OUTSOURCE

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THE SOURCE

Truckers See Momentum Slowing Heading Into 2019

Carriers can't count on booming demand this year, and some suggest the freight parade is nearing an end

By Jennifer Smith Jan. 21, 2019 WSJ

Trucking companies face an uphill climb in 2019 as a freight boom that delivered record profit for carriers over the past year begins to soften. Fleets extracted double-digit rate increases from shippers last year, as demand surged on strong economic growth forcing retailers, manufacturers and other companies to scramble to book transportation in tight shipping networks. Such gains may be hard to match in coming months amid slowing industrial growth, wavering consumer confidence and ongoing trade tensions. Trucking companies that expanded capacity in 2018 with an unprecedented run-up of new equipment orders will have less leverage to raise shipping prices if freight demand falls, as some analysts predict.

"We see more evidence pointing to a potential freight recession in 2019 similar to 2015/16," Morgan Stanley analysts Ravi Shanker and Diane Huang wrote in a Jan. 16 research note. "With net inventory levels reaching another all-time high and ordering levels falling, the risk of a destocking event in 2019 is high."

Those challenges loom as trucking companies close the books on 2018 by releasing results that include the fourth-quarter shipping season. J.B. Hunt Transport Services Inc., one of the largest carriers in North America and a bellwether for the sector, on Thursday reported solid fourth-quarter results that lifted trucking stocks. The Lowell, Ark., -based company reported $2.32 billion in revenue for the quarter, a 16% year-over-year increase. J.B. Hunt's net profit also rose, adjusting for factors including a $134 million pretax charge on claims from an arbitration agreement with BNSF Railway, its partner in the intermodal business of moving freight long distances by truck and rail. "I wouldn't go so far as to say it was a great quarter, but a good one nonetheless," J.B. Hunt Chief Financial Officer David Mee said in a call with investors.

Gains in the company's intermodal segment were partly offset by the arbitration charge and a slowdown in demand from the third quarter. Operating income from trucking rose as the carrier added more customers for its dedicated-fleet segment and logged an 18% jump in truckload revenue per loaded mile, a key measure of pricing strength. Knight-Swift Transportation Holdings Inc., the largest U.S. truckload carrier, is also expected to post strong fourth-quarter results when it reports later this month. Last week, Knight-Swift boosted its fourth-quarter profit guidance and increased its outlook for the first quarter of 2019, citing operating improvements at its Swift trucking business.

Both Knight and J.B. Hunt may be outliers compared with the overall trucking sector, especially as fleets move into 2019. Demand appeared to be tailing off late in the year. An index of U.S. domestic freight volumes slipped 0.8% last month compared with December 2017, the first annual decline in two years, according to Cass Information Systems Inc., which processes freight bills. Continued on Page 2

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THE FREIGHT MANAGEMENT COMPANY

Truckers See Momentum Slowing Heading Into 2019

(Front page article continued)

Trucking rates on the spot market, where shippers book last-minute transportation, also fell in December for the first time in several years, according to online freight marketplace DAT Solutions LLC. The average price to hire the most common type of big rig dipped to $2.07 per mile, a penny lower than the prior month and 5 cents below the level in December 2017.

The first quarter is typically a slower period for freight, although factory production ticked up at the end of last year, suggesting consumer demand could make up for a pullback in exports. But analysts say trucking companies could face an even steeper drop-off in shipping demand this year because some manufacturers and retailers pulled imports forward in 2018 to avoid tariffs expected to take effect around March. The impact “will likely be seen most in February after the impacts of an earlier Chinese New Year leave the market somewhat naked to difficult [year-over-year] comparisons,” Cowen & Co. transportation analyst Jason Seidl wrote in a Jan. 14 research note. Factor in falling spot rates, and “the data would suggest that much of the spot pricing gains from mid-2018 that strongly benefited carriers could be erased in 2019, with the advantage in contract negotiations reverting back toward the shippers.”

Shippers Worry They Will Face Increasing Delays as Shutdown Drags On

By Erica E. Phillips WSJ 1/15/2019

Shippers and freight-handlers say U.S. agencies that oversee the flow of goods are starting to cut back services and working hours, raising concerns that delays will spread across supply chains if the partial government shutdown continues much longer. Some exporters are running into delays getting export licenses approved, fewer air cargo security staff are on hand to scan shipments, and some refunds for customs payments aren’t being processed, said industry officials and businesses that move goods through airports and seaports. “As the backlog of unresolved problems increases, the amount of them is going to build exponentially,” said Brandon Fried, executive director of the Airforwarders Association, a Washington-based group representing freight-shipping agents.

