

Be Prepared For Change

In just a few months the country will have selected a new president of the United States. The candidates are all promising change. There are cries for smaller government, others for more investments in infrastructure, and there are calls for both more taxes and more tax cuts. We can't provide advice as to what future direction the country will take. However, the world of transportation certainly has many issues that it must deal with now rather than later. Some of these issues are masked by the recent slow down in the economy. We see trucks idled and parked in yards. We see shippers looking for better ways to deliver directly to the end consumer by passing their stores. Air cargo dropped as shippers can't afford the premium of expedited services. There are real challenges that will become into sharper focus as the economy begins to pick up within the next twelve months. In this issue we will bring some of these concerns into focus so that the early adapters who lead the shipping community can begin to take action.

Don't Let The Fuel Fool You

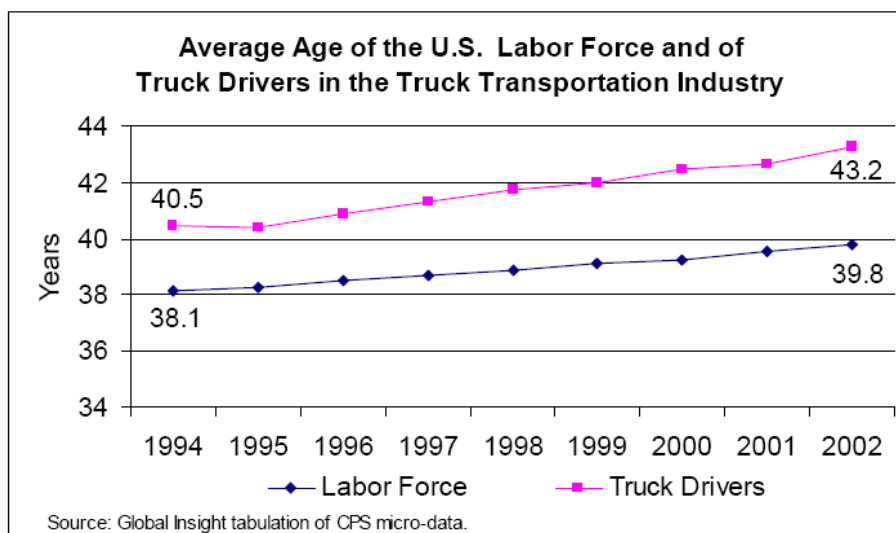
Even if fuel prices continue to fall, it is unlikely that we're ever going to see them at the levels of two or three years ago. As a result truck and engine makers are looking for ways reduce fuel consumption. Peterbilt Motors delivered its first two hybrid diesel-electric medium-duty trucks, with the promise that each new vehicle would burn about 2,400 fewer gallons of diesel every year that it is in service, compared with traditional diesel-only trucks. Even though more costly to purchase, these new trucks will provide a two year payback. They are also close to putting liquefied natural gas Class 8 tractors into service, helped by federal tax incentives for fleets that operate these more expensive vehicles. All the other heavy-duty truck makers are working on alternative-fuel vehicles and improving the fuel efficiency of their existing models. We also see that highway speeds capped by electronic governors will continue to help improve mileage over time. These developments underscore how the cost of fuel is increasingly driving technological development critical to trucking.

With fuel trending down it is time to look at creating a fuel surcharge schedule of your own that can be used by all of your carriers. Many of our larger clients are establishing a common ground with their carriers. They have begun to share the additional cost of fuel – 50% each. The subject matter experts on our Business Intelligence team have helped many shippers better position themselves with favorable fuel schedules, which have served them well in times of rising and falling fuel costs. Contact Karin Speaker at 919-550-8103 to learn more about how we can help you level the fuel playing field.

