Peerless MEDIA, LLC

logisticsmgmt.com

# Logistics Management®

April 2014



## Harry & David's sweet global solution

Page 24

Jeff Brady, director of transportation and logistics, Harry & David

30th Annual SALARY SURVEY

Page 28

# LM management UPDATE

AN EXECUTIVE SUMMARY OF INDUSTRY NEWS

◆ **LTL's rising rates.** Some publicly traded less-than-truckload (LTL) carriers have rolled out general rate increases (GRI) for non-contractual freight that took effect at the end of March. The carriers announcing GRIs as of press time included UPS Freight at 5.4 percent, ABF Freight System at 5.4 percent, and FedEx Freight at 3.9 percent. Many LTL executives have told *Logistics Management* that they view the current rate environment as "rational," especially when compared to 2009-2010, when carriers were doing whatever they could to hold onto business while sacrificing price for volume to keep freight moving in their costly fixed network operations. Industry analysts have frequently stated that LTL GRIs typically affect 20 percent to 40 percent of LTL business.

◆ **Another big player emerges in freight brokerage.** Two 3PLs with a keen focus on brokerage—Chicago-based Coyote Logistics and Chattanooga-based Asset America Transport (AAT)—announced that they have inked a definitive merger agreement. Coyote and AAT officials said that when this merger agreement is completed, the combined company, which will be operated under the Coyote Logistics brand, will have a run rate revenue of more than $2 billion, 17 locations in North America, roughly 40,000 contracted carriers, and about 1,750 employees. While neither Coyote nor AAT necessarily needed to make this transaction to continue growing, Coyote Chief Strategy Officer Chris Pickett said that when looking at each company's business, along with scale and density, there were many complementary service lines when the companies were viewed collectively.

◆ **UPS says "ja" to German expansion.** In a move that further establishes its position in European logistics, UPS announced a $200 million expansion of its European air hub facilities at Cologne/Bonn Airport in Germany. The expansion, which took two years to construct, represents one of the parcel giant's largest facility investments in the company's history. "With this upgrade, we now have the equivalent of 15 football fields of sorting space for a growing export economy on the move," said Cindy Miller, president of UPS Europe. "All of this ensures that the UPS Cologne/Bonn air hub remains the centerpiece of the company's European express network, a key component of UPS global air operations, and one of the largest and most advanced sorting facilities in the world." The operating area now measures more than 1,130,000 square feet. The addition of eight automated sorters increases the hub's package sorting capacity by 70 percent to 190,000 packages per hour—or around 53 packages per second.

◆ **Amber Road goes public.** Cloud-based global trade management technology provider Amber Road (formerly known as Management Dynamics) announced pricing of its initial public offering (IPO) of 7,391,565 shares of its common stock at $13 per share. Amber Road's Founder and CEO Jim Preuninger said that going public has been part of the company's plan for a number of years. "We're really excited about the global trade management space," he noted. "It's a huge market opportunity, and we have invested a lot of time and energy to put ourselves into a position to be a leader in a market that is growing and exciting." Looking ahead, Preuninger said that the primary focus for Amber Road as a company is to continue to serve its customers and to present itself to new prospects, adding that GTM is a good market for the company right now.

◆ **Railroad investment continue to impress.** The capital expenditure outlay that freight railroads make on their networks continues to grow every year. The Association of American Railroads (AAR) said in March that U.S. freight railroads estimate they will dole out about $26 billion in 2015 to build, maintain, and upgrade their nationwide rail network, infrastructure, IT systems, and equipment. Going back to 1980, the AAR said that freight railroads have put about $550 million into their rail networks, with about $115 billion of that being spent just in the last five years. Other items this money goes toward, said the AAR, are bridge and tunnel upgrades as well as new tracks and facilities. The AAR said that these investments are made to meet the demands of a growing economy and to meet increasing domestic energy and intermodal demand.

◆ **Materials handling industry poised for growth.** At its State of the Industry press conference held at Modex last month, MHI announced

*Continued, page 2*

# LM management UPDATE

AN EXECUTIVE SUMMARY OF INDUSTRY NEWS

that growth will continue in the materials handling industry in 2014 and 2015. "We anticipate growth in the range of 7 percent to 8 percent in 2014, and from 9 percent to 10 percent in 2015," said George Prest, CEO of MHI. Prest tempered his comments by noting that some downside risk remains for the first half of 2014, due to global economic and political uncertainty, as well as tentative U.S. consumer and investor confidence. Prest added that the materials handling sector has had a solid run as an industry overall for the past four years. Although it's now on the decelerating side of growth in its cycle, he added that "the market has been very strong, and the economic indicators continue to be positive for the industry."

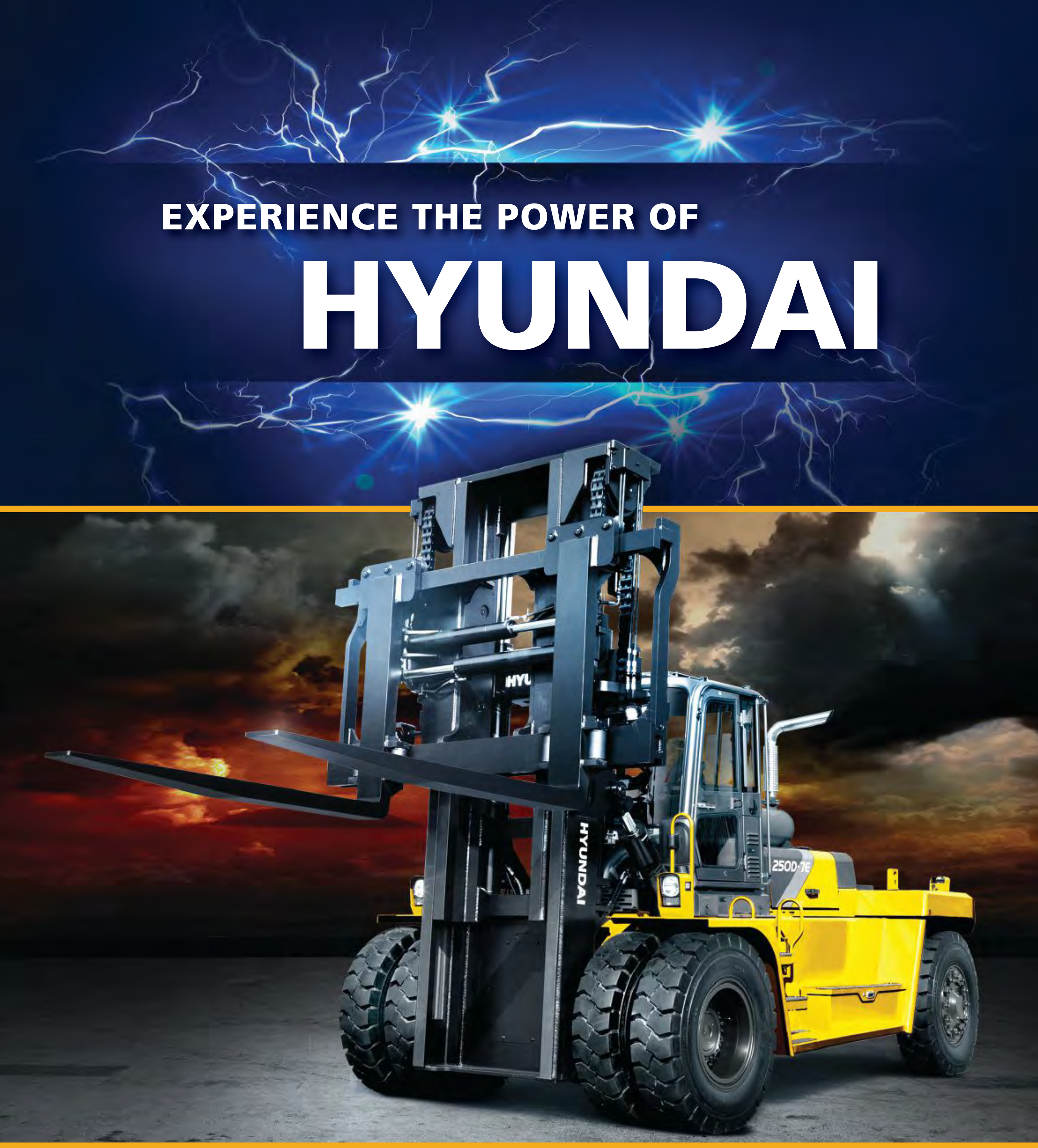
◆ **UPS to roll out propane-fueled delivery truck fleet.** Continuing its focus on sustainability and fuel efficiency, UPS announced this week that it intends to make a $70 million investment to purchase 1,000 propane package delivery trucks and install fueling stations at 50 of its locations. Company officials said that this propane package delivery fleet will replace gasoline- and diesel-fueled vehicles primarily used in rural parts of Louisiana and Oklahoma. UPS added that these vehicles can travel up to 200 miles on a single tank of propane and that operations will kick off by the middle of this year and be completed in early 2015.

