

August/September 2013

A freight transportation
newsletter published by:
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CARRIER UPDATE

OHIO TRUCKING ASSOCIATION FILES BRIEF IN OHIO SUPREME COURT CASE

In June 2013, the Ohio Trucking Association filed an amicus curiae (“friend of the court”) brief in the pending Ohio Supreme Court case involving the Village of Seville and Panther II Transportation, Inc. In the appeal, Seville has urged the Court to allow municipalities to assess a net profits tax against motor carriers. In the past, carriers have relied on an Ohio statute that preempts municipalities from imposing local taxes against motor carriers. If Seville is successful, motor carriers would be subject to local income taxes in the 592 municipalities that impose the tax. We will keep you updated as the case continues.

US IMPORTERS RAMPING UP AHEAD OF HOLIDAYS

U.S. importers have been cautious this year, but they’re expected to get bolder in the coming months, causing inbound shipments at major U.S. retail ports to rise 1.7 percent year-over-year in August, according to the monthly Global Port Tracker. Import volume should continue to see gains through the holiday season and remainder of the year, ending with a 2.4 percent increase over 2012, according to the report published by the National Retail Federation and Hackett Associates.

HUB INTL. TO BE ACQUIRED IN \$4.4 BILLION DEAL

Hellman & Friedman LLC has agreed to buy Hub International Inc. in a transaction that values the insurance broker at about \$4.4 billion.

Funds managed by San Francisco-based Hellman & Friedman will own a majority stake, while management of Chicago-based Hub will maintain a “significant equity position,” the broker said.

Hub, which offers truck insurance among its services, is not affiliated with third-party logistics and intermodal firm Hub Group, also based near Chicago.

UPS OPENS LOGISTICS CENTERS IN CHINA

UPS Inc. has added two contract logistics locations in China, bringing the total in the country to 130, as the U.S. company increases global access to its services.

SWIFT EXPANDS SERVICE IN PURCHASE OF CENTRAL REFRIGERATION

Swift Transportation Co. said it acquired Central Refrigerated Service for \$225 million, a move that officials said will significantly expand Swift’s temperature-controlled truckload business.

Central – the fifth-largest refrigerated truckload carrier in the United States – generated \$504 million in revenue and \$50 million in earnings before interest, taxes, depreciation and amortization in the 12 months ended June 30. The company is based in West Valley City, Utah, and was majority owned by Swift CEO Jerry Moyes.

TRUCKING JOBS

TRUCKING JOBS INCREASE BY 6,300; UNEMPLOYMENT RATE DIPS TO 7.4%

For-hire trucking added 6,300 jobs in July, while the U.S. unemployment rate fell to 7.4%, the lowest level since December 2008, the Department of Labor reported.

Labor's report said the increase in trucking industry jobs in July was preceded by a total decline of 4,300 jobs during May and June.

TRUCK DRIVERS MOST IN-DEMAND JOB IN OHIO

The most advertised occupation on the state's Ohio Means Jobs website over the last month was for heavy and tractor-trailer truck driver's with 8,264 postings, 31 percent more than the next-closest (registered nurses with 6,319).

Specifically Columbus, which has long been a transportation hub of sorts for its situation along interstates 70 and 71 and its drivable access to about half the U.S. population.

Indeed, a number of people in Columbus Business First's 20 to Know in Logistics feature cited a worker shortage as one of the industry's major challenges.

During the recession, transportation companies fell hard, and people are slow to come back to a demanding field.

The current rate of pay per year is about \$60,000 to \$65,000.

PRICE TRENDS

TRUCKING

LTL truckers of general freight report the largest monthly price cuts, down 1.1% in the most recent survey and down 0.4% in the previous month. At the same time, truckload prices fell 0.2% and 0.8%.

AIR

U.S. airlines flying cargo in the belly of their scheduled planes report prices at a virtual standstill in April and May. Looking at year-over-year data, we see their prices slowed to a 2.2% growth rate. Decreases in airfreight traffic have contributed to a course correction.

OCEAN

Waterborne freight prices descended 2.1% from year-ago and drifted down 1% from month-ago, according to recent surveys of U.S.-owned barges and coastal tank vessels. Barge accidents and floods interfered with river operations in April and May. As a result, vessel operators' negotiation leverage for enforcing price hikes likely suffered.

RAIL

With rail freight traffic increasing about 3% from April to May, it's no surprise that, at the same time, the latest surveys indicate carload rail prices increased 2.3% and intermodal tags chugged up 1.1%.

GENERAL INFORMATION ARTICLES

TOP 10 U.S. AND CANADIAN LTL CARRIERS 2011-2012 REVENUES, INCLUDING FUEL SURCHARGES



RANK	CARRIER NAME	2011 REVENUE, (IN MILLIONS)
1	FEDEX FREIGHT	\$4,710
2	CON-WAY FREIGHT	\$3,197
3	YRC FREIGHT	\$3,183
4	UPS FREIGHT	\$2,299
5	OLD DOMINION FREIGHT LINE	\$1,732
6	ABF FREIGHT SYSTEMS	\$1,681
7	ESTES EXPRESS LINES	\$1,636
8	R&L CARRIERS	\$1,207
9	SAIA MOTOR FREIGHT LINE	\$1,030
10	HOLLAND	\$877

FMCSA ISSUES MAP-21 GUIDANCE FOR BROKERS AND FREIGHT FORWARDERS

On September 5, 2013, FMCSA published guidance for carriers, brokers, and freight forwarders on the implementation of MAP-21. The guidance, effective October 1, 2013, addresses FMCSA's timing and enforcement of the increase of the bond for brokers and freight forwarders from \$10,000 to \$75,000. Highlights include:

- Effective October 1, 2013, all brokers and freight forwarders must file new BMC-84 or BMC-85 forms with a \$75,000 surety bond or trust fund agreement.
- FMCSA will not accept group surety bonds or trust funds.
- FMCSA has a 60-day phase-in period beginning October 1, 2013, of the new minimum financial responsibility requirements. Beginning November 1, 2013, FMCSA will mail notifications to all brokers and freight forwarders that have not met the new requirements. FMCSA will provide 30 days advance notice before revoking authority.
- Motor carriers that broker loads, even occasionally, are required by MAP-21 to hold both motor carriers and broker authority.
- The civil penalty for knowingly engaging in interstate brokerage or freight forwarding operations without authority range up to \$10,000.

