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Truck Driver Shortage Creates Bumpy Road in Logistics

Posted by Odyssey Logistics & Technology on Fri, Jan 20, 2012 @ 03:31 PM

You would think with a rising demand for freight that the truck driving industry has no worries. However, a shortage of truck drivers presents a good news-bad news scenario for transportation and logistics management.

Wages and Benefits

With projections for a shortage approaching 300,000 by the end of the year, trucking companies are pulling out all the stops. Many are offering higher wages and benefits, such as student loans for trucking schools, which drivers repay by working for the company after graduation. The added incentives create increased competition, making it even more difficult for trucking companies to hire and retain drivers.

Contributing Factors

The downturn in the economy was certainly one of the contributing factors to the shortage. The recent release of the final Hours of Service (HOS) regulations that reduces work hours has industry experts speculating on the impact to freight management.

Additionally, the Federal Motor Carrier Safety Administration's (FMCSA) Comprehensive Safety Analysis (CSA) 2010 program requires individual safety records of truck drivers to become more visible. While both the HOS and CSA 2010 are a good step for safety, they are bound to affect the number of available drivers.

Industry Experts

The increase in demand appears to be a positive sign; however, the number of available truck drivers is not keeping pace. Analyst, Jeff Kauffman of Sterne, Agee & Leach has said, "The truck driver population is growing at less than 1 percent a year. Freight's growing at closer to 4 percent."

Shippers are looking for alternative solutions, such as using railways for cargo previously slotted for trucks.

Bob Messemer, Director, Package Freight Motor Truck Procrement, for Odyssey Logistics & Technology had the following observation.

"As the logistics market continues to be complicated by both capacity issues and driver shortages, it's vital that companies leverage a network that offers multiple carrier and mode operations to ensure materials and goods make it to their final destination in the most efficient and cost-effective manner."

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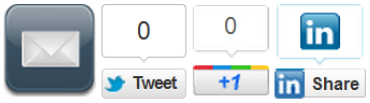
Tags: HOS regulations

Truck Driver Regulations Not as Tough As Proposed

Posted by Odyssey Logistics & Technology on Fri, Jan 06, 2012 @ 12:37 PM



The new truck driver Hours of Service (HOS) regulations released by the U.S. Department of Transportation's Federal Motor Carrier Safety Administration (FMCSA) are tougher. However, the good news for logistics management is the final rule was not as bad as predicted.

The new rule addresses concerns over truck driver fatigue. The American Trucking Associations feared what it considers an inaccurate perception of highway safety and trucking accidents would produce overly restrictive regulations.

The final rule did not contain a 10-hour limit on drivers as some proposed. HOS retained the current 11-hour limit.

The following are key provisions of the regulations.

34-hour restarts - requires two rest periods between 1:00 a.m. and 5:00 a.m. and drivers are allowed to use the restart provision only once during a seven-day period

Rest breaks - requires a 30-minute rest after 8 hours of consecutive driving

Work week - the rule reduces a drivers' maximum work week from 82 hours to 70 hours

The final rule defined "egregious" HOS violations as:

- Drivers exceeding the daily 11-hour limit by three or more hours - possible $11,000 fine per offense
- Drivers face possible civil penalties up to $2,750 per offense

The logistics industry has time for adjustment to the new rule. The effective date for compliance by commercial truck drivers and companies is July 1, 2013. Time will tell if there will be any legal challenges to the HOS rule.

FMCSA has a summary of changes compared to the current rule with a download option in pdf format.

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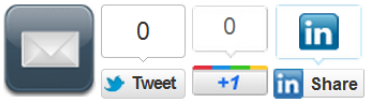
Tags: truck driver regulations, HOS regulations

When Shipping Overcapacity Has Different Stories

Posted by Odyssey Logistics & Technology on Tue, Dec 20, 2011 @ 03:16 PM



Ask the customers who just had their cargo rolled off a ship about overcapacity. Odds are you will hear a very different story from the one the steamship lines report.

Overcapacity is the talk of the shipping world, especially in the China to Europe trade lanes. Too many ships and not enough demand tumbled freight rates to lows not seen since the Great Recession in 2009. That's according to a recent article in the Journal of Commerce.

If that's the case, why are shippers rolling cargo? In part, it is due to a buying binge that most of the steamship lines went on in the last three or four years. The new vessels have large capacity - in the 8,000 to 10,000 TEU (twenty-foot equivalent units), meaning the vessels can hold 10,000 to 20,000 containers.

Unfortunately, for the shipping companies, the unfavorable market conditions with rates at very low levels and high fuel costs resulted in huge losses in 2011. An article at Supply Chain Digital reports that the overall profit for A.P. Moller-Maersk, the world's largest container shipping company, fell 82 percent.

The large ships had a lack of freight-paying containers. As a result, many of the shipping companies "laid up" the ships and took their oldest ships out of service. The companies also formed agreements to swap slots in vessel sharing agreements. So, what you have is one ship arriving at the New York seaport, loaded with cargo from five steamship lines instead of five ships arriving with its own company's cargo.

In the end, getting cargo booked to certain ports is difficult, especially with cargo considered "low value" with lower freight rates. Shippers load higher paying cargo and leave the low value cargo on the pier, rolling it to the next vessel – not a very happy ending to the story.