◆ **Menlo's EU expansion.** With nearly 30 percent of Northern Europe's annual container imports and exports passing through the Port of Rotterdam, the region is unsurprisingly a major focal point for manufacturers and retailers in European supply chain operations. Menlo Worldwide Logistics, the global logistics and supply chain management unit of Con-way Inc., is now looking to develop its business at the 8,500 square meter facility based in the region. According to Tony Gunn, Menlo's managing director in Europe, 57 percent of all Asian and American sourced products have a European Distribution Center located in the Netherlands. "And a significant proportion of these are in the Rotterdam region," he said. "Part of the reason for this high concentration is the flexibility that the location allows dynamic supply chains."

◆ **Procurement prioritization.** Logistics managers charged with procurement are expanding their priorities for 2014, according to the *2014 Procurement Key Issues* report recently issued by The Hackett Group, Inc. The report says that these managers are now moving beyond a historic emphasis on reducing purchase costs and putting more focus on expanding and deepening the scope of spend influence as well as supporting supplier-led product innovation. The research also reveals a major change in procurement's priorities from last year, when cost reduction/avoidance was their top concern. For 2014, the highest-ranked issue is expanding the scope of procurement's spend influence, with over three quarters of the executives placing this as their first priority. Tapping into supplier innovation is the second-highest priority and the key focus for 69 percent of the companies in the study.

◆ **Driver turnover rate heads down, but still a major concern.** The American Trucking Associations (ATA) reported that the turnover rate at large truckload carriers for the fourth quarter of 2013 came in at 91 percent, marking a 6 percent decrease from the third quarter and the second straight quarter that the rate dropped. The ATA added that for calendar year 2013, driver turnover averaged 96 percent, which was slightly below 2012's 98 percent and well below the all-time high of 2005's 130 percent. "We saw turnover at fleets with at least $30 million in annual revenue bottom out near 50 percent at the depths of the Great Recession and have increased steadily since," said Bob Costello, chief economist at the ATA. "The rate appears to have flattened out at an elevated level for the moment. However, it could easily increase as tightness in the labor pool should continue, and even worsen, as the economy improves."

◆ **Global green growth.** BSR's Clean Cargo Working Group (CCWG), the global business-to-business initiative made up of leading ocean cargo carriers and shippers, has announced developments in the "greening" of its commercial fleets. Last month the group welcomed a handful of new companies into its global membership, including: Hewlett-Packard (HP); Unifeeder, one of the largest European feeder carriers; and, three of the leading carriers in the world, including China Shipping Container Lines, Evergreen Marine Corporation, and Mediterranean Shipping Company (MSC). The carrier membership of CCWG now represents over 85 percent of worldwide ocean container capacity. ☐


EXPERIENCE THE POWER OF
HYUNDAI
HYUNDAI
250D-7E


PROTECTOR of CLAIMS-FREE SHIPPING
The LTL experts at Saia understand that exceeding our customers' expectations isn't possible without the right people on the job. That's why our team members use their knowledge and experience – backed by proprietary tools and technology – to find new and better ways to serve today's shippers. In fact, by equipping our Load Quality Inspectors with purpose-built handheld devices, we've achieved one of the industry's best claims-free ratios. So it's not just about touting the latest gadgets. It's about empowering our people to keep innovating – because in an industry that never stops moving, that makes all the difference.
SAIA
LTL Freight
1-800-765-7242 / www.saia.com

April 2014 logisticsmgmt.com

LM
Logistics Management

VOL. 53, NO.4

# CONTENTS



Robin Loznak/Getty Images

**Salary survey** 28

**Air cargo** 34


**Yard Management Systems** 38

**Logistics Management**® (ISSN 1540-3890) is published monthly by Peerless Media, LLC, a Division of EH Publishing, Inc., 111 Speen St, Suite 200, Framingham, MA 01701. Annual subscription rates for non-qualified subscribers: USA $119, Canada $159, Other International $249. Single copies are available for $20.00. Send all subscription inquiries to *Logistics Management*, 111 Speen Street, Suite 200, Framingham, MA 01701 USA. Periodicals postage paid at Framingham, MA and additional mailing offices. **POSTMASTER: Send address changes to: Logistics Management, PO Box 1496 Framingham MA 01701-1496**. 


We do more for...
shippers
receivers
truck drivers
industries
our community
worldwide commerce
you.
PORT OF WILMINGTON
We do more for you.
From the minute you make the first phone call to the time your cargo arrives at its destination, everyone at the North Carolina State Ports Authority is devoted to exceeding your expectations. Need your cargo sorted? Handled to your specifications? Kept at a certain temperature? Custom solutions are no problem here. Not only do we go above and beyond for our customers, we also provide modern conveniences like interactive real-time inventory. For you, that means quality, efficiency, and – ultimately – greater value.
Discover the North Carolina Ports in Wilmington and Morehead City, plus inland terminals in Charlotte and Greensboro.
NORTH CAROLINA PORTS
www.ncports.com
1-800-334-0682

# LM DEPARTMENTS+ONLINE

WWW.LOGISTICSMGMT.COM



## TOP 50 TRUCKING COMPANIES:

### Anticipating needs; exceeding expectations

Common denominators of our 2014 Top 50 include strong leadership, a growing list of diversified service offerings, and the desire to partner with their shipper customers—all essential characteristics for continued success in the new era of tightened capacity.

**Page 46S**

## NOW ON DEMAND
## 2014 Warehouse/DC Equipment & Technology Survey
## WEBCAST

### Maxed Out: Are we still doing *more* with *less*?

Have we stepped up investment in equipment and technology inside the nation's warehouse and distribution center (DC) operations?

Our panel takes a deep look at the findings of our annual *Warehouse/DC Equipment and Technology Survey* and finds a growing interest in automation and software as workforce issues now factor heavily into every investment decision.

Join Group Editorial Director Michael Levans and Editor-at-Large Josh Bond as they conduct a conversation to put deeper context around the findings of this important annual study. Attendees will learn:

- Current activity levels inside U.S. warehouse and DC operations;
- Spending plans for equipment;
- Current and future investment levels for software and automation; and
- The state of visibility across U.S. supply chains.

**Go to: logisticsmgmt.com/2014WDCequipment**

MODEX 2014

GEORGIA WORLD CONGRESS CENTER

ATLANTA | MARCH 17-20

www.MODEXShow.com

SHOW WRAP-UP

### Modex 2014 in Review

With more than 800 exhibits, 150 show floor seminars, and 10 co-located education partners, Modex 2014 showcased the "best of the best" in supply chain, transportation, and logistics information and technology.

**Page 56S**

▲ **George Prest, CEO of MHI; John Paxton, president of MHI; and Laurent Noel, VP of transportation and logistics for Reed Expositions, at the event's opening.**


LET THERE BE WORK.
LET THERE BE BLUE COLLARS AND STEEL TOES. LET SWEAT-SOAKED BROWS AND BACKBREAKING FORTITUDE BE THE FUEL THAT PUTS FOOD ON OUR TABLES, ROOFS OVER OUR HEADS, AND FRESHMEN IN COLLEGE. MAY OUR WORKING DAYS FOREVER END DRAINED, BUT ACCOMPLISHED. AND MAY WE GREET EACH DAY WORTHY FOR THE WORK AHEAD.
Wrangler
WORKWEAR™
WORTHY of WORK
WRANGLER WORKWEAR is a trademark of Wrangler Apparel Corp. and is used under license.
WranglerWorkwear.com

**EDITORIAL STAFF**
**Michael A. Levans**
Group Editorial Director
**Francis J. Quinn**
Editorial Advisor
**Patrick Burnson**
Executive Editor
**Sarah E. Petrie**
Managing Editor
**Jeff Berman**
Group News Editor
**John Kerr**
Contributing Editor, Global Logistics
**Bridget McCrea**
Contributing Editor, Technology
**Maida Napolitano**
Contributing Editor, Warehousing & DC
**John D. Schulz**
Contributing Editor, Transportation

**Mike Roach**
Creative Director
**Wendy DelCampo**
Art Director

**COLUMNISTS**
**Derik Andreoli**
Oil + Fuel
**Elizabeth Baatz**
Price Trends
**Mark Pearson**
Excellence
**Peter Moore**
Pricing

**PEERLESS MEDIA, LLC**
**Brian Ceraolo**
President and Group Publisher
**Kenneth Moyes**
President and CEO
EH Publishing, Inc.

**EDITORIAL OFFICE**
111 Speen Street, Suite 200
Framingham, MA 01701-2000
Phone: 1-800-375-8015

**MAGAZINE SUBSCRIPTIONS**
Start, renew or update your magazine subscription at www.logisticsmgmt.com/subscribe.
Contact customer service at:
**Web:** www.logisticsmgmt.com/subscribe
**Email:** lmsubs@ehpub.com
**Phone:** 1-800-598-6067
**Mail:** Peerless Media
P.O. Box 1496
Framingham, MA 01701

**ENEWSLETTER SUBSCRIPTIONS**
Sign up or manage your *FREE* eNewsletter subscriptions at www.logisticsmgmt.com/enewsletters.