Holdups over cross-border shipments have been relatively sporadic, business executives say, without the delays that some airports have reported in passenger operations amid staffing gaps at Transportation Security Administration checkpoints. “We have been able to work out most snags with a few phone calls or emails,” said Mike Lahar, corporate compliance manager at A.N. Deringer Inc., a Vermont-based customs broker with offices at major U.S. gateways. “The challenge has been finding someone who can help and isn’t buried by an onslaught of other requests.” “Shipments that require additional review will in all likelihood experience delays, some significant,” he said.

Customs and Border Protection handles the processing of goods passing through borders, and customs stations have remained open even though CBP agents aren’t being paid while the agency’s headquarters and regional staff are on furlough. Imports that require additional federal approvals from agencies such as the Environmental Protection Agency have taken longer, industry officials say. Those delays could grow as exceptions and technical questions stack up.

Arye Sasson, director of operations and logistics at Signal Brands Inc., said import hubs and freight networks are already strained with the surge of shipments that came late in 2018 because businesses pulled forward orders to get ahead of new tariff restrictions. “We are experiencing serious delays at the port, and the issue is multipronged to say the least,” Mr. Sasson said. “I honestly couldn’t tell you how much of it is from the shutdown, but it certainly doesn’t help.” Mr. Fried of the Airforwarders Association said screening procedures have helped air-cargo shipping largely sidestep the sort of delays that some airports have seen in passenger operations because of lower TSA staffing levels. That’s because many air-cargo shipments are screened before they get to airports at sites run by certified private companies. “Now, like half the cargo that is flying on passenger planes arrives at the airport prescreened, and that’s a big deal,” Mr. Fried said. But he said TSA officials aren’t available to address issues when questions over shipments arise.

Cutbacks and closures at other agencies are also starting to bite some supply-chain operations. Eric Joo, operations director at Honduras-based textile manufacturer United Textiles of America, said he regularly uses the Commerce Department’s monthly trade data in his work. Without that information, he said, “it’s going to put a major crimp in figuring out what’s going on with trade flows and making more macro-level decisions.”

Transportation Management

Multi-modal Service
Carrier Management
Auditing Services
Supply Chain Coordination

Supply Chain Management

Supply Chain Engineering;
Collaboration;
Leadership
Strategic Management
Consulting

Profit Improvement Plan

Leverage Opportunity Analysis
Baseline Measurement
Profit Improvement Measurement

TRIVIA QUESTIONS

OUTSOURCE THE FREIGHT MANAGEMENT COMPANY

1) What size was the largest snowflake ever recorded according to the Guiness Book of World Records?
A. 8" wide, 5" thick **B.** 12" wide,12" thick **C.** 3" wide, 2" thick **D.** 15" wide, 8" thick

2) What State was this snowflake found and recorded in?
A. New York **B.** Idaho **C.** Montana **D.** Colorado

3) In what year was this snowflake recorded?
A. 1898 **B.** 1887 **C.** 1953 **D.** 1905

4) Where was the first winter Olympics held? ?
A. Lucerne Switz. **B.** Innsbruk, Austria **C.** Charmonix, France **D.** Oslo, Norway

5) In what year was the first winter Olympics held. ?
A. 1898 **B.** 1924 **C.** 1932 **D.** 1920

6) How many inches of snow was the largest ever recorded during a 24 hour time period?
A. 89" **B.** 96" **C.** 108" **D.** 76"

Answers Later In The Newsletter

FUEL REPORT

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

	12/31/18	1/7/19	1/14/19	Change from week ago	Change from year ago
U.S. National Average	$3.048	$3.013	$2.976	-0.037	-0.052

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New Jersey port to be 1st to use electric container carrier

The Associated Press 1/10/2019

The Port Authority of New York and New Jersey will conduct the first test at a U.S. port of an electric vehicle to move cargo containers, with an eye toward eventually replacing the current gas-powered fleet. The pilot program is part of a broader effort by the Port Authority to reduce greenhouse gases at the ports, which handle billions of dollars in cargo annually.