The Cost Driver We Need To Watch

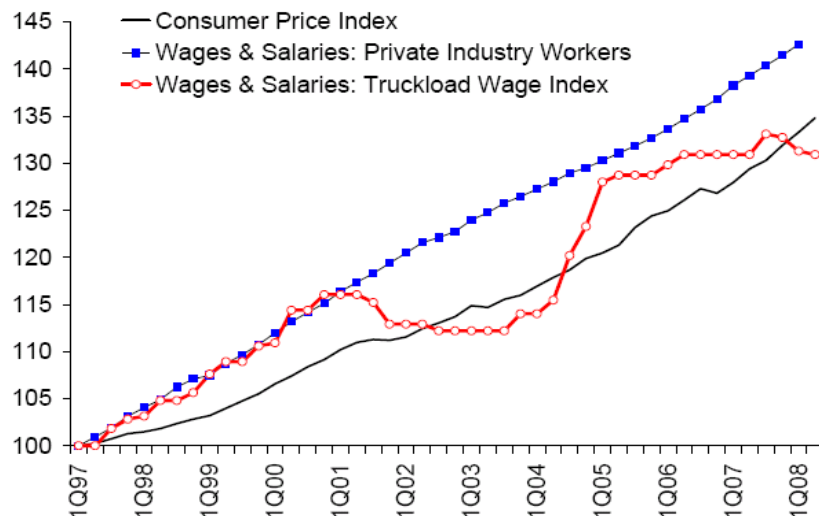
The driver of future costs may no longer be fuel. While there is still a risk of further decline in demand for TL services, as the economy stabilizes and the economic growth starts its engine again, we will find ourselves with problems that had been temporarily tabled as non-issues. The driver of future transportation costs will be the shortage of drivers. This problem was becoming acute as the economy was roaring ahead but dropped into the shadows as the fuel crisis caused transportation costs to rise even as truck tonnage growth slowed.

There are several factors that the American Trucking Association states come into play here. The share of truck drivers among all workers age 21-24 has been stable despite significant recruiting efforts that have been taking place in the past. This coupled with the fact that truck drivers account for a larger share of the labor force in older age groups means that drivers will be retiring at a rate faster than they can be replaced.



The demand for drivers will grow at an annual rate of .2% while the average increase in drivers is likely to be only 1.6%.

Starting Driver Pay (Per Mile) for Drivers with 3 Years Experience vs. Inflation



Source: National Survey of Driver Wages and Morgan Stanley Research

You can also see that wages for drivers, when compared to the CPI and other workers, are not keeping pace. This trend will have to change to meet demand. This will lead to higher transportation costs as the demand for trucks increases with economic growth.

In addition to the driver shortage, trucking company bankruptcies more than doubled in the second quarter, soaring 118% from last year as high fuel prices pushed 970 U.S. carriers out of business. Several long haul carriers are changing their mode of operation and concentrating on regional service citing increased cost in the long haul market.

You need to be prepared to take action now. Yes, the soft economy is a good time to push for price concessions to get the best prices. However, it is even more important to look for long term agreements with your carrier. This will better position your company for the inevitable increases that will come as growth stretches demand and driver wages drive up the cost of truckload transportation.

Going Green

It seems certain that less-polluting companies will benefit from carbon-trading scheme legislation that both presidential candidates favor. Cap and trade is one way of making companies pay for the privilege of pumping greenhouse gas emissions into the atmosphere.

Over time limiting carbon dioxide will have a far reaching effect on every business in America. This system sets a limit to the total volume of polluting gases that can be emitted, and then allows companies to buy and sell shares of that total. Emitters must have allowances for every ton of greenhouse gas (primarily carbon dioxide) they emit. Those that can cut their own emissions will find it easier to have excess allowances that could be sold. If a company wants to emit more gases, it buys "permits" from another company, which has more than it needs. In this way, supply and demand sets a price to pollution. Those who begin to take action now will be winners and those who do not will be losers.

Two recent reports estimate that within a few years the annual carbon trading market could range from \$600 billion to \$1 trillion.

For a typical product in the supply chain, measurements extend from a raw material source through the production and distribution system to the point of consumption and the associated reverse logistics. The logistical activities comprise freight transport, storage, inventory management, materials handling and all the related information processing. Shippers should require their carriers to identify 'green initiatives' in their pricing proposals. By tracking and considering this issue transportation professionals may soon find that they can add value to their company by reducing their carbon foot print. To do this statistics should be captured by mile / by mode so that over time KPIs can be developed to show improvements. To learn more about how Data2Logistics can help in this regard contact harold.friedman@Data2Logistics.com or 609-683-3917.