**REPRINTS**
For reprints and licensing please contact Tom Wilbur at Wright's Media, 877-652-5295 ext. 138 or twilbur@wrightsmedia.com.

Peerless MEDIA, LLC

# Salary Survey: Take the holistic approach

As it has been for the past 29 years, the April issue of *Logistics Management* (*LM*) once again delivers our *Annual Salary Survey*, a research project conducted by Peerless Research Group (PRG) that is the fuel for our best read feature (page 28) and the foundation of the most downloaded survey report that we produce.

I need to thank the more than 1,000 qualified *LM* readers who took the time to complete the e-mail survey in February. Considering that 77 percent of our respondents told us that the number of functional roles they fill has increased, the fact that such a large sample was willing to take the time to respond validates the importance they place on this project.

In terms of the results, Executive Editor Patrick Burnson and PRG's Research Director Judd Aschenbrand offer logistics and supply chain management professionals some uplifting news about overall salary movement. They also use the 2014 data—coupled with insight from some top supply chain recruiters—to offer salient advice to young logistics professionals looking to grow their careers.

The 2014 report has the current median salary ringing in at $94,000, a surprising $9,000 bump over 2013. "The median is regarded by statisticians as the most reliable benchmark," says Aschenbrand. "A jump of this level across this sample size bodes well for salary growth overall."

To further support this, the team found 60 percent of respondents reporting a year-to-date salary increase between 3 percent and 6 percent, while 92 percent tell us they are "somewhat to very satisfied" with their role in the company and their careers.

And if you think that salary is the leading indicator of satisfaction, think again. The "feeling of accomplishment" (63 percent) and "relationship with colleagues" (52 percent) rank higher than salary when asked about the factors that have the greatest impact on job satisfaction.

"Younger professionals should take note of these numbers," says Burnson. "Veteran logistics professionals are telling us that a healthy 'life balance' and a 'feeling of accomplishment' is achievable if this is what they seek from a career long term."

However, for those young professionals looking to kick-start their logistics career with a solid starting salary, Aschenbrand says that it's best to aim for a big company first. "A quick glance at the 'salary by revenue' shows us that companies generating $2.5 billion or more pay a median salary of $115,000, a signal that these organizations are more likely to make a fast-track offer to lure in the younger talent."

Getting your foot in the door at a big number is a good first step, but in order to stick around, today's young professionals are going to need to take a "holistic" approach to their continued logistics and supply chain education.

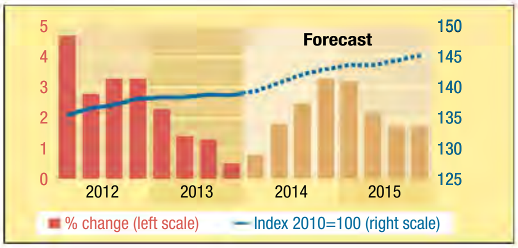
According to Burnson, *Fortune* 500 companies are now looking for young logistics professionals who have taken classes in marketing and finance, grasp the ramifications of technology, and are willing to learn not only the basics of transportation management, but understand the inner-workings of assembly, manufacturing, warehousing, and distribution.

"Young logistics professionals need a general education going into a position and be willing to continue to learn once they're there," says Burnson. "There's cross-over in all of the supply chain disciplines, and we don't see that going away."

**Michael A. Levans,** Group Editorial Director
*Comments?* E-mail me at
mlevans@peerlessmedia.com

# price**TRENDS**

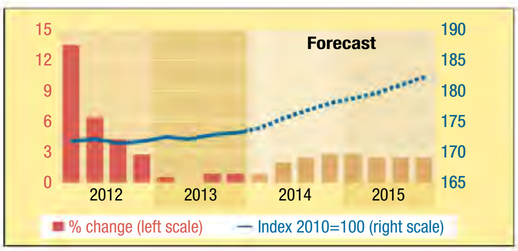
***Pricing across the transportation modes***




| % CHANGE VS.: | 1 month ago | 6 mos. ago | 1 yr. ago |
|---|---|---|---|
| General freight - local | 0.0 | 0.0 | 0.0 |
| TL | 0.6 | -0.3 | 0.1 |
| LTL | 0.6 | 1.4 | 2.6 |
| Tanker & other specialized freight | 0.1 | 0.5 | 0.5 |

## TRUCKING

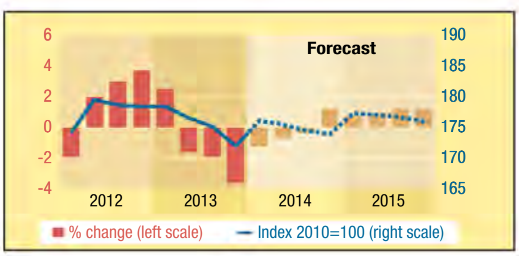
**After seeing prices stagnate** in the second half of 2013, trucking companies are now reporting definite firming in their transaction prices. LTL carriers led the way, as usual, by increasing their prices in February, up 0.62% from month-ago and up 2.6% from same-month-year-ago levels. TL price tags, however, increased only 0.56% and 0.1% over the same time period. We expect all trucking prices to pick up speed in March with a 0.7% price hike. For the rest of this year, trucking inflation will likely continue to move at a predictable and rather glacial pace. Our trucking industry forecast calls for average annual prices to increase 2.1% in 2014 and 2.2% in 2015.




| % CHANGE VS.: | 1 month ago | 6 mos. ago | 1 yr. ago |
|---|---|---|---|
| Air freight on scheduled flights | -0.1 | 0.2 | 0.4 |
| Air freight on chartered flights | -2.9 | 14.7 | 7.9 |
| Domestic air courier | 0.9 | 5.5 | 4.5 |
| International air courier | 0.6 | 5.9 | 5.0 |

## AIR

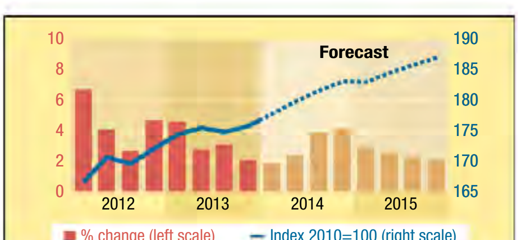
**The year has started with U.S.-owned airliners** reporting only minor price changes for airfreight service on scheduled flights. Airfreight charter companies, however, now say their prices in January increased 15.8% (not 23.3% as originally reported) and declined 2.9% in February. For the entire year, the International Air Transport Association predicts global cargo demand will increase 4%, up from their original 2.1% forecast. Improved demand could provide the lift airliners need to win price hikes in the months ahead. But until we see several more monthly surveys, we'll continue to forecast average prices for cargo service on scheduled flights to increase 2% in this year and 2.5% next year.




| % CHANGE VS.: | 1 month ago | 6 mos. ago | 1 yr. ago |
|---|---|---|---|
| Deep sea freight | 7.3 | 5.6 | 5.1 |
| Coastal & intercoastal freight | 2.7 | -6.2 | -5.8 |
| Great Lakes - St. Lawrence Seaway | 0.7 | 0.2 | -12.8 |
| Inland water freight | 1.5 | 0.4 | -5.5 |

## WATER

**U.S.-owned companies that haul** oil and cargo over water have been floating on choppy economic currents. According to the latest surveys, transaction prices sank from year-ago levels for these three routes: Great Lakes/St. Lawrence Seaway, down 12.8%; inland waterways (excluding towing), down 9.8%; and coastal and intercoastal (excluding towing), down 5.8%. Only deep-sea freight transportation providers reported any inflation, with their prices increasing 7.3% from month-ago and 5.1% from same-month-year-ago. We still predict water transport tags to fall 0.3% in 2014. But as global capacity forecasts have been raised, we now forecast U.S. prices to increase only 1% in 2015.




| % CHANGE VS.: | 1 month ago | 6 mos. ago | 1 yr. ago |
|---|---|---|---|
| Rail freight | 0.3 | 1.6 | 1.8 |
| Intermodal | 0.1 | 1.6 | 2.1 |
| Carload | 0.3 | 1.6 | 1.8 |

## RAIL

**No need for any changes** in the rail freight transportation industry's price outlook as the trend continues to chug along on its inexorable upward track. After sharper than expected monthly price hikes of 1.4% for intermodal rail service and 0.7% for carload, things seemed to have settled down in February as transaction prices increased only 0.1% and 0.3%, respectively. No doubt, increasing demand for rail services from North American shippers moving crude oil has helped bolster the rail industry's case for higher prices. Our forecast for all rail transportation service continues to show prices up 3.1% in 2014 followed by another 2.5% annual price hike in 2014.