The vehicles, known as straddle carriers, are used to lift 30-ton (30.5-metric ton) cargo containers and load them onto trucks for transport. There are more than 300 in use at the ports of New York and New Jersey, according to Bethann Rooney, port department assistant director. The electric straddle carriers will be tested this year at Maher Terminals. They will be assessed for lifting capacity, down time for maintenance and environmental benefits. If the pilot program is successful, 15 to 30 of the older gas-powered vehicles could be replaced annually by the electric vehicles, Rooney said.
The carriers are made by Kalmar, a Finnish company.

Maersk starts random box checks in latest bid to stamp out scourge of misdeclared cargoes

January 17th, 2019 by Sam Chambers

In a bid to stamp out misdeclared cargoes, Maersk has started carrying out random container checks in North America. This is the latest measure by the Danish carrier as it attempts to find solutions to the spate of fires that have broken out on boxships in recent years, including its own 15,000 teu Maersk Honam last year, which resulted in the loss of five lives. Maersk's physical container inspection pilot is currently performing inspections for import and export cargo into the ports of Newark Berth 88, Houston Bayport, Miami Pomtoc and New Orleans Ceres terminals.

The randomly selected containers are being inspected by National Cargo Bureau, and the cost for this inspection will be paid for by Maersk. If a container is discovered to be inadequately stuffed, lashed, and secured, or found to contain mismatching cargo compared to the given declaration, shippers could face paying a higher bill. The data collected through this pilot may be used to develop procedures that better ensure the accuracy of cargo descriptions provided to Maersk, as well as improve the use of the Code of Practice for Packing of Cargo Transport Units (CTU Code), the company stated in a release.

"Maersk and other carriers in the industry are working to improve safety and reliability in the Containerized Maritime Supply Chain, by verifying that cargo descriptions match actual contents of the container, and that the contents of the container are correctly stuffed, lashed and secured," Maersk stated in a note to clients. Earlier this month a fire broke out on Hapag-Lloyd's 7,500 teu Yantian Express and while no investigation has yet been possible, the case looks like another incident of a client failing to declare its cargo properly.

In the wake of last March's fire on the Maersk Honam and another one which erupted in a container in the Maersk Kensington in the same month, the Danish liner has been working hard to make changes to how it carries dangerous goods, introducing last September a new set of principles called Risk Based Dangerous Goods Stowage. Cargo covered under the International Maritime Dangerous Goods Code is now no longer stowed next to any Maersk ship's accommodation and main propulsion plant which is defined as the zone with the lowest risk tolerance. Statistics from insurer TT Club published this week show two thirds of incidents related to cargo damage in the intermodal supply chain can be attributed in part to poor practice in the overall packing process, including not just load distribution and cargo securing, but also the workflow from classification and documentation through to declaration and effective data transfer.

With the recent spate of fires on multiple marine vessels, several container ships, a car carrier, 2 tankers, on rivers...in ports...at sea, fires are becoming a greater risk in recent times. Whatever the cause it is important to know that it is ALL shippers with cargo onboard that ship that will pay the cost and not just the carrier. The Law of General Average has been around for almost 3,000 years and it will cost your company if they have containers on the ship. Below is an explanation of **GENERAL AVERAGE**. Please call Outsource with any questions regarding this issue.

Ocean Shipper Liability - the Law of GENERAL AVERAGE

When a maritime accident occurs, it's up to those on board to handle the situation quickly and efficiently with the primary purpose of doing anything necessary to save the vessel and cargo. This can mean throwing or "sacrificing" cargo overboard, or in the event of fire, the flooding of a cargo hold through firefighting efforts, which ultimately saves the vessel but destroys some cargo owners' goods. To avoid wasting time by discussing what cargo should be lost to save the ship, the practice of General Average was established. General Average was formally recognized in 916 B.C. by the Rhodian maritime code and has been recognized and regulated through the ages by international treaties under the form of today's York-Antwerp Rules. Whenever circumstances dictate that extraordinary expenses are required to save the marine adventure or voyage in order to protect the vessel and cargo for the good of all onboard, all parties to the voyage, hull and cargo, share in those extraordinary expenses on a pro-rata basis.

