonne Bridge project, the Port of New York and New Jersey handled more than 7 million TEUs (20-foot equivalent units) for the first time in its history, which dates back to the 1950s. The 7,179,788 TEUs handled allows the port to maintain its position as the busiest on the East Coast and the third busiest in the nation following Los Angeles and Long Beach.

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Three issues certain to impact 2019 trade

Gary Ferrulli, chief executive officer, Global Logistics & Transport Consulting | Jan 29, 2019

Three issues will have a major impact on the container shipping world for all stakeholders in 2019: trade squabbles, capacity management by carriers, and service contracts with (or without) some form of fuel cost recovery. The trade issue between the United States and China is one key to how the trans-Pacific will play out. Where the US-China relationship goes now that US President Donald Trump and Chinese President Xi Jinping have declared a truce that will delay the latest round of tariffs on $200 billion in Chinese goods until at least the spring will trigger carrier decisions on deployment of trans-Pacific capacity. That, in turn, will impact how to approach the market for 2019-2020 service contracts with cargo interests. With Asia-Europe contracts being signed first, however, we could see early indications of market direction.

I think this will be a year of turmoil because of unknowns, primarily because of timing. The US-China trade issue is a big key. The impact on US imports so far has been positive in terms of volumes, with beneficial cargo owners (BCOs) trying to beat anticipated tariff increases — the front-loading phenomenon. Carriers, managing capacity in the trans-Pacific, raised spot rates to near-record levels. But what happens now that the latest round of tariffs, initially scheduled to take effect on Jan. 1, has been shelved, with the United States saying China has pledged to make "very substantial" purchases of US goods? Tariff impositions earlier in 2018 had a negative impact on US exports, especially agricultural products. Will that change? What about China deciding it doesn't need any more wastepaper, the single largest containerized US export? Most experts agree that US imports will fall significantly if the trade dispute isn't resolved, a damaging scenario for BCOs, carriers, and third-party logistics providers (3PLs) alike.

The next unknown is the content of service contracts, starting with the Asia-Europe market. This is where timing comes into play. Those contracts are being negotiated now. How will carriers approach the large shippers with the new contracts considering known fuel cost increases are already in place and considering the International Maritime Organization's mandate to cut emissions a year from now? As background, carriers started 2018 by virtually ignoring the fuel cost increases that occurred in 2017 and anticipated increases for 2018. Carriers' 2018 financial reports reflect that blunder. They tried to capture some of the increased costs in mid-year, but it applied to less than half of the carriers' third-quarter and fourth-quarter lift because of contract terms. In the trans-Pacific, carriers smartly managed capacity and watched spot market rates more than double the service contract levels. The result was vessels sailing virtually full through most of the fourth quarter. In the Asia-Europe trade, however, carriers didn't manage capacity until the last few weeks of the shipping season, so rates dropped. How will this play into their negotiating strategy in new contracts?

Allow me to speculate: carriers will seek a modest rate increase to base rates and some form of fuel surcharge through 2019, and then an increase to that surcharge on Jan. 1, 2020. I've learned in four-plus decades in this industry that price is a function of the market, supply and demand being the key component, and costs are rarely considered. If carriers choose to manage capacity as they did in the trans-Pacific in the second half of 2018, they will be able to obtain and retain reasonable increases. If they choose to repeat what they did in the Asia-Europe market, rates will fall, and they will be in a serious loss position again. The decision is in the carriers' hands.

These issues will dominate the realities for 2019. Failure to resolve the US-China trade dispute will cause significant drops in volume, triggering one of two reactions from carriers: a panic-driven rate drop to protect existing volumes and cash flow or true capacity management as they did in late 2009 and 2010. The former would be a disaster for carriers and wouldn't produce a single load of additional freight in the market. Instead, it would simply reduce top- and bottom-line results. Managing capacity could produce results as it did in 2010, taking collective losses of $21 billion in 2009 to a profit of $8 billion in 2010. Those decisions are directly in the hands of carriers' senior management. There is a potential third scenario: the trade dispute will be resolved, yielding global trade growth of 3 to 6 percent for 2019. Again, it's strictly the carriers' decision on what to do with the new contracts, how much of the fuel increase they decide to recover, and then how they manage capacity.

What's the outcome? That's the multibillion-dollar question. As an industry, losses amounted to nearly $30 billion over the past decade. Even after a reasonable profit in 2017, carriers returned to losses in 2018 because of their decisions on fuel. Sooner or later, logic says they must recognize the unsustainability of prolonged losses, but logic rarely seems to prevail. It's why there are so few large carriers left in the world. I can't stress enough that the outcome rests with the decisions being made now and early in 2019 by carrier management.

Finally, I have to comment on the recent attempt by shipper interests to remove the block exemption the European Union grants carriers that in essence allows vessel-sharing alliances. I've noted several times in several venues recently that this would create a bad outcome for shippers. I've been joined by Drewry in that sentiment. I don't know the thinking behind the decision to take on this issue, but I do know the results will be fewer carriers in the Asia-Europe markets, fewer vessels, and fewer options. I doubt those are the results shippers are seeking.

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