# NEWS analysis

*Also:*


- House T&I Committee endorses EU decision to halt aviation emissions tax, Page 14
- Port Tracker report says spring is in the air, Page 15
- Proposed DOT FY 2015 budget draws mixed reactions from industry stakeholders, Page 16
- FMC signs off on P3 Network Vessel Sharing Agreement, Page 17


# ATA, shippers applaud FMCSA proposal for ELDs in trucks

*Representatives of nearly 1 million owner-operators hold concern over costs, privacy, and how the data could be used against drivers.*

By John D. Schulz, Contributing Editor

WASHINGTON, D.C.—Large trucking companies and shippers are welcoming a government proposal that requires electronic logging devices (ELDs) in heavy trucks as a way to bolster trucking safety.

However, representatives of nearly 1 million owner-operators say that they have concerns over costs, privacy, how the data will be stored, and whether it could be used to harass drivers.

The March 13 proposal by the Federal Motor Carrier Safety Administration (FMCSA) is expected to cost the industry $1.6 billion. However, the mandated use of ELDs in commercial trucks is being hailed by the administration as a potential improvement for highway safety.

Trucking-related crash fatalities are on the rise, despite a decades-long crackdown on unsafe drivers through greater use of accident data, mandatory drug and alcohol testing, and other measures. In 2012, the last full year for government statistics on the issue, 3,921 people died in trucking accidents—a 3.7 percent rise from the 3,781 fatalities in 2011. That was the third straight year of increases in trucking-related fatalities.

"ATA supports FMCSA's efforts to mandate these devices in commercial vehicles as a way to improve safety and compliance in the trucking industry and to level the playing field. Thousands of fleets have already voluntarily moved to this technology," said Bill Graves, president and CEO of the American Trucking Associations (ATA).

ATA Chairman Phil Byrd, president of Bulldog Hiway Express, added: "It's past time to replace pencil and paper with 21st century technology."

Shippers also seemed pleased with the new rule. Jeff Brady, director of transportation and logistics for Harry & David, a multi-channel specialty retailer and producer of branded premium gift-quality fruit and gifts, said that while this was another layer of regulation for the trucking industry, it was a worthwhile tradeoff because of its potential for greater highway safety.

"By working to implement ELDs across the industry, I expect to see the government's assumptions of reduced costs associated to paperwork and improved accuracy being largely true," said Brady.

Still, there could be economic trade-offs. The mandated use of ELDs could reduce the effective number of miles a driver could log, further tightening trucking industry capacity at a time of limited truck driver supply, rising pay, and higher overall costs for fleets.

"In the interest of public safety, I support these efforts as it will reduce subpar carriers from the industry, which is a good thing," Brady explained. "However, it adds to further shrinkage within the industry in terms of available capacity. It also adds expense, as carriers will look to recoup the costs associated with the acquiring and implementing of the technology."

Brady describes the proposal as a classic trade-off of "safety versus costs" that may have unintended consequences in driver supply and productivity for fleets. "This is another example of where the industry will be further regulated—for seemingly the right reasons," Brady added. "However, the true economic impact of the ripple effect is not well thought out."

The FMCSA estimates that the mandate will prevent between 1,400 and 1,700 crashes and save more than 20 lives per year. That would lead to a net benefit to the country of $394.8 million annually, according to the FMCSA.

The Owner-Operator Independent Driver Association (OOIDA) has long opposed electronic logging devices on privacy grounds—and likely will be counted on for a court challenge on this latest proposal. FMCSA will have a 60-day comment period on the proposal before issuing the final rule.

Tilden Curl, an OOIDA member and independent driver from Olympia, Wash., told an FMCSA "listening session" at a recent event that highway safety cannot be enhanced without fundamentally addressing the root problems in the industry. According to Curl, those would include driver and "regulatory fatigue," and a system that he says is "penalty driven, rather than reward driven."

OOIDA's concerns over ELDs are that the data collected may not be private and could be used by carrier dispatchers into harassing drivers or forcing them to operate while fatigued. However, FMCSA has said that ELDs would not go beyond recording actual hours-of-service compliance and could not be utilized to harass drivers. ☐

AIR CARGO

# House T&I Committee endorses EU decision to halt aviation emissions tax

WASHINGTON, D.C.—The House Transportation and Infrastructure (T&I) Committee breathed a collective sigh of relief last month, following the European Union's (EU) reported agreement to reverse its plan to impose a carbon tax on non-EU carriers operating long haul flights in and out of Europe.

In February 2012, the *Wall Street Journal* reported that a group of 29 nations, including the U.S., Russia, China, and India, called on the EU to reject its emissions trading scheme (ETS), explaining that they had agreed to adopt a "basket of measures" that permit each nation to choose the actions it finds most effective to counter the ETS.

The EU ETS was created in 2005. According to the EU, the ETS places a cap on the total amount of certain greenhouse gases that can be emitted by the factories, power plants, and other installations in the system. Within this cap, companies receive emission allowances, which they can sell to or buy from one another as needed.

This was originally scheduled to take effect for the airline industry on January 1, 2012. The EU maintains that under the ETS at the end of each year a company must either surrender the allowances needed to cover their actual emissions or pay steep fines.

The *Wall Street Journal* report also noted that the ETS has met strong resistance and raised fears of a trade war, with opponents saying that it exceeds its legal authority by imposing emissions charges for flights outside the EU.

U.S. opposition to the ETS has been clear for some time. "Aviation is a global industry, and we are pleased that the EU now appears to be focused on working with the international community rather than unilaterally imposing an emissions tax on other nations' air carriers," said T&I Committee Chairman Bill Shuster (R-PA).

In November, the House T&I's Committee's Aviation Subcommittee penned a letter to Department of Transportation Secretary Anthony Foxx, calling on Foxx to protect U.S. aircraft operators from unfairly being subjected to the ETS while a global plan to reduce emissions is being developed.

That agreement was outlined in the letter to Foxx, which the subcommittee said was achieved at the International Civil Aviation Organization (ICAO) meeting in October 2013. This plan is based on the ICAO General Assembly agreeing to develop a global-

based mechanism between now and 2016 to reduce aviation emissions, which if agreed to, would take effect in 2020.

The lawmakers added in the letter that they maintain that the EU's amendment to the ETS "violates the spirit of the ICAO agreement, as it would unilaterally be applied to portions of U.S. flights to and from the EU."

Brandon Fried, executive director of the Washington, D.C.-based Airforwarders Association, told *Logistics Management* that the recent change of heart from the EU regarding its plans to not include a carbon tax for flights in and out of Europe is welcomed news.

"The Airforwarders Association views the European Union's decision to reverse its plans as a positive development not only for passengers, but cargo shippers as well," said Fried. "The rescinded scheme would have increased costs for our airline partners, ultimately raising rates for customers without any significant impact on reversing the climate change problem. A more preferable solution should include all nations together in arriving at a single policy to address this significant issue."

*—Jeff Berman, Group News Editor*

**OCEAN FREIGHT**

# *Port Tracker* report says spring is in the air

NEW YORK CITY—Despite one of the harshest winters in years, spring is coming sooner than later, and that was reflected in the most recent edition of the *Port Tracker* report from the National Retail Federation (NRF) and maritime consultancy Hackett Associates.

Coming off of February, which is typically the slowest month of the year, the report expects March to be much better, with retailers starting to stock up for spring and summer.

"Retailers are bouncing back from the annual post-holiday slowdown and getting ready for the surge in activity that comes each year as the weather warms up," said Jonathan Gold, NRF vice president for supply chain and customs policy. "Shelves are going to be well-stocked with everything from bathing suits to barbecues. Congestion has been a problem for many ports during this slowdown, so operations will need to improve to handle the expected surge in the coming months."

Gold added that various issues, including severe winter weather and shortages of labor and equipment, have slowed cargo movement at some ports. The report said that March is expected to see a 12.4 percent gain, due to the expected increase in imports on behalf of retailers gearing up for the coming months.

In January, the most recent month for which data is available, surveyed retail ports handled 1.36 million twenty-foot equivalent units (TEU), which increased 5.3 percent over December and was up 4.1 percent annually.

Total 2013 volume for these ports came in at 16.2 million TEU, which was up 2.3 percent compared to 2012. February 2014 is expected to be down 8.8 percent at 1.17 million TEU, and March is expected to see the aforementioned 12.4 percent gain at 1.28 million TEU.

Hackett Associates founder Ben Hackett said that even though the report has some encouraging themes regarding volume increases in the coming months, there are issues that stir concern, including a high inventory-to-sales ratio that signals slow retail sales and low consumption; declining exports out of China; and lower inflation rates that can potentially lead to deflation and prices dropping in conjunction with lower consumption.

On the positive side, fourth quarter GDP of 2.4 percent, while lower than its previous estimate of 3.2 percent, is still solid growth, especially when compared to Europe's low growth levels, according to Hackett. Another positive for U.S. growth, he said, is that the unemployment rate is below 7 percent.

"At the end of the day, it all depends on consumption," Hackett said in the report. "We cannot escape the basic tenant of economics that demand determines growth or weakness. Somehow, the average consumer needs to be given the economic confidence to go out and spend. Without that, the economy will remain weak and no amount of tinkering by the Federal Reserve will have much of an impact."