Whenever circumstances dictate that extraordinary expenses are required to save the marine adventure or voyage in order to protect the vessel and cargo for the good of all onboard, all parties to the voyage, hull and cargo, share in those extraordinary expenses on a pro-rata basis. All remaining cargo is held by the vessel owner until bonds or guarantees of payment for the GA expenses are made, usually issued by the cargo underwriter(s). Once made, the vessel owner will release the cargo and forward or transship the undamaged goods to their original destination without lien. Lastly, so long as the vessel owner provided a seaworthy vessel at the commencement of the voyage, General Average settlements are not determined by fault and all cargo owners will be held proportionally responsible for any and all damages according to the landed value (the costs of the cargo plus the insurance premium, and the freight charge to get the cargo to destination) of their cargo. General Average claims engage specialized adjusters and oftentimes take many years to be resolved.

Many commercial insurance policies that include coverage for goods in transit specifically exclude ocean vessel shipments. Therefore, in the event of a GA, if your goods are not damaged and you are not sufficiently insured, you will be responsible for posting cash as security as well as any adjuster or attorney fees that may apply and any additional costs once eventually settled.

Industrial outlook cloudy but solid overall economic fundamentals rosy for trucking industry

By John Schulz · Logistics Management January 21, 2019

Mixed economic signals are proving to be somewhat of a Rorschach Test for shippers trying to gauge freight demand levels heading into the strongest part of the 2019 freight season. On one hand, there's a budding trade war with China. There are 25 percent tariffs on imported steel and 10 percent tariffs on aluminum. There is disillusionment with some of the Trump administration's America First policies, but little disagreement that it has helped some domestic manufacturing industries. The U.S. Chamber of Commerce is forecasting 2.6 percent rise in economic growth this year—down from the 3.5 and 3.4 percent rises in the second and third quarters of 2018—but up from the 2.3 percent growth in 2017. The 2.6 predicted rise in GDP growth is about what other major private economists have been predicting—with some exceptions.

J.D. Foster, the Chamber's senior vice president and chief economist, noted that economic naysayers are suffering from what he calls an outbreak of "recession-aphobia," which actually is not real. Noting that the U.S. economy created 312,000 jobs last December, Foster said the economic outlook for the country—and transports—is strong. "Yes, the economy is slowing," Foster wrote recently on a Chamber blog. "Gross Domestic Product (GDP) expanded by 4.2% in the second quarter, by 3.4% in the third, and is expected to slow further to about 2.6% in 2019. The economy is slowing from an unsustainable pace to a more sustainable pace," he added. "But, as the commentators intone gravely, the slowing economy could slow further. And as a matter of straight-line projections, if the economy kept slowing then we'd be at risk of a recession. When? 2020, of course." Foster said it's "entirely possible" the economy could slip into recession in 2020. "Some disastrous policy mistake can never be ruled out, especially with so many trade war threats and overseas troubles in play," he noted. "But for the moment, there's not a scintilla of a hint in the actual economy to suggest anything but a moderate easing toward a sustainable growth path," Foster concluded. To continue reading this article please click the link - https://www.logisticsmgmt.com/article/industrial_outlook_cloudy_but_solid_overall_economic_fundamentals_rosy_for

Answers to Trivia

The below is an advertisement from the Journal of Commerce. I have been reading Mr. Cassidy's US domestic trucking articles for many years, being both informed and entertained along the way. I encourage all to read his series at www.JOC.com

Editor's Note

If 2018 was trucking's big year, 2019 may well be claimed by the truck driver. The driver is now the base unit of truck capacity, and despite higher pay, drivers are still hard to find. Large carriers saw driver turnover rates drop in the second half of 2018, as freight volume moderated, that just gave them some breathing room. A series of stories launched this week looks at how drivers will be the key to truck capacity in 2019.

- **William B. Cassidy**, *Senior Editor, Trucking*, JOC

U.S. trucking industry reports highest annual truck tonnage gain in 20 years 1/22/2019 Times Free Press (Chattanooga, TN)

America's trucking industry reported the biggest annual gain in for-hire truck tonnage in two decades last year as an improving economy and growing e-commerce boosted shipments to an all-time high, according to the American Trucking Associations' (ATA) annual index released today. Truck tonnage for all of 2018 rose 6.6 percent — nearly double the 3.8 percent gain in 2017 and the highest increase since 1998 when truck shipments surged by 10.1 percent.

