OUTSOURCE

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THE SOURCE

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NAFTA Negotiations

U.S. pushes for sweeping protectionism at fourth round NAFTA talks

by Adrian Morrow Arlington, VA **The Globe And Mail** 10/14/17

The Trump administration has laid down nearly all of its major demands in the renegotiation of the North American free-trade agreement, pushing for sweeping protectionist changes to the agreement that would decisively tilt the playing field in the U.S.'s favor at the expense of Canada and Mexico. At the fourth round of talks, unfolding at a hotel in a Virginia suburb of Washington, American negotiators formally demanded a 50 per cent U.S. content requirement for cars and trucks made in Canada and Mexico; a further jacking up of required North American content in autos from 62.5 per cent to 85 per cent; the gutting of dispute resolution panels; a sunset clause that would terminate NAFTA in five years unless all three countries agreed to keep it in place; and changes to Canada's price-fixing system for dairy products.

In previous rounds of talks, the U.S. demanded major restrictions on Canadian and Mexican companies bidding on American government contracts, as well as the complete dismantling of the Chapter 19 panels that have in the past allowed Canada to successfully appeal punitive American tariffs on softwood lumber.

But while the U.S. agenda is now clear, its ultimate aim remains murky. Neither government officials nor members of industry nor expert observers could agree whether the U.S.'s tough demands are designed merely to extract concessions from Canada and Mexico or provoke the collapse of the talks. In an Oval Office meeting with Justin Trudeau on Wednesday, the first day of the current round, President Donald Trump mused about tearing up NAFTA or cutting a bilateral deal with either Canada or Mexico while leaving the other country out.

Canada and Mexico are opposed to the U.S.'s protectionist demands, and Canada has publicly vowed to quit the bargaining table before giving up Chapter 19. For now, however, the three sides are still at the table and no one with knowledge of the talks believes any of the parties will walk away any time soon. Negotiations continue Monday; on Tuesday, Canadian Foreign Minister Chrystia Freeland and Mexican Economy Minister Ildefonso Guajardo will arrive in Washington for a high-level meeting with United States Trade Representative Robert Lighthizer to conclude this round. The three sides will reconvene in Mexico City.

The top American demand in this round was that vehicles made in Canada and Mexico contain at least 50 per cent U.S. content in order to qualify for duty-free shipment throughout the NAFTA zone, sources with knowledge of the discussions said. This requirement would not apply to vehicles made in the U.S., effectively pushing automakers to make all new investments in America. The U.S.'s auto demands also wanted to boost North American content in cars and trucks to 85 per cent and ensure that every component of a vehicle – down to the steel – counts towards that total. The U.S. also formally demanded that Chapter 11 dispute resolution panels, which allow corporations to sue governments for political decisions that hurt their business, be made "opt-in," allowing countries to decide not to take part in the process. Washington further demanded that Chapter 20 panels, which adjudicate trade disputes between governments, be demoted to an advisory role, allowing the losing party to disregard their decisions and retaliate against the other country.

U.S. pushes for sweeping protectionism at fourth round NAFTA talks (continued)

The U.S. also demanded the sunset clause, which Washington wants as a way to reopen NAFTA again in five years. In the first round, the U.S. demanded that the entire Chapter 19 be simply struck from the agreement. In the third round, in Ottawa, it demanded that Canada and Mexico be barred from receiving any more in government contracts, dollar-for-dollar, than American companies receive in the other two countries. Because the U.S.'s economy and population are 10 times the size of Canada, this would severely curb the amount of public procurement Canadian firms would be allowed to bid on. The U.S., meanwhile, wants more access to the Canadian and Mexican markets. Canada and Mexico are opposed to all of these demands.