*—Jeff Berman, Group News Editor*

INFRASTRUCTURE

## Proposed DOT FY 2015 budget draws mixed reactions from industry stakeholders

WASHINGTON, D.C.—Myriad components of President Barack Obama's recent call for increased transportation infrastructure investments were included in the White House's Fiscal Year 2015 budget that was released in March.

The requested $90.9 billion for the U.S. Department of Transportation was soundly endorsed by DOT Secretary Anthony Foxx, who said that the funds will lay a new foundation for economic growth and competitiveness by addressing the nation's growing infrastructure deficit, making investments into the national infrastructure network, and increasing safety and efficiency.

"President Obama has offered the kind of aggressive transportation budget our country needs—one that replenishes the Highway Trust Fund [HTF] today while also helping ensure the country has a safe, efficient transportation system for tomorrow," said Secretary Foxx.

Among the infrastructure-related aspects of the transportation budget proposal is a 4-year, $302 billion transportation re-authorization bill that would be paid for by using $150 billion in one-time transition revenue from pro-growth business tax reform "to address the funding crisis facing our surface transportation programs and increase infrastructure investment."

According to Secretary Foxx, this amount is sufficient to not only fill the current funding gap in the HTF, but increase surface transportation investment over current projected levels by nearly $90 billion over the next four years.

DOT said that the $302 billion tally includes: $199 billion to rebuild U.S. roads and bridges; $72 billion to meet transit demand; $8 million to support and Interagency Infrastructure Permitting Center to expedite federal approval and permitting processes across government; and $63 billion to fill the funding gap in the HTF to meet the nation's short-term highway, bridge, and transit needs.

Also included is $10 billion for a new freight program to augment U.S. exports and trade in the form of a multimodal freight grant program in partnership with state and local officials.

Leslie Blakey, executive director of the Washington, D.C.-based Coalition for America's Gateways and Corridors, said

that the White House is on the right track with this budget, especially the $10 billion for the multimodal freight grant program.

"It's in line with what we have been asking for in the past," Blakey said. "And the fact that Congress has been increasingly recognizing that things like this are really critical to fund, coupled with the Administration taking the lead and setting funding goals and thinking about it in a different way is evidence of good collaboration."

But not all concerns are sold on the proposal. The American Association of Port Authorities (AAPA) has mixed feelings, explaining that while increased infrastructure funding is on the table, funding for the Corps of Engineers' modernization and maintenance programs was decreased and the EPA's Diesel Emissions Reduction Act grant program was eliminated.

AAPA also expressed disappointment that the budget does not include the Port Security Grant Program, which the White House wants to replace with a National Preparedness Grant Program managed by states.

The American Trucking Associations (ATA) blasted the White House plan, saying that it doesn't recognize the realities of freight and passenger transportation and lacks any type of long-term stability for transportation funding.

ATA Chairman Phil Byrd explained that finding a long-term, sustainable way to improve U.S. roads and bridges is a top priority for the ATA.

"Using the proceeds from corporate tax reform, while creative, does little to address the long-term solvency of the HTF or to uphold the principle of users paying for the services they get—in this case, the federal fuel tax, which has not been adjusted in more than two decades to account for inflation and improvements in vehicle fuel efficiency," added Byrd.

*—Jeff Berman, Group News Editor*

---

OCEAN FREIGHT

## FMC signs off on P3 Network Vessel Sharing Agreement

WASHINGTON, D.C.—The P3 Network Vessel Sharing Agreement was given the green light by the Federal Maritime Commission (FMC) in late March.

The network's objective is to give ocean carrier heavyweights Maersk, MSC, and CMA CGM the ability to discuss and agree on the size, number, and operational characteristics of vessels to be operated on transatlantic and transpacific trade lanes between the U.S. and Asia, Northern Europe, and the Mediterranean.

According to Drewry Maritime Research, competitors of the P3 alliance will introduce only moderate capacity growth in its forthcoming schedules between Asia/Europe and Asia/North America, but its new services are a stark reminder of the awesome size of Maersk/MSC/CMA CGM's combined resources.

FMC officials said that its decision was based on a determination that the P3 Network Vessel Sharing Agreement is unlikely to produce an unreasonable increase in transportation cost or an unreasonable reduction in transportation service under section 6 of the Shipping Act.

"The Commission's action on the P3 agreement takes into account the comprehensive, competitive analysis conducted by FMC staff and comments received from shippers and other stakeholders," said FMC Chairman Mario Cordero. "While the agreement is expected to produce operational efficiencies to the benefit of the U.S. consumer, the new reporting requirements specifically tailored to this agreement's unique authority will ensure we have timely and relevant information to act quickly should it be necessary."

While the FMC did sign off on P3, FMC Commissioner Richard Lidinsky voiced his opposition, saying that, in the case of P3, it is not an alliance or a true vessel sharing agreement, but instead a merger of the top three global liner companies.

"This agreement will allow the controlling carrier the ability, when coupled with existing discussion agreements, to deploy its assets along with those of the other two carriers to dominate vessel competition and narrow shipper options at U.S. ports."

Ben Hackett, founder of maritime consultancy Hackett Associates, said that though P3 received FMC approval, it still needs agreement from the Chinese and the EU, noting it does not look like it will begin until at least the summer.

*—Jeff Berman, Group News Editor*

# Newsroom Notes
## with Jeff Berman

**Jeff Berman** is Group News Editor for the Supply Chain Group publications. If you want to contact Jeff with a news tip or idea, please send an e-mail to jberman@peerlessmedia.com.

# State of U.S. manufacturing inspires varied opinions

I RECENTLY CAME ACROSS a *New York Times* article with the following headline: "The Myth of Industrial Rebound." The subhead read: "Don't buy the hype about a manufacturing revival. It is not enough to restore the U.S. economy."

Given what we cover at *Logistics Management*, it was hard not to take notice of this article. Could this really be true? If so, it would widely dispel the many data points that are currently pointing toward the strength of manufacturing in the U.S. and how it's currently serving as an economic driver. Sure, it may not be the force that pulls all engines, but it's certainly something to see for what it is—an economic catalyst.

When you consider the mostly positive monthly manufacturing reports from the Institute for Supply Management (ISM) as well as the decent volume numbers for many industrial commodities being hauled on the rails provided by the Association of American Railroads, it made me very curious to see what the *New York Times* saw that we didn't.

The article points out that there are certainly manufacturing success stories, with some companies bringing back manufacturing operations to the U.S. However, its author, Steven Rattner, a former Wall Street executive who also served as President Obama's lead auto adviser, maintains that the hype about any type of domestic manufacturing revival is overblown.

He writes: "The so-called renaissance…has in reality been a trickle of jobs, often dependent on huge public subsidies. Most important, in order to compete with China and other low-wage countries, these jobs offer less in health care, pension, and benefits than industrial workers historically received."

Rattner went on to say that dispiriting wage trends in manufacturing are a central reason for the slow economic recovery—because without sustained income growth consumers can't spend.

According to Brad Holcomb, CPSM, CPSD, chair of the ISM Manufacturing Business Survey Committee, and lead author of the ISM's monthly *Manufacturing Report on Business*, this assessment of U.S. manufacturing is one man's opinion.

"It is not supported by my data," notes Holcomb. "What we can see and might agree on is that manufacturing is just 11 percent to 12 percent of GDP. So, in that regard, it does not account for all of the U.S. economy. We should look at manufacturing and services combined and remember that trends require many months of collective data, with manufacturing regarded as a bellwether for the U.S. economy, and rightfully so."

Josh Green, CEO of Panjiva, an online search engine with detailed information on global suppliers and manufacturers, says that while excitement about the possible resurgence of U.S. manufacturing is a good thing, there is still a massive wage differential between the U.S. and other countries around the world.

"In one way, it's a fantastic thing for American workers as their wages are, relatively speaking, higher. But what it means for manufacturing is that there is a relatively small slice of manufacturing that makes sense for it to be relocated to the U.S."

**"Manufacturing is doing quite well while representing less than one-fifth of our country's economic output. Can it raise all tides and get the country back on its economic feet all by itself? Probably not, but it's a good thing to have on the side of the U.S. economy.**

To the extent that manufacturing does come back, Green said that it's not going to be a cure-all for our jobs problem because it's not going to be as massive as it once was.

According to Green, what could make more economic sense is technology-intensive manufacturing rather than labor-intensive manufacturing—although that comes with the caveat that not a high percentage of jobs will be created.

When it comes to manufacturing's staying power and subsequent job growth, it's fair to say there are—and will likely always be—differing opinions.

With that said, manufacturing is doing quite well while representing less than one-fifth of our country's economic output. Can it raise all tides and get the country back on its economic feet all by itself? Probably not, but it's a good thing to have on the side of the U.S. economy. □

# Moore on **Pricing**

**Peter Moore** is Adjunct Professor of Supply Chain at the University of Denver Daniels School of Business, Program Faculty at the Center for Executive Education at the University of Tennessee, and Adjunct Professor at the University of South Carolina Beaufort. Peter writes from his home in Hilton Head Island, S.C., and can be reached at peter.moore@du.edu.