The annual gain last year was realized despite a year-end decline in shipments. Tonnage fell in December by 4.3 percent from the seasonally adjusted rate in November, which was also below the peak reached in October on the ATA index. "The good news is that 2018 was a banner year for truck tonnage, witnessing the largest annual increase we've seen in two decades," ATA Chief Economist Bob Costello said in a report today. "With that said, there is evidence that the industry and economy is moderating as tonnage fell a combined total of 5.6% in October and November after hitting an all-time high in October." November's tonnage was actually 1.3 percent below a year ago, although December was still up 1.4 percent from the previous year.

Trucking serves as a barometer of the U.S. economy, representing 70.2 percent of tonnage carried by all modes of domestic freight transportation, including manufactured and retail goods. Motor carriers collect more than $700 billion, or 79.3 percent of total revenue earned by all transport modes. ATA calculates the tonnage index based on surveys from its membership and has been doing so

U.S. Xpress Divests of Mexican Cross-Border Business

January 22, 2019 www.truckinginfo.com

While it's not leaving the Mexican market, U.S. Xpress announced it plans to exit its cross-border investment as part of its continuing program to improve its margins. The Chattanooga, Tennessee-based carrier will execute the plan in stages over the next several months as part of its ongoing capital allocation and profit improvement initiatives. When fully implemented, it's expected to reduce current and planned invested capital by approximately $40 million and improve its operating margin. U.S. Xpress said it will continue to offer customers access to cross-border service through a "variable cost alternative" through relationships with its former partners south of the border.

After evaluating the company's investments in its cross-border operations, including investments south of the border, in Laredo, Texas, and in U.S. assets and personnel, management "concluded that these operations required a comparatively high level of fixed investment per unit of revenue and created lane inefficiency in the U.S., because serving freight to and from the border did not maximize revenue per mile or meet our other network planning priorities," said Eric Fuller, President and CEO, in a press release. During 2018, the combined Mexico and allocated U.S. operations failed to keep pace with improvements in the company's U.S. OTR and dedicated truckload operations., he noted. "As a result, the decision to exit this operation was identified as a relatively high return, simple execution initiative."

The company already has sold its investment in the Mexican entity, a 95% equity ownership of Xpress Internacional S.A de C.V., to the existing managers for an estimated $4.5 million in cash and an additional $8.5 million in cash to be received over 8.5 years. In addition, over the next few months, U.S. Xpress will close and sell its Laredo terminal, dispose of about 700 dry van trailers allocated toward the Mexico business, and reposition some 300 domestic tractors. U.S. Xpress says its fourth-quarter earnings will be affected. In connection with this plan, as well as the disposition of its remaining 10% equity investment in a former subsidiary, it expects to record an approximate $12.3 million non-cash, pre-tax loss on equity investments for the fourth quarter of 2018. The company expects to repay debt with the cash proceeds generated from the exit.

FedEx Abandons Plans to Begin Cuba Air-Freight Service from U.S.

By Thomas Black, Bloomberg News January 2, 2019

FedEx Corp. dropped a plan to begin cargo flights to Cuba, as an opening between the U.S. and the communist country has foundered. The courier "will not be filing for an extension of the startup date for U.S.– Cuba cargo air service between Miami and Varadero," FedEx said in a statement Wednesday. The company is abandoning its right to fly five weekly frequencies and evaluating "alternative all-cargo service options to Cuba," according to a letter to the U.S. Department of Transportation.

FedEx's withdrawal ends more than two years of effort to start service to Cuba, which began as former President Barack Obama sought to normalize ties with the island. Relations have chilled under President Donald Trump, whose administration enacted new restrictions in 2017 on Americans traveling to Cuba and on the ability to do business with a list of government-controlled businesses. The Memphis, Tennessee-based company won U.S. approval for cargo flights to Cuba in 2016. The following year, FedEx cited a series of obstacles to starting the service, including finding local partners and securing airport ground services. Cuba currently is listed by the carrier as among the countries it doesn't serve.

DSV move for Panalpina could spark 'bidding war' for forwarder

18 / 01 / 2019

Consultant Transport Intelligence (TI) has suggested that DSV's move to purchase Panalpina could spark a 'bidding war' for the forwarder that could price the Danish company out of the running. In its latest market round-up, Ti took a closer look at the potential outcome of DSV's $4bn offer to purchase Panalpina. Practice leader Thomas Cullen pointed to rumours that other companies were also interested in buying Panalpina, in particular Kuehne+Nagel.