Letters to the Editor to Toronto's The Globe And Mail 10/14/17 **If NAFTA dies, what do we gain?**

Re Canada, Mexico Vow To Remain At Negotiating Table (Oct. 13): Remember how hard many Canadians fought against the North American free-trade agreement because it was going to wipe out manufacturing jobs and export them where labor law was virtually non-existent? Remember predictions NAFTA would create massive inequality, widening income gaps between the wealthy and the rest? Remember critiques on how NAFTA would enrich corporations, which would off-shore profits etc? All these things have come to pass. Yet media coverage is focused on what a loss it will be to Canada if NAFTA ends. How about focusing on the things Canada might *gain* if NAFTA dies? ***Craig Proulx, Fredericton***

Time running out for NAFTA talks, set to be extended: sources

by David Ljunggren, Dave Graham, **Business News** 10/15/17

ARLINGTON, Va. (Reuters) - Negotiators at talks to modernize NAFTA are running out of time and look set to extend the remaining rounds in a bid to meet an end-year deadline as tensions rise, three sources familiar with the matter said on Sunday. The Trump administration, which is demanding big changes to the North American Free Trade Agreement, has presented a series of hardline proposals that partners Canada and Mexico say will be tough to accept. Sources say neither nation will walk away from the talks, preferring instead to stay at the table and gradually work out what compromises they might be able to wrest from the U.S. side.

Another challenge is a very tight negotiating schedule - described as "insane" by one official - with rounds every 12 days or so compared with gaps of several weeks seen in more traditional trade talks.

"There is too much work to do and not enough time," said one of the sources, who requested anonymity because of the sensitivity of the matter. The current round of talks in Arlington, Virginia, near Washington - the fourth in a planned series of seven - has been extended by two days to a full week, and the remaining three could also be lengthened, said two of the sources. Officials are also starting to look at possible dates for extra rounds early next year, they added. The three nations initially set an end-December deadline, citing the need to avoid a Mexican presidential election next year. Privately, officials now say that if the negotiations need to be extended, they could run till the end of February without causing too many problems.

People briefed on the talks describe the atmosphere as very tense amid increasing doubts in Canada and Mexico about whether the Trump administration really wants a deal. U.S. negotiators have presented demands that would boost the North American content for autos, cut Mexican and Canadian access to government procurement, introduce a clause that could kill the deal in five years and end a trade dispute settlement system that has deterred U.S. antidumping cases. Although trade between the United States, Canada and Mexico has more than quadrupled since 1994, Trump blames the pact for hundreds of thousands of lost manufacturing jobs in the United States and a $64 billion trade deficit with Mexico.

Canada losing ground to Mexico in manufacturing race by Matt Miller AJOT

Two years back, prominent Canadian economist and car industry analyst Dennis DesRosiers shocked his countrymen when he predicted that Canada's car manufacturing would completely die in the decades ahead.

"Somewhere between 2030 and 2040 we'll be Australia," he told The Economist, referring to Australia, whose three manufacturers will all cease production by the end of this year. Imports into the US from Canada and Mexico are almost at a par with each other. Last year, some 2.7 million vehicles were shipped from Mexico to the US, while 2.3 million came from Canada. But the trajectories of the two countries couldn't be more dissimilar. Despite Ford's well-publicized scrapping of a plant in the Central Mexican state of Guanajuato and Toyota and Mazda's recent announcement of a new joint venture plant in the US, manufacturers have been pouring into Mexico, while investment in Canada's auto industry is down to a trickle. (The new joint venture plant, for example, will likely produce Toyota Corollas now made in Canada.) Add to that the likelihood that Chinese manufacturers will possibly set up plants in Mexico and the gap will only grow larger over the years ahead…

TRIVIA QUESTIONS

OUTSOURCE
THE FREIGHT MANAGEMENT COMPANY

1) How many zip codes are in the USA?
A. 35,612 **B.** 41,660 **C.** 47,320 **D.** 39,004

2) Which city/town is the closest to geographical center of the 48 contiguous states?
A. Lebanon, KS **B.** Hastings, NE **C.** Hamburg, IA **D.** Kansas City, MO

3) The circumference of the Earth is 24,901 miles. How many miles between Shanghai and Charleston by ocean?
A. 12,450 **B.** 8,936 **C.** 10,047 **D.** 11,229

4) How many TEU's do the largest container ships carry in today's market?
A. 19,378 **B.** 21,413 **C.** 20,926 **D.** 21,756

5) Which of the Great Lakes does not border on Canada?
A. Michigan **B.** Erie **C.** Huron **D.** Superior