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Tags: Logistics, Shipping, overcapacity

Rail Traffic Report Shows Growth

Posted by Odyssey Logistics & Technology on Mon, Nov 21, 2011 @ 09:54 AM

A recently released report from the Association of American Railroads (AAR) showed growth in rail traffic when comparing October 2011 with the prior year. In fact, October 2011 showed the highest weekly average in two categories.

- The highest carload average since October 2008
- The highest intermodal average since October 2006

Carload traffic was up 1.7 percent from the prior year and intermodal (trailers and containers) was up 3.6 percent. Historically, October has higher intermodal transport due to increased stocking for the holidays.

For 2011 through October, carload increased 1.8 percent and intermodal traffic was up 5.3 percent over 2010 traffic for the same period.

October Gains

AAR reports several industrial commodities, such as chemicals, steel and petroleum products had increased rail carloads in October. Of the 20 carload commodities, 12 saw increases with the following categories showing the largest gains.

- Petroleum/petroleum products up 5018 carloads (19.4 percent)
- Motor vehicles and parts up 6,177 carloads (11.1 percent)
- Coal up 6,124 carloads (1.1 percent)

The rail report follows an expression of cautious optimism by the three largest U.S. railroads (Union Pacific, Norfolk Southern and CSX) in a recent Bloomberg article.

Detailed data and charts are available in the AAR's Rail Time Indicators, a monthly report that provides a snapshot of rail traffic data as it relates to various U.S. economic indicators.

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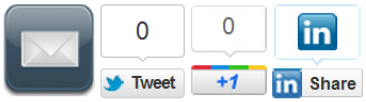
Tags: Rail Traffic

Importers and Exporters Have Hopeful Expectation With New Legislation

Posted by Odyssey Logistics & Technology on Mon, Nov 21, 2011 @ 09:42 AM



Congress recently approved critical legislation –

- The renewal of the Generalized System of Preferences (GSP)
- The renewal of Andean Trade Preferences Act (ATPA)
- New free trade agreements

Importers and exporters have great interest in the recently passed legislation.

Approved Legislation

The GSP and ATPA programs expired on December 31, 2010. Congress reinstated both programs, retroactive to January 1, 2011 and February 12, 2011, respectively. Both programs extend though July 31, 2013.

The renewal of the GSP program makes many imported items duty free if imported from a designated developing country. GSP treatment on imported items from the Philippines, India, Thailand, Turkey and many others have helped USA importers compete in the global marketplace. The ATPA renewal offers the duty-free treatment to a broader array of imported items from Andean-region countries.

The free trade agreements include US-South Korea, US-Panama, and US-Colombia. It is likely the agreements will not go into effect until January 2012.

Further Review

Like any new legislation, importers and exporters need to thoroughly review the provisions and keep tabs on any changes.

- With the GSP renewal retroactive to January 1, 2011, will importers receive refunds on any duties paid in 2011?
- With the GSP renewal retroactive to January 1, 2011, will importers receive refunds on any duties paid in 2011?
- Will the new GSP list add items to the duty free list for the next few years as well as disqualify others?
- How will Customs & Border Protection implement the new GSP?How will Customs & Border Protection implement the new GSP?

What's an importer or exporter to do?

Primarily, US companies need to be patient, as it will take some time for Customs & Border Protection, Commerce and other affected government agencies to make the mandated changes. Moreover, the affected overseas parties will be defining their own version of the agreements.

It looks like the first quarter of 2012 will be an interesting time for importers and exporters with all these changes. One thing is clear; the benefit to the bottom line could be substantial.

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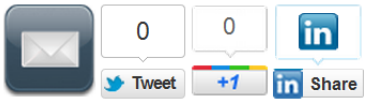
Tags: Exporters, GSP, Renewal

Logistics Surveys Reveal Industry Trends

Posted by Odyssey Logistics & Technology on Mon, Nov 21, 2011 @ 08:57 AM



As the year winds down to its final quarter, two 2011 logistics surveys offer a look back on the industry and identify emerging trends.

The Surveys

3PL Study: The recently released 2012 Third-Party Logistics Study: The State of Logistics Outsourcing, by Capgemini, Penn State, Panalpina and Heidrick & Struggles provides an in-depth look at the tactical side of logistics.

The findings revealed that of the over 4,500 respondents (logistics executives, shippers and 3PLs), most (64 percent) are using more 3PL-based services. However, the study also shows several respondents (59 percent) consolidated or reduced the number of 3PL partners.

The top five services respondents collaborated on include international transportation (78 percent), domestic transportation (71 percent), warehousing (62 percent), freight forwarding (57 percent), and customs brokerage (48 percent).

Capacity: Grubb & Ellis' survey, Logistics: Market Trends United States First Half 2011 provides an overview of the U.S. industry.

The report identifies major challenges affecting logistics, including high gas prices, Japan's earthquake and tsunami, the potential default of large European economies and the debt issues of the U.S. economy.

In a plus for the logistics real estate market, the report revealed the U.S. market had 32.7 million square feet absorbed - a level not reached since 2007. However, less than 7 million square feet of new logistics building is under construction with a vacancy of only 270,000 square feet, putting a strain on supply.

While the national decrease in vacancy rates is a positive for the real estate market, regional differences do exist that are not as favorable.

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Tags: Logistics, Logistics survey, Industry trends