He said: "The price offered by DSV is the equivalent of $4.1bn and there are suggestions that this is not very generous to Panalpina shareholders, thus tempting other potential buyers and triggering a 'bidding war'. "DSV is a highly profitable company with strong credit lines however it also has a record of avoiding overpaying for its purchases. It may simply be elbowed out of the way by more extravagant rivals."

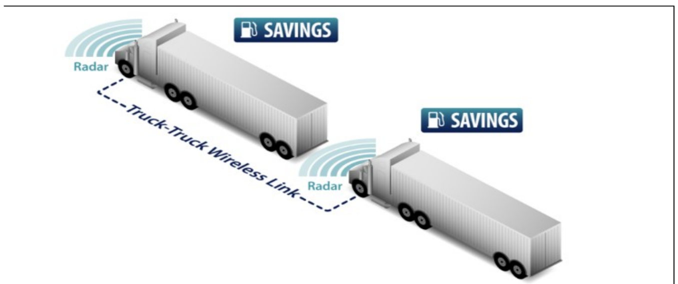
Cullen also questioned whether Panalpina shareholders would be interested in selling their stake in the company. The company's majority shareholder, the Ernst Goehner Foundation with a 40% stake, has "stubbornly disagreed" with any takeover offers in the past, Cullen writes. However, this may have changed following criticism from the number two shareholder, Cevian Capital with a 12% stake, over Panalpina chairman Peter Ulber's rejection of takeover offers. Ulber recently announced he would not stand for re-election as chief executive citing a conflict of interests - he is chairman of Panalpina and is also on the board of the Ernst Goehner Foundation. "[the Ernst Goehner Foundation] has never been attracted to the prospect of selling the company," said Cullen. "Perhaps the new offer has been motivated by DSV's perception that this has now changed and the ferocious criticism of the Foundation and Panalpina's management by other shareholders has changed minds."

According to the UK's Financial Times, Cevian Capital typically looks to sell out after 5-10 years of investment. It first bought a stake in Panalpina nine years ago. He concluded: "If DSV succeeds in an acquisition of Panalpina it will continue the company's transformation. "Buying UTi a couple of years ago gave the company a presence in a string of emerging markets as well as the US, but Panalpina will not only catapult DSV into being one of the leading freight forwarders in the world but will also reduce its exposure to the European market to around 60% of sales."

Editor's note: With the critical driver shortage upon the industry and the quickly rising costs across the entire supply chain vision and innovation are so important in the transportation and logistics industry. Below is the vision of one of several companies that are attempting to bring "game changing' innovation to the industry. The diagram below shows the distance ratio between trucks with drivers, with radar and finally with a communication link. Notice the distance necessary between trucks based on the 3 technologies. As you will see, there are doubters in regards to ROI but this is certainly bringing thought and innovation to our industry during a time of need. We hope to spotlight other new, innovative thoughts each month in 2019.

Peloton Technologies – Vehicle to Vehicle Communication

Based out of California, Peloton Technologies is pioneering the use of vehicle to vehicle communication to tackle two of the trucking industry's largest problems – fuel and safety. By using radar sensors, intelligent braking, video screens, and a wireless link, Peloton makes it possible for two trucks to connect in a "platoon," or "closer together than would normally be safe ".



The two trucks are able to get as close as 20 feet from each other while platooning in order to take advantage of fuel-saving aerodynamics. Peloton reports fuel savings of 10% for the second truck and 4.5% for the lead truck in a platoon. The trucks are able to get this close thanks to Peloton's active safety system which wirelessly links the trucks. The wireless link controls the truck's acceleration and braking, while radar detects potential dangers up ahead.

The linked trucks react within a "fraction of a second" whereas a truck driver needs up to two seconds to react to changes in conditions. While the wireless link controls acceleration and braking, drivers still have complete control of the truck. Even while trucks aren't platooning, Peloton is making trucking safer with the use of video screens in cabs to monitor blind spots.

Peloton is also currently developing a network operations center which can coordinate trucks "seeking a platooning partner…even trucks from different fleets." The network operations center will also collect data on driver fatigue and vehicle maintenance. Overall, Peloton provides an awesome example of challenging the status quo in the trucking industry with innovative transportation technology.