6) INCOTERM's do not define which portion of a transaction for the buyer / seller?
A. Obligations **B.** Costs **C.** Risk **D.** Title Transfer

Answers Later In The Newsletter

FUEL REPORT

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

	10/2/17	10/9/17	10/16/17	Change from week ago	Change from year ago
U.S. National Average	$2.792	$2.776	$2.787	↑ 0.011	↑ 0.306

Toyota's hydrogen fuel cell trucks put to work in Port of LA pilot by Darrell Etherington 10/12/17

Toyota has hydrogen fuel cell transport trucks that generate no local emissions, and that have 670 horsepower and an 80,000-pound total weight capacity. The powertrain includes two of Toyota's Mirai fuel cells, and a 12kWh battery charged by the cells. Toyota is now running a concept version of the truck along pilot routes that run around 200 miles per day, moving goods between depots in the Port of LA and Long Beach. The pilot is designed to help Toyota see what the impact of frequent cycling of its fuel cell system will do to the packs, as they'll be refueled often to run the short-haul trips. Over time, Toyota plans to conduct longer runs of the truck as well, as part of the overall feasibility study that is also part of the Port of LA's long-term plans to reduce emissions overall.

Hybrid electric trucking tech is seen by some as the most viable option for long-haul transport while also reducing emissions, as it doesn't compromise on range while producing zero local waste. Startup Nikola is working on building its own heavy-duty hydrogen electric hybrid hauler, for instance, and many existing truck makers are also exploring hybrid drivetrain options. Tesla plans to unveil its own fully electric semi-truck in November, and Tesla founder Elon Musk has been a vocal critic of hydrogen power in general. Tesla's truck is rumored to have 200 to 300 miles of range, which could work well for this type of application, coincidentally, but wouldn't serve the needs of longer hauls (short of changing out the cab at multiple stops along the way).

U.S. import box rates continue fall despite solid U.S. traffic flows

By DC Velocity Staff 10/10/2017 **Freightos spot-market data shows persistent rate declines**

Container shipping rates into the U.S. are on a downward spiral even as volumes into U.S. port gateways remain solid, a sign that vessel overcapacity is trumping stronger demand and the impact of carrier alliances designed to rationalize ship space, according to data released yesterday by Freightos, a Hong Kong-based online quote portal. Weekly spot, or non-contract, rates for 40-foot equivalent unit (FEU) containers from China to the U.S. East Coast fell 5 percent week over week—and 17 percent year over year—to $2,017 per FEU. Rates from China to the U.S. West Coast dropped 1 percent week over week—and 15 percent year over year—to $1,450 per FEU. Rates from Europe to the East Coast fell to $1,133 per FEU, down 12 percent week over week and 19 percent year over year.

Prices have been declining nearly across Freightos' index board since they peaked between mid-January and early February. Rates on the China-U.S. East Coast trade lane have fallen for seven consecutive weeks. Export prices from China have declined for eight consecutive weeks, with the exception of eastbound rates into the U.S. during the first week of September and the first week of October. The continuing fall in box rates comes as container lines enter what is traditionally the busiest period of the holiday shipping season. At what should be a peak of the pricing cycle, seven key trade lanes are tracking below their high points for the year, according to Freightos data. These include China to the U.S. West Coast at 70 percent, China to the U.S. East Coast at 56 percent, and Europe to the U.S. East Coast at 73 percent, Freightos said.

ILA under pressure to guarantee US East, Gulf coast peace

Joseph Bonney, Senior Editor, 10/6/17

Now that a West Coast longshore labor contract extension is in place through mid-2022, shippers are anxious for a similar deal on the East and Gulf coasts. International Longshoremen's Association President Harold Daggett said he plans to convene the union's wage-scale committee "in the near future" to meet with US Maritime Alliance to discuss a possible extension of the ILA-USMX contract, which expires Sept. 30, 2018. Last summer's contract extension by the ILWU and the PMA increased pressure for an agreement on the East and Gulf coasts. The West Coast extension was for three years past the previous agreement's mid-2019 expiration.