The Notice can be viewed in full at <http://federalregister.gov/a2013-21539>.

HAS THE SLOW-PACED RECOVERY HELPED RATHER THAN HURT TRUCKING?

Trucking companies, along with consumer demand for the goods they transport, are still miles short of a full recovery from the 2008-09 recession. In the second quarter, the 10 largest publicly owned truckload carriers increased revenue less than 1 percent year-over-year to slightly more than \$3.4 billion in combined sales.

LTL did markedly better, with the 10 largest public LTL companies boosting sales 5.3 percent to a combined \$6.1 billion in the second quarter.

However, the LTL sector is still catching up with truckload operators. In 2012, the 25 largest U.S. and Canadian LTL carriers were about \$870 million short of the \$29.7 billion in combined revenue they enjoyed in 2008, according to SJ Consulting Group.

Changing retail shipping patterns mean more imports and freight demand in the spring and a muted fall peak, according to analysts and carrier representatives.

Shippers with sharp memories will recall the truck capacity crunch and pricing increases of 2004 and 2005, when annual GDP increased 3.8 and 3.4 percent, according to the U.S. Bureau of Economic Analysis. Since 2009, by comparison, GDP has grown at an average pace of 2.2 percent, the BEA says.

“We see shippers moving more into the 3PL space and into brokerage,” Shelley Simpson, president of the Integrated Capacity Solutions division of J.B. Hunt Transport Services, said at the NASSTRAC Shippers Conference in April. “I haven’t met a shipper yet who hasn’t told me their costs need to be reduced, and I haven’t met a transportation provider who hasn’t told me their costs are going up.”

Even so, those shippers eventually would hit walls and face higher transportation costs, unless they find other ways to mitigate those increases. “When we talk about costs going up for carriers and budgets being cut for shippers, we have to do things differently,” Simpson said. “We have to think about optimization, we have to look inside the supply chain, and we have to look at transportation from a more strategic view, versus bidding on an annual basis.”

YOUR CARGO MIGHT BE A THEFT RISK IF...

In 2012, U.S. cargo thefts rose to 947 – the highest number on record, according to logistics security firm Freightwatch International Group. If you’re shipping at-risk commodities through vulnerable geographic areas, or leaving cargo in locations thieves commonly target, take extra precautions.

DANGER ZONES – Be extra careful if your cargo is moving through the cities or regions most often hit by thieves. The highest risk North American areas are Toronto, New York, Los Angeles, Atlanta, Miami, and anywhere along the Mexican border.

AMERICA’S MOST WANTED – Are you shipping the type of goods thieves find irresistible? The top five commodities for U.S. cargo theft (% of total thefts in 2012) were food/beverage 23%, electronics 15%, base metals 15%, plastics/rubber 8%, and apparel/accessories 8%.

LOCATION, LOCATION, LOCATION – Nearly 85% of U.S. cargo stolen is from stationary, unattended containers. High theft-risk areas include: (theft activity by location, 2012) lot 24%, yard 15%, truck stop 14%, facility 7%, street 3%, and warehouse 2%.

NEW FEDERAL HOURS OF SERVICE RULES FOR TRUCKERS MEAN LESS FLEXIBILITY FOR SHIPPERS AND MORE VULNERABLE SUPPLY CHAINS

Changes to the 34-hour restart, which must include two consecutive 1 a.m.-to-5 a.m. periods, and the mandatory break after eight straight hours of work are now the law of the land.

The penalties for not doing so are steep – up to \$11,000 per offense for motor carriers and \$2,750 for truck drivers.

HOS TIMELINE

- 1935:** Motor Carrier Act of 1935 calls for truck driver hours of service regulations.
- 1938:** First HOS rules released, allowing for 12-hour workday.
- 1939:** Interstate Commerce Commission sets 10-hour daily driving limit.
- 1980:** Motor Carrier Act of 1980 deregulates trucking.
- 1995:** Congress orders Department of Transportation to rework HOS rules.
- 2000:** Clinton administration proposes 12-hour daily driving limit.
- 2003:** Bush administration proposed 11-hour driving limit, 14-hour day.
- 2005:** DOT publishes second version of 11/14 hour HOS rule. Lawsuits resume.
- 2007:** Federal court overturns the 2005 HOS rule. DOT keeps 11/14 hours.
- 2011:** Fourth final HOS rule in a decade keeps 11/14 hours, changes restart.
- 2013:** The new restart, mandatory break provisions take effect July 1.

WCA is committed to improvement for our entire industry. That's why **WCA** works with our clients to determine the best solutions to reduce cost and improve supply chain management. Our business is to make your business better. If you would like additional information on how we might assist your company, please contact us at www.wcalogistics.com or phone us at 937-653-6382, our assessments are always FREE! For rate quotes e-mail: dispatch@wcalogistics.com.