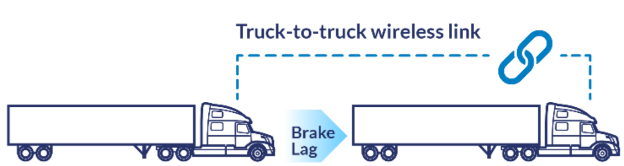
From Pelaton Technology LLC website

www.pelaton-tech.com

During manual driving, safe following distances between trucks are maximized to allow time for driver perception, reaction, and brake lag in both trucks when responding to an obstacle ahead.

Adding a radar-based collision mitigation system cuts out driver perception and reaction, but still must allow for radar to detect the front truck slowing before the rear truck's brakes can be applied.

In a platooning rear truck, the steering is manual, but the braking is automatic. The Peloton Platooning System uses truck-to-truck wireless communication, allowing the rear truck to automatically initiate braking even before the front truck begins to slow. This nearly instantaneous reaction means trucks can safely follow at smaller distances and save fuel.



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Supply Chain News: Do Not Write Truck Platooning Off Yet, Pelaton CEO Says

1/16/2019 Supply Chain Digest (SCDigest.com) Editorial Staff

About 4% - that was the improvement in miles per gallon performance generally expected to come from so-called truck platooning, which involves the use of vehicle-to-vehicle communications and sensors, such as cameras and radar, to virtually connect two or more trucks together in a convoy. This allows the trucks to travel with less space between them, reducing drag. In part because a driver would remain in each cab and thus reduce safety concerns, many believed platooning would take hold and be a sort of bridge towards a future world of autonomous trucks. But maybe not.

Last week, Martin Daum, the head of Daimler's truck and bus divisions, said the major truck maker has decided to pass on platooning and focus instead on advancing its position in vehicle automation. Simply put, Daum said, all the technology required to make platooning work actually produces very limited reductions in operating cost.

Daum added that "testing "currently shows no business case" for the technology on new aerodynamic trucks.

Does the Daimler news indicate the end of the line of truck platooning, before it is even ready for real market tests, after a handful of apparently successful long-distance demonstrations? (See Is Truck Platooning Almost Right Around the Corner?) Not so fast, says Josh Switkes, founder and CEO of Peloton, a leading developer of platooning technology for Class 8 tractor-trailers.

In an interview with Heavy Duty Trucking magazine, Switkes said "Peloton is seeing even better fuel economy results on public roads than we anticipated based on our previous and ongoing track tests. In addition, we have also seen a high utilization of platooning on typical freight lanes." Switkes also said Pelaton's development and testing of platooning over the last five years has shown "how critical specific functionalities are in the vehicle and the cloud. These include the control of following trucks, as well as the supervision of the platoons by our network operations Cloud. These functionalities, many of which are patented, combine to enable high utilization and the close following distances that do provide good fuel economy improvement."

In other words, maybe Daimler's conclusion came from testing with inferior technology. However, Switkes did not offer a specific number with regard to potential fuel savings. Swikes then commented on the idea that the Daimler announcement is a signal that platooning may be more of an aftermarket solution for fleets, as opposed to technology offered by truck OEMS.

That is possible, Switkes said, noting that Peloton has developed its platooning system to be interoperable across OEMs and fleets, and could just be an add-on that truck dealers, carriers, and/or private fleets add themselves.

One of the reason proponents were bullish on truck platooning's future is what appears to be a much more friendly regulatory environment than that for driverless trucks. States including Nevada, Ohio and more have indicated strong support for testing and eventual adoption of platooning systems. Switkes told HDT that "We have seen tremendous traction on regulations supporting platooning over the past year, with the majority of the freight ton miles now occurring in 18 platooning-approved states." Just recently, consulting firm McKinsey saw platooning as the first of four stages that will end with fully autonomous trucking – sometime after 2017. It predicted that in five to seven years, platooning with a driver in only the lead truck could save the industry 10% in operating cost, noting the US Army next year will test driverless platooning on two U.S. bases.

But even if Pelaton and others can generate greater levels of fuel savings than Daimlet is seeing, there are questions.

Those include the fact that the fuel-efficiency gains are only achieved in long-distance, highway-speed trips. And there are questions about whether all three trucks in a platoon would have to be from the same carrier, all using the exact same system, limiting its applicability.