East and Gulf coast ports have increased their share of Asian imports to 34.3 percent in the first half of this year from 21.6 percent in 2005. The stakes of the East vs. West competition have been raised by the mid-2016 opening of the Panama Canal's new locks and by last summer's raising of the roadway of New York-New Jersey's Bayonne Bridge to accommodate larger ships. Together, these developments have opened the way for larger ships to call multiple East Coast ports, which now have regular calls by vessels with capacities of up to 14,000 TEU. Jonathan Gold, vice president of the National Retail Federation, said importers were heartened by the West Coast extension and hope the ILA and USMX can reach agreement soon. "The closer we get to the expiration without an agreement, the more antsy everyone becomes," he said. "If we get to next summer and there's still no agreement, people will start looking at other routing options."

With the West Coast extension in place, the pace of activity is expected to quicken during the next few weeks. Daggett said last winter that he expected automation to be the top issue in the next negotiations, and that the ILA opposed fully automated terminals but could accept semi-automated terminals as long as union members were trained and hired to staff them. Otherwise, he has been fairly circumspect — a contrast to the run-up to the acrimonious 2012 to 2013 negotiations. Other issues raised during the informal meetings included jurisdiction over chassis maintenance and repair and proposals to use the coastwide master contract to provide a revenue stream to shore up some ports' underfunded pensions, which are covered by supplemental local contracts. ILA contract negotiations are conducted at two levels. The coastwide master contract sets wages for container and roll-on, roll-off cargo handling, defines the scope of work, and includes medical benefits, carrier-paid container royalties, and other coastwide issues. Local contracts cover pensions, work rules, and other port-specific issues. Local negotiations have begun at most ports. https://www.joc.com/port-news/longshoreman-labor/international-longshoremens-association/ila-under-pressure-guarantee-us-east-gulf-coast-peace_20171006.html (full article link. The above article is an abridged version)

FOR IMMEDIATE RELEASE **October 12, 2017**

ATA Applauds White House Announcement on Association Health Plans

Order Expands Access to Affordable Health Insurance Through Trade Associations

Arlington, Virginia – Today, the American Trucking Associations praised President Trump for signing an executive order allowing individuals to purchase health insurance through association health plans. "After laying out the case for how tax reform benefits our industry, today President Trump is taking substantive action to improve the lives of millions of Americans, including the 7.5 million employed in trucking-related jobs," said ATA President and CEO Chris Spear. "By allowing people to pool together to purchase health insurance plans that are sponsored by larger associations and groups, the administration is helping to lower health care costs and improve access."

Spear, along with ATA Chairman Kevin Burch, president of Jet Express Inc., Dayton, Ohio; ATA member Harold Summerford Jr., CEO of J&M Tank Lines Inc., Birmingham, Alabama; and professional truck driver Danny Smith, Big G Express, Shelbyville, Tennessee, represented the trucking industry at today's White House signing ceremony. "Most trucking companies are small businesses, with nine in ten carriers having fewer than six trucks. The types of plans the President announced today will allow those companies to pool resources and offer affordable health care options that meet the needs of their employees," Spear said.

"One of the primary things I'm responsible for as a fleet executive is the welfare of my employees," Burch said. "Today's announcement will make it easier for employers across the country to provide good, affordable health plans to their employees and that is a good thing."

"The trucking industry is a path to a middle class salary and benefits like health insurance. This announcement will make providing insurance to my drivers and for millions of other Americans," said Summerford.

"Being a safe, professional truck driver has not only been a tremendous career for me, it has allowed me to see the country and to provide for my family – including providing health insurance," Smith said. "Reducing the cost of that insurance is very important so I'm happy President Trump is taking steps to do that."

Answers to Trivia

US truckload spot market continues to heat up

by Dustin Braden, Ass't Web Editor, Joc.com 10/12/2017

Broad economic growth and hurricane recovery efforts are fueling robust growth in trucking demand and rates.
The truckload spot market that burned hot through the summer continued to heat up in September, with demand for truckload capacity jumping 15 percent from August and 80 percent from September 2016. The national average spot van rate was $1.97 per mile, an increase of 19 cents from August and 35 cents from September 2016, as the rate of 6.6 available loads per truck became the highest ratio DAT has recorded in at least eight years. The DAT North American Freight Index hit a record high in September as it rose 9 percent month-to-month as spot freight availability surged 74 percent from one year ago.