## Six developments changing the jet stream for air cargo

I ASKED A PILOT FRIEND OF MINE if the large change in the upper level jet stream that we've been experiencing on the ground as unusual weather is having an impact on flight times and costs. While he said that the real impact has been on airport operations, he pointed out that there are significant changes in the "business jet stream" that will have an impact on both carriers and shippers.

Air shippers take note because these six developments are expected to affect both cost and service.

**1.** *In the short-term, more global air cargo capacity will be absorbed by a steady improvement in economies of trading countries.* The semiconductor industry, that serves as a bellwether for air cargo, is reporting that sales grew for nine consecutive months through November 2013.

And with that news, airfreight growth jumped up this January compared to January 2013, according to the International Air Transport Association (IATA). They further report that global freight ton-kilometers rose 4.5 percent year over year in January of 2014, representing a significant improvement over the 1.4 percent full-year growth reported for 2013 over 2012. As reported in *LM*, there is modest upward pressure on rates in 2014—and all current data support continued upward pressure.

**2.** *As offset from the first trend, capacity is still growing and load capacity utilization is still in the 45 percent range* in some key markets such as the European Union, according to IATA. This will enable air shippers to continue to shop for competitive pricing for some time.

**3.** *An abundance of natural gas—convertible to jet fuel—and successful testing of biofuels will continue to keep pressure on oil-based fuel companies.* Despite oil industry efforts to slow their development in aviation, such as the U.S. Congress inhibiting alternative fuel development by the Air Force, biofuel for jet aircraft has passed numerous tests and is being introduced by several international airline companies.

**4.** *Despite high levels of concern for productivity and the threat of the U.S. Air Cargo Advance Screening (ACAS) regulations, security procedures have not yet inhibited commerce.* This is not to say that security processes and regulations will not affect airfreight in the coming years, but the controls will continue to become routine and an accepted part of everyday operations.

**5.** *The drones are coming.* Numerous articles have appeared about pilotless aircraft for military use. Recently, a flight test of a drone fighter/bomber was announced, and the technology for a plane to fly itself is very well established and is working in many aircraft today.

While the thought of pilotless passenger aircraft gives everyone pause, the idea of a cargo jet completing a flight on its own is more acceptable. This notion will take time for approval, however the decision is more a matter of politics than technology.

**"Advances in robotics and 3D printing will certainly continue to reduce the need for rapid transport over long distances of small, valuable merchandise.**

**6.** *Domestic manufacturing is coming back.* In fact, the U.S. Federal Reserve said in its year-end report for 2013 that all 12 of its districts had steady growth in manufacturing. The changing technology and global political climate—not to mention the weather—are causing disruptions and forcing companies to consider more domestic sourcing.

Advances in robotics and 3D printing will certainly continue to reduce the need for rapid transport over long distances of small, valuable merchandise. And as countries realize that they could be more self-sufficient and conserve their higher paying jobs, they will incentivize companies to stay local.

The industry is watching world politics and trade negotiations closely, as we should. And as these events make manufacturers nervous, they may hesitate in multinational expansion. "Protectionist measures are part of the reason for a slower expansion of world trade than we would expect from current levels of industrial production," says Tony Tyler, IATA's director general and CEO. "Companies continue to reorganize supply chains in their efforts to move manufacturing on-shore."

These are just some of the trends up in the jet stream that shippers and carriers should be monitoring. As opportunities arise for innovation, we need to look for improvements in cost and service and deliver both. ☐

# Global Links

By Patrick Burnson

**Patrick Burnson** is Executive Editor of *Logistics Management.* If you want to contact Patrick with feedback or a story idea, please send an e-mail to pburnson@peerlessmedia.com.

# Tracking climate change: A new supply chain challenge

***A new study by Accenture and CDP shows companies are increasingly aware of climate risk in their supply chains. But spending on emissions reductions is going down.***

DOES REGULATORY UNCERTAINTY discourage corporate investment in sustainable supply chains? When it comes to addressing climate risk, a new study suggests that the answer is yes. According to recently published research by Accenture and the Carbon Disclosure Project (CDP), companies are increasingly recognizing climate risk in their supply chains. But investment in emissions reductions programs is down.

CDP is an international, not-for-profit organization providing a global system for companies and cities to measure, disclose, manage, and share vital environmental information. According to the report, *Collaborative Action on Climate Risk*, more companies than ever are reporting on their emissions reduction programs, and there are clear financial benefits from investments in sustainability measures. But there are also challenges to taking action.

"This report establishes that although companies recognize that climate and water risks are on the rise, a mixed regulatory regime is making decisive action difficult," says Paul Simpson, CDP's chief executive officer. "However, growing participation in our supply chain program and the positive reception to Action Exchange demonstrates that businesses want to leverage their relationships with their suppliers to realize opportunities and minimize climate and water-related risks. "

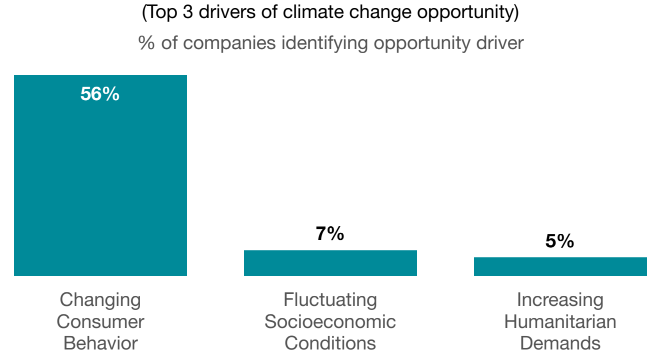
Simpson adds that when governments introduce "a more realistic" global price on carbon, supply chain managers may expect significantly more investment in emissions reductions from their corporations.

At present, however, average monetary savings from these efforts have fallen 44 percent in the past 12 months. The report points to an ever widening gap—highlighted last year—between measures taken by large corporations who are members of CDP's supply chain program and those by suppliers. The research is based on information from 2,868 companies, including some of the world's largest corporations. It reflects a rise in participation of more than a fifth since last year. These produced 14 percent of 2013's global industrial emissions.

The 64 CDP supply chain members behind the request represent a combined annual spending power of almost $1.15 trillion. Almost three quarters of companies identified a current or future risk related to climate change, according to the report, while 56 percent of companies said that consumers are becoming more receptive to low-carbon products and services.

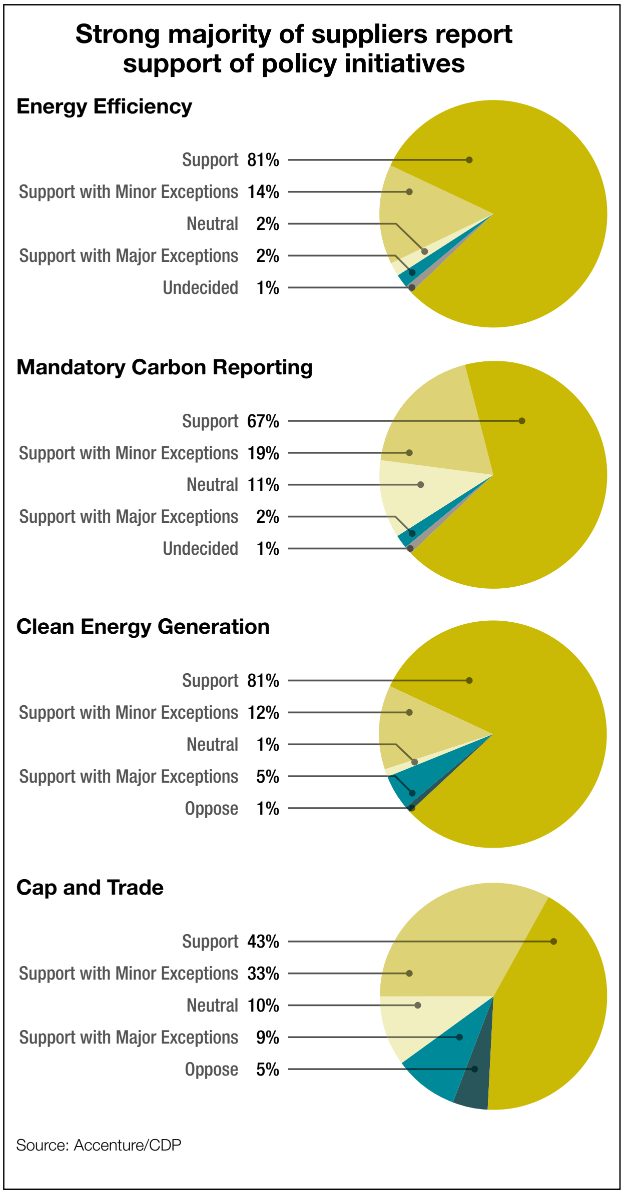
**Companies identify changing consumer behavior as the biggest opportunity from climate change**

(Top 3 drivers of climate change opportunity)




Source: Accenture/CDP

Regulatory uncertainty is making companies cautious about investing in emissions reductions and supply chain sustainability. Ninety percent of companies that identify a current or future risk cited regulatory risk as a barrier to investment. Investment in emissions reductions programs has declined in the past year and is shorter term in focus, according to respondents. Seven out of 10 sectors report investment falling from earlier years. Shorter pay-back initiatives (less than three years) are on the rise, with these almost doubling between 2011 and 2013. The average sum invested per reporting company has dropped 22 percent since last year.