Fun Fact

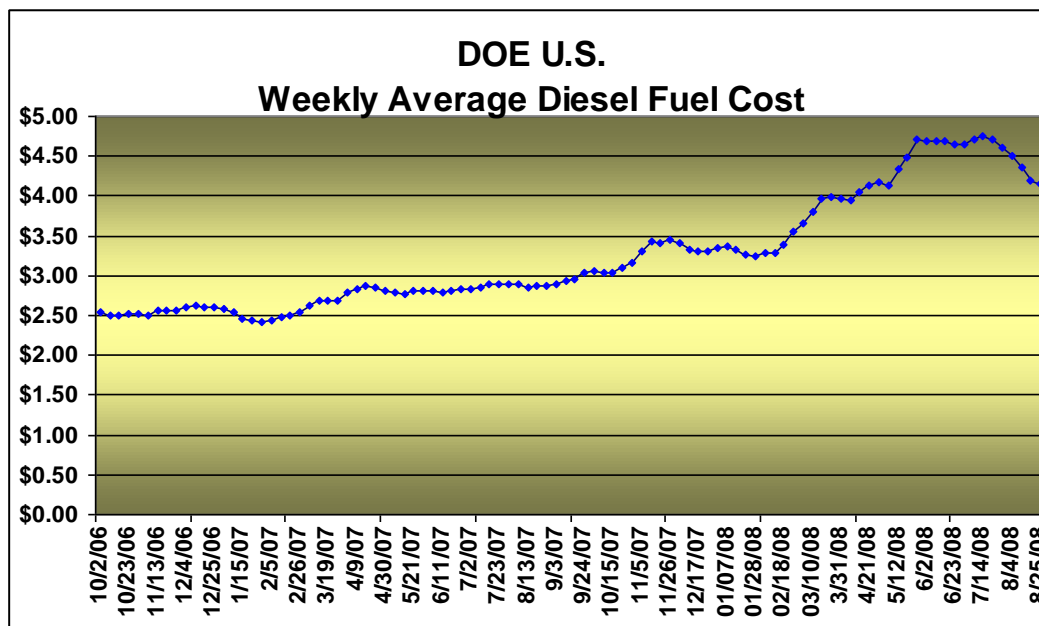
Did you know that Federal Express has 63 service centers in Manhattan? That is 24 more locations than McDonalds have.

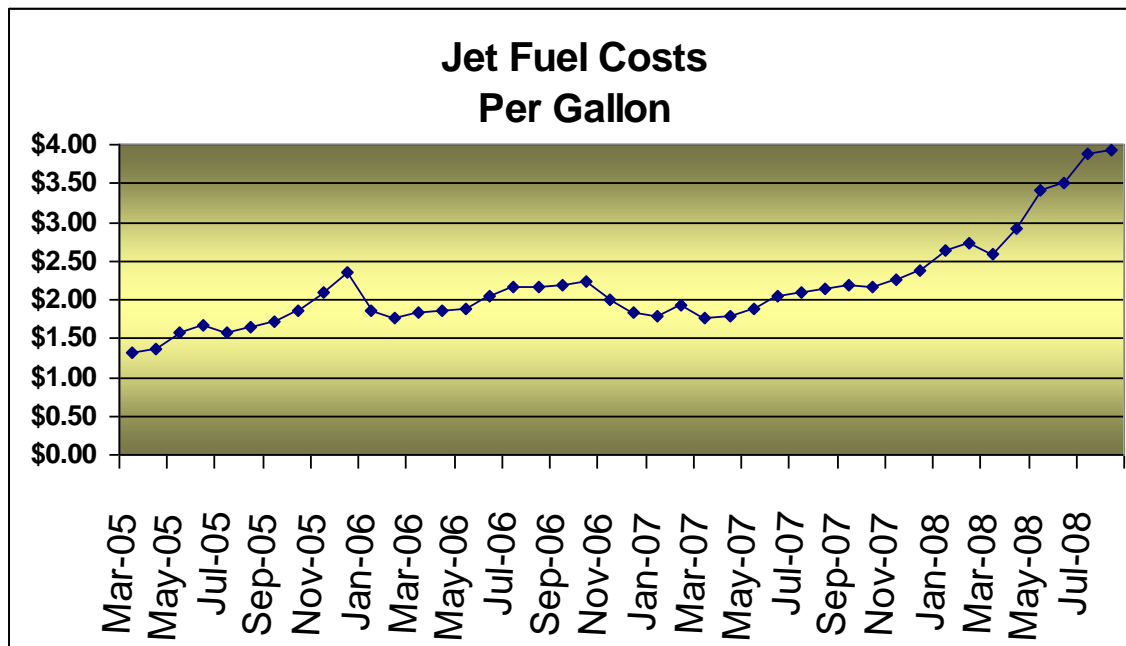
Global Trade Links

As our customer base continues to grow with shippers that have a global orientation we are providing a list of useful links.

- [Trade Terminology](#)
- [U.S. Economic Data](#)
- [Commodity Coding Systems](#)
- [Market Access and Trade Compliance Center](#)
- [Foreign Tariff, Tax and Customs Information](#)
- [NAFTA Customs](#)
- [International Trade Administration](#)
- [Simplified Network Application Process](#)
- [U.S. Trade Laws & Regulations](#)

Fuel Prices





Contact Us

If you have information you would like to see included in this and future issues, please contact Cathy Candia at cathy.candia@data2logistics.com or 609.683.3934.