"Based on patterns from the last three years, we expect higher demand for truckload capacity to continue at least through December, with the movement of holiday-related e-commerce freight and the onset of the federal electronic logging device mandate," said Mark Montague, DAT industry analyst. "Demand may recede in February, which is normally a slack period, but we expect rates to remain somewhat higher than in previous years."

The growth is not limited just to dry van truckloads. Strong harvests in the Midwest and Pacific Northwest combined with a late harvest in California to lift reefer activity 4 percent compared with August and 70 percent compared with September of last year. The average rate per mile of $2.23 is up 15 cents from August and 32 cents from last year. Increased industrial output, home construction, and moderate consumer spending were three key factors for the summer growth in trucking activity cited by US Bank officials at the Council of Supply Chain Management Professionals annual conference in Atlanta on Sept. 24 to 27. Those factors have continued to influence growth and combined with a surge in demand caused by hurricane recovery efforts throughout the United States to maintain and accelerate that momentum. DAT attributed the 3 percent month-to-month growth in flatbed activity in September to those recovery efforts, as flatbed activity typically falls in September. The average flatbed rate per mile was $2.26, up 8 cents from August.

Raymond Martinez to be next FMCSA administrator

by Fleet Owner Staff 9/25/2017

Raymond P. Martinez, chief administrator of the New Jersey Motor Vehicle Commission, is being tapped by the Trump administration to lead the Federal Motor Carrier Safety Administration (FMCSA). "Mr. Martinez is well-known to our industry from his work in New Jersey and New York, and exudes the kind of professionalism, integrity and focus on safety that FMCSA needs," said Chris Spear, president and CEO of the American Trucking Associations (ATA), in a statement.

Gail Toth, executive director of the New Jersey Motor Truck added that Martinez's experience of leading the motor vehicle agencies of both New York and New Jersey – the "International Gateway to the Northeast," in her words – will be "an asset" at FMCSA.

Martinez, a graduate of St. John's University School of Law and C.W. Post College of Long Island University, served in various White House administrative positions for Presidents Ronald Reagan, George H.W. Bush and George W. Bush from 1989 through 2005. He also served as New York State Commissioner of Motor Vehicles under Governor George Pataki from December 2000 to December 2005, before being sworn in as Deputy Chief of Protocol of the U.S. on December 12, 2005. Martinez has served as chief administrator of the New Jersey Motor Vehicle Commission since February of 2010, in charge of approximately 2,400 employees at 71 locations throughout the Garden State.

Acting Commissioner Kevin K. McAleenan, U.S. Customs and Border Protection

Keynote Speaker at CONECT's Northeast Cargo Symposium (NECS)
November 2, 2017

CONECT is delighted to share the news that Acting Commissioner of U.S. Customs & Border Protection, Kevin K. McAleenan, is confirmed as the Keynote Speaker at the 16th Northeast Cargo Symposium, November 2 at the Providence Biltmore Hotel in Rhode Island. As the Acting Commissioner of U.S. CBP, Mr. McAleenan oversees 60,000 employees, manages a budget of over $13 billion, and ensures the effective operations of CBP's efforts to protect national security while promoting economic prosperity. Mr. McAleenan directs CBP's facilitation of $4 trillion in trade.

http://www.conect.org/event/NECS17

When: Thursday, November 2, 2017 8:00 AM - 7:15 PM
Where: Providence Biltmore Hotel, 11 Dorrance St, Providence, RI
Contact: Karen Pim, (karen@conect.org) 508 482-0424 Online Registration until 10/27/2017
www.conect.org

Could USPS' Parcel Select rate hikes be aimed at discouraging its use?

By DC Velocity Staff 10/9/2017

A proposal by the U.S. Postal Service (USPS) to raise rates by 7 percent on parcels weighing one pound or less and moving under the quasi-governmental agency's "Parcel Select" service reflects two realities: That the product is popular, and that its popularity stems from the fact that it is priced cheaply. Along with the rate proposal for lightweight parcels, USPS' board of governors filed a request with the Postal Regulatory Commission, the agency that oversees USPS pricing, for a 4.9-percent increase on all other transactions moving under Parcel Select. Customers using the product induct packages deep into the postal infrastructure for last-mile deliveries to every address, the vast majority of them residences. By law, USPS must serve every U.S. address. It serves approximately 156 million addresses today. Parcel Select is priced inexpensively because USPS' costs are already sunk into the daily pickups and deliveries that must occur anyway. It is believed that Parcel Select represents the best cost-service value for packages weighing less than 10 pounds.