To address policy uncertainty, the survey asked which policy programs would be most supported by businesses. Of the companies reporting engagement with policy makers, support was strongest for policies promoting energy efficiency and clean energy generation—supported by 81 percent of responses. Mandatory carbon reporting was supported by 67 percent, but cap and trade programs received the unqualified support of just 43 percent of responses.

The report reveals that the most important determinant of improved emissions reduction performance is collaboration across the supply chain. And, companies that engage with two or more suppliers, customers, or other partners are more than twice as likely to see a financial return from their emissions reduction investments and to reduce emissions.

Analysis by CDP and Accenture shows that companies are often misdirecting their emissions reduction efforts with investments that are not closely correlated with proven emissions or monetary savings. Suppliers and member companies are at odds: Suppliers identified process emission reduction and product design as the most promising collaborative approaches; member companies, on the other hand, favor behavioral change initiatives and transportation and fleet investments.

To address this, a new CDP supply chain initiative has been launched to incentivize suppliers: Action Exchange2 will drive targeted action on the most cost effective emissions reductions. Companies that have already joined the initiative and are asking their suppliers to participate include Bank of America, L'Oreal, Philips, and Wal-Mart, with significant returns anticipated.

Questioned for the first time by CDP on water risk, suppliers recognize the need for a broader view of supply chain sustainability, with linkages made between water and carbon emissions. More than half the companies cite water scarcity as the greatest water-related concern.

"This report provides clear evidence that those who are most transparent about their climate change risks are more likely to achieve the greatest emissions reductions," says Gary Hanifan, Accenture's global sustainability lead for supply chain. "And they are also more likely to enjoy monetary savings as a result of their responses to climate change risks. Hanifan notes, however, that the return on investment by the most "proactive companies" will not reach its full potential unless those companies can encourage their suppliers to follow their lead.

The good news in the interim is that a "control tower" approach to supply chain sustainability may be an option.

Hanifan told *Logistics Management* that this could give companies greater visibility into their supply chain as an outcome of the digital technology revolution that is transforming businesses today as analytical advances convert supply chain data into information. □

# Harry & David's sweet global solution

**Leveraging an existing carrier relationship, the specialty foods retailer instituted an end-to-end solution to transform its global logistics operations—and realized a 25 percent savings in inbound transportation costs in the process.**

BY **JOHN D. SCHULZ,** CONTRIBUTING EDITOR

The big challenge for a seasonal shipper is, well, that it's seasonal. For Harry & David, the iconic multi-channel specialty retailer of pears and other gourmet food offerings, those challenges are multifold.

The company not only deals with a highly perishable assortment, but it manages transportation and logistics from a headquarters tucked away in the Northwest where shipping options can occasionally be few, inconsistent, and expensive.

However, for a seasoned transportation and logistics executive, that's when it's time to draw on the benefit of a longstanding relationship. While some shippers view transportation services as merely a transactional commodity, others, like Jeff Brady, say that existing logistics services partnerships should open the door to more strategic opportunities.

"Relationships truly matter," says Brady, Harry & David's director of transportation and logistics.

The company is what Brady calls "a large-scale shipper," moving in excess of 7 million packages a year with FedEx, its preferred partner for domestic transportation. In fact, about 70 percent of its more than $50 million transportation spend a year goes to FedEx. "We're very ingrained strategically with them," he says.

Harry & David had no issues delivering its final product—notably its trademark pears—to homes and offices. However, the company's challenge was with obtaining baskets and other auxiliary products associated with that fruit. It had a piecemeal approach that blocked efficiencies and created additional expenses with inbound deliveries of baskets and other materials, much of it sourced in the Far East.

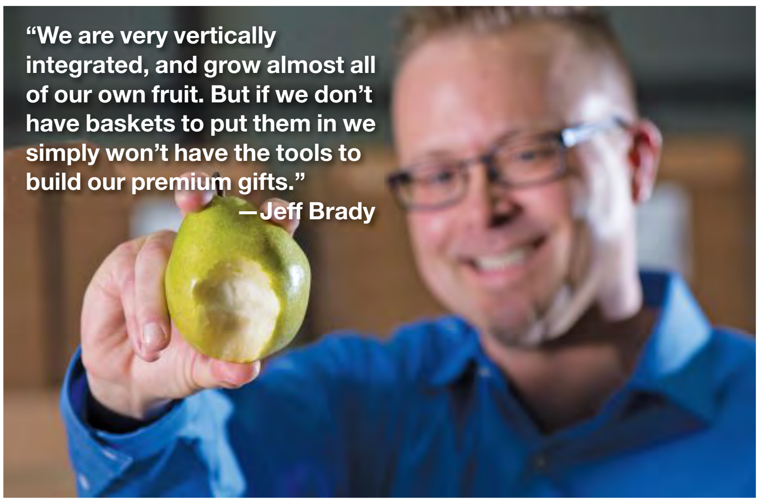
According to Brady, there was a scattered approach to domestic inbound freight through a network of ocean carriers. Once those ocean

Robin Loznak/Getty Images


**Jeff Brady, director of transportation and logistics, Harry & David**

containers reached the U.S., inbound deliveries to warehouses and distribution centers were often inefficient, using multiple truckloads with scores of different carriers. Vendors were not organized, often arranging deliveries on their own, with little strategic direction.

Brady decided it was time to better leverage its pre-existing relationship with FedEx. Through FedEx Trade Networks, the parcel giant's freight




forwarding arm, Harry & David gained efficiencies and better managed overseas vendors, resulting in improved operations and a 25 percent savings in overall inbound transportation spend. Here's how it happened.

### Opportunities arise

The 80-year-old Medford, Ore.-based premium fruit distributor is probably best known for its Royal Riviera pears, considered the Rolls Royce of the variety.

However, the company also distributes many other varieties of products, including the Cushman's Honey Bell brand of oranges, Wolferman's Gourmet baked goods, Harry & David wine, fruit baskets, and holiday gift towers. Harry & David has grown into a half-billion-dollar retailer, with a vast majority of its revenue captured in the fourth quarter in its current model.

But the Harry & David success story is not just about delivering to homes and offices, it's about how it found the right blend of services to create a flexible supply chain. While its fruit is grown largely domestically, some baskets and other components are sourced overseas, mainly in the Far East.

"We are very vertically integrated," Brady explains. "We grow almost all our own fruit, but if we don't have baskets to put them in we simply won't have the tools to build our premium gifts."

About a year ago, Brady and the supply chain team set out to solve the challenges in their global supply chain operations. "We knew we were very good at managing domestic, small parcel deliveries," he says. "However, we were not nearly as efficient in the overseas shipment arena."

The reason, says Brady, was simple: The company was not a frequent or high volume ocean customer, moving only several hundred containers a year from Asia; and, in turn, the lack of leverage with ocean carriers was hurting the cost metrics associated to Harry & David's total inland transportation costs.

Harry & David went to FedEx Trade Networks, the freight forwarding division of FedEx, in the spring of 2013 and inquired how they could better leverage their existing relationship.

"We asked them what they could do for us because we don't have a lot of volume on ocean containers and we're not going to be very meaningful to a steamship line," says Brady.

FedEx Trade Networks performed what Brady called "a deep dive" into Harry & David's overall supply chain, its traffic lanes, volumes, including a cost analysis, and suggested using its Global Order Logistics, its service for purchase order management that helps manage import container flows and enables the business partners to collaborate.

"From a business process perspective, that enabled us to have a tool so our purchasing team could track containers from port of origin [Asia] all the way through our internal business partners such as procurement," Brady explains.

With the Global Order Logistics system implemented, Harry & David immediately saw greater visibility for his transportation and logistics operation as well. But there was more: Harry and David's vendors began a more organized procurement process, and they were able to begin booking their shipments directly through Trade Networks.

"From an execution perspective, this has been very beneficial to our world in our various departments," says Brady. "FedEx now handles all of the various customs and import matters, and that gave us an end-to-end solution with visibility in to our partners and to ourselves. It even empowered vendors to book the loads themselves."

According to Brady, that helped Harry & David begin to start measuring compliance of its vendors—an important element that was missing in the past. Manual entry of vendor data gave way to automated input, which led to better management of those vendors. "It gave us more control around managing those vendors," Brady says. "It was a great win for purchasing as well as for the transportation and logistics department."

### The intermodal link

Harry & David utilizes two year-round DCs, one in Medford, Ore., and the other in Hebron, Ohio. To prepare for the holiday rush, it adds seasonal shipping facilities in Pennsylvania, Missouri, and California, and, this year added two additional DCs in other targeted geographic hot spots.

