

New Meaning to March Madness

This month we have seen a series of game changing events including: earthquakes, tsunamis, nuclear accidents and, the uprise of turmoil in the Middle East. This being said, the supply chain environment has also had a significant degree of surprises this month.

YRC may be facing new troubles as the Teamsters Multi Employee Pension is seeking a higher interest rate on pension obligations. Under YRC's credit agreements this would represent a milestone failure as the company continues to try to pull away from their financial crisis reorganization. This comes as YRC dropped from first to second place in the ranking of the nation's largest LTL carrier based on market share. In addition, its Holland unit indicated that it would hire 1000 drivers this year.

Rising fuel prices and winter storms slowed operations at FedEx Corp. They reported fiscal third-quarter net income slipped 3% to \$231 million, or 73 cents a share, from \$239 million, or 76 cents, a year earlier. Excluding certain items, FedEx said its profit was 81 cents a share, while operating income fell 6% to \$393 million.

Compared to last year's operating loss of \$12 million, FedEx Freight, their less-than-truckload unit, reported an operating loss of \$110 million as a result of yield management initiatives and severe winter weather. FedEx Freight rose to first place in market share. Its FedEx Express unit's operating income fell 33% to \$178 million, while revenue rose 11% to almost \$6.05 billion. Average daily package volume rose 5% overall and 2% domestically.

We saw the U.S. economy add 192,000 jobs in February, including 11,200 in trucking, the largest monthly gain for the industry since 1995, the Department of Labor reported. Bob Costello, chief economist of American Trucking Associations, said the February report had "the largest month-to-month gain since May 2010."

The Department of Energy (DOE) reported diesel rose for the 15th straight week, increasing 3.7 cents to a national average of \$3.908 a gallon, while gasoline gained almost 5 cents. The DOE reported gasoline rose 4.7 cents to \$3.567 a gallon, its 14th increase in 15 weeks. With continued fears of disruption in the Middle East, we see diesel at its highest since September 29, 2008 with costs 98.4 cents higher than the same week a year ago, while gas is 77.9 cents more expensive than the same week last year. The potential for continued fuel increases continues to be high.

With an increase in Truckload demand, don't be surprised to find these carriers becoming more selective in the business they take rather than rushing out to buy more trucks. ACT Research predicts that demand will grow by 5.2% in 2011 and 5.6% in 2012. It is anticipated that driver pay will rise as a result of The Federal Motor Carrier Safety Administration and HOS and onboard electronic recorder initiatives. Carriers will look to increase profits with increased FSC and designating practical vs. shortest mileages for their rate scale.

Surprisingly Schneider National indicated that they did not think the restart provision in the HOS legislation would have a significant negative impact on their driver productivity. This is in stark contrast to what many other carriers have stated. Those opposing the measure believe the FMCSA requirement that each 34 hour restart period include two periods from midnight to 6AM will reduce productivity. That results in 52 off duty hours or four more hours than were required in the pre-2003 HOS rules. Proponents say the new HOS rules are needed to give drivers more rest.

FMCSA has extended the comment period on its proposed onboard electronic recorder mandate to May 23rd. This came as The Truckload Carriers Association has voted to support the mandated use of "electronic logging devices" to ensure compliance with hours-of-service regulations. FMCSA will also require all Mexican trucks entering the United States to be equipped with electronic onboard recorders — and will pay for them, a Department of Transportation official said.