In addition, USPS proposed a 6-percent increase on its "Commercial Plus" product, in which business-to-business customers get volume discounts if they tender 5,000 first-class packages or 50,000 "Priority Mail" packages per year. Priority Mail is a two- to three-day delivery service. On average, rates on USPS' "shipping services" products, which include Priority Mail and Parcel Select, will rise 3.9 percent in 2018, USPS said Friday. All increases, which are subject to Regulatory Commission approval, would take effect Jan. 18.

INFRASTRUCTURE

U.S. Ports need more than $100 Billion from investors

By Bill Mongelluzzo, Senior Editor 10/6/2017

Consolidation in the shipping industry is complicating efforts to secure US port investments.

LONG BEACH — Even with government help, US ports still need more than $100 billion over the next five years to handle growing volumes and bigger ships. Private-sector investors are willing to close the gap if returns are adequate and risks are relatively low. Ports over the next five years must invest $154 billion on terminals and road and rail connectors, but can probably expect access to no more than $25 billion in public financing, said Anthony Renzi, partner, Akin Gump Strauss Hauer & Feld, who specializes in international and domestic corporate transactions. The good news is "there's a lot of private-sector money out there," he told the annual conference of the American Association of Port Authorities Tuesday.

Federal government grants and loans historically have provided only a small percentage of ports' capital expenditure needs, with harbor deepening being the primary beneficiary. As port-related infrastructure projects grow more expensive, the federal share will continue to shrink as a percentage of total project costs. Ports will therefore have to leverage public money to attract investments from private sources such as banks, hedge funds, retirement funds, and terminal operators that build and operate their own facilities. Infrastructure funds, teachers' retirement funds and other private-sector investors descended upon the marine terminal market in the previous decade, often times paying multiples of projected earnings. Concerns arose that those bets were unreasonable, and the global economic recession of 2008-09 proved that the concerns were well-founded.

In the past, investment funds looked for opportunities that would generate at least a 20 percent return they could count on for about 10 years before selling out. Since the recession, investors have concentrated on terminal and infrastructure projects that offer lower, but stable returns over 20 years or longer. Private equity investors seek to mitigate risk by partnering with terminal operators that have carrier affiliates, Renzi said. With about a dozen global carriers concentrating their vessel calls at fewer but larger terminals, private equity investors seek long-term stability, relatively low risk, and guarantees of container volume, he said. The key factor in these decisions is guaranteed container volume. In an era of terminal consolidation, investors find especially attractive those projects in which they can partner with carrier-affiliated terminal operators, said Josh Hurwitz, senior consultant, Moffatt & Nichol. However, continued consolidation in the carrier industry will result in fewer options for ports that seek to partner with carrier-affiliated terminals. Hurwitz noted that next year, after the merger of the three Japanese-flag carriers is completed, the top 10 global shipping lines will control 84 percent of the world's container capacity, up from 53 percent in 2006. When it comes to investing in a large terminal with a 30-year lifespan, the investment is further complicated by the nature of carrier vessel-sharing alliances, which are almost certain not to last that long, he said.

Port authorities, meanwhile, should also seek to minimize their risks when committing to building these costly terminals with long lives. Maintenance and repair costs in the rugged port infrastructure can add up, so partnering with a terminal company that builds and operates the facility will result in a better-built project, Renzi said. The effects of carrier, marine terminal and port consolidation are creating unprecedented financial demands on load-center ports. Mega-ships need mega-terminals to handle container exchanges that can easily exceed 10,000 TEU per vessel call, but many terminals were designed to handle vessels less than half the size of today's mega-ships. Today's terminals need taller cranes, sturdier decks, larger container yards, more efficient gate complexes and more extensive road and intermodal rail connectors in order to deliver containers efficiently to beneficial cargo owners.