When those containers of baskets arrive via ocean, they largely enter through the port of Tacoma, Wash. In the new arrangement, FedEx Trade Networks helped Harry & David improve its distribution facilities for cross docking and transloading by further consolidating into both full container loads (FCL) and less-than-container loads (LCL), creating further efficiencies by allowing multiple shipments to be combined into full truckloads—and avoiding the more costly and inefficient less-than-truckload (LTL) moves.

Aside from utilizing more truckload freight, Brady and the logistics team introduced intermodal rail into its supply chain for a portion of its inbound domestic network from Tacoma to Hebron last summer. They looked to utilize two rail lines—BNSF and Union Pacific—with a couple of containers a week going to Ohio and a few additional going to Medford.

However, Brady says that he didn't have the time or desire to start negotiating rates with two different railroads. Again, being an infrequent small volume rail shipper, he felt that he didn't own the negotiating clout he needed to with the Class 1 railroads. "So we dovetailed that in with the FedEx relationship," he says. "This piece is now mission critical for us, but at end of day, it's such a small piece of the overall puzzle."

Brady says that he's "very happy" with the intermodal service and its lower cost, compared to long-haul trucking. "We got the benefit of cost, and we got bandwidth internally freed up to focus on those bigger pieces," he says "When you leverage a preexisting relationship, all that does is strengthen the relationship."

### Continuous improvement

Brady and Harry & David are just about a year into the transformation. Besides the greater efficiencies from its ocean carriage and inland transportation network, logistics and transportation operations are now benefiting from greater compliance from vendors and more efficient use of its own internal resources—thanks to greater efficiencies realized through its forwarder.

"I gave them the car keys because they can drive the car better than we can in this case," says Brady jokingly, adding that he still owns the car and manages how it's used. In fact, he meets at least quarterly with FedEx Trade Networks representatives to monitor issues large and small.

"That continuous improvement mentality ripples through our company and their entire organization," says Brady. "They know the opportunity and need for continuous improvement, and we will drive Harry & David to greater levels of growth and success due to that commitment on both sides."

Brady's goal through this process is to make the system more user friendly from a vendor perspective. He would like to establish better tracking and tracing and improve dwell times at transloading facilities. "I couldn't be happier where we are right now, but I want to squeeze that last bit of juice from the lemon."

Another further opportunity, says Brady, is to drive some additional costs out of its supply chain by single-sourcing LTL freight. Harry & David currently utilizes multiple LTL providers, spending about $1 million per year. On the truckload (TL) side, the company uses more than 30 carriers and spends upward of $10 million per year.

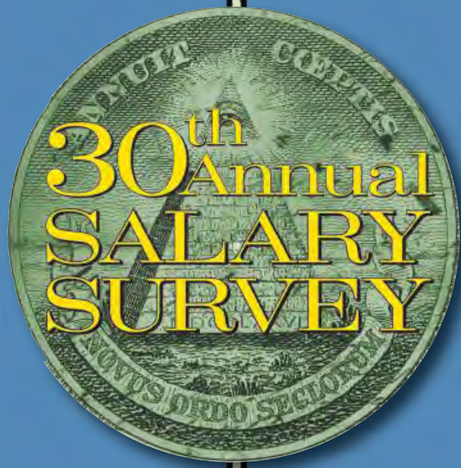
**Logistics and transportation operations are now benefiting from greater compliance from vendors and more efficient use of its own internal resources—thanks to greater efficiencies realized through its forwarder.**

"That's too many TL carriers," Brady admits. "I'd like to get that down to about a dozen."

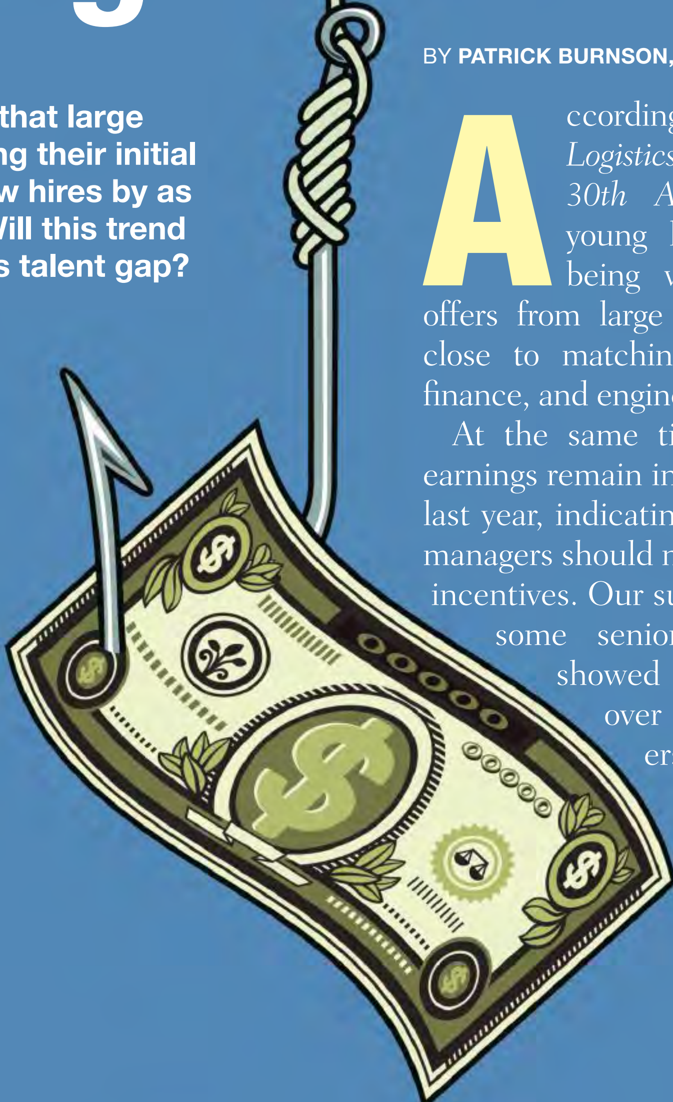
But because its major DC is in Medford, Ore., and needs both dry van and temperature-controlled capacity, right now those options are important. "You need to find that needle in the haystack sometimes," says Brady.

Harry & David also supplies fruit and gourmet gifts to its approximately 50 retail stores that are open year around. Another challenge is supplying finished goods to the more than 30 seasonal retail stores that open, mostly in malls, for the 60 days prior to the holidays. "That's another seasonal challenge," he says. "We also open up "pop-up's" and "kiosks" in malls and this basically doubles our retail footprint within 60 days."

The hyper-seasonality of Harry & David's business is at the very essence of its operations. "You have to partner with right kind of carrier mix that can support that seasonal complexity," Brady says. "I have to tell that partner what I need when it ramps up; what I need off peak; and what we will commit to in order to gain their commitment. We're very good about forecasting, we know what volumes we're going to ship, and we're transparent about what we're going to need, and when we're going to need it." ☐




# Reeling in the talent



BY **PATRICK BURNSON,** EXECUTIVE EDITOR

**Our 2014 survey finds that large companies are boosting their initial salary offerings for new hires by as much as 10 percent. Will this trend help close the logistics talent gap?**

According to the findings of *Logistics Management*'s (*LM*) *30th Annual Salary Survey*, young logistics managers are being wooed by competitive offers from large companies that come close to matching those of high-tech, finance, and engineering industries.

At the same time, however, median earnings remain in line with those posted last year, indicating that veteran logistics managers should not expect the same pay incentives. Our survey reveals that while some senior executive positions showed substantial increases over last year, older managers may have seen their salaries peak by age 54.

This year's report, conducted by Peerless Research Group (PRG), reconfirms findings from last year that young professionals can make the most of their fast track offers by continuing to enhance their career planning before hitting the wall in their 50s. Management peers will be raising the bar, however, expecting aspiring workers to demonstrate thought leadership when in comes to the introduction of new technologies and strategic human resource initiatives.

This year's median salary range for managers in the 45-year-old to 54-year-old range topped off at $101,500, but older managers in the 55-year-old to 64-year-old category still comprise 33 percent of the leadership workforce, earning a median salary of $92,000.

Job satisfaction continues to hold sway with veteran managers, who may be seeking to find balance in their lives as they reach the end of their earning cycle. But that doesn't mean that the job is becoming any easier.

Seventy-seven percent of our respondents say that the number of functional roles they're fulfilling on the job has increased again—an alarming fact that reveals more and more pressure being placed on an already exhausted workforce that says it's been doing more with less for the last six years.

### Company size matters

This year's results—based on nearly 1,000 qualified *LM* readers—indicate that 60 percent again saw a year-to-date salary increase over the past year. Of that number, the median raise was 3 percent with the average raise coming in as high as 6 percent.

So, where are logistics professionals being shown the money? "If you're young and seeking a job in this business, it's best to aim for a big company first," says PRG's research director Judd Aschenbrand. "That's where the money is."

A cursory glance at the survey's "salary by company revenues" illustrates this observation. Companies generating $2.5 billion or more pay a median salary of $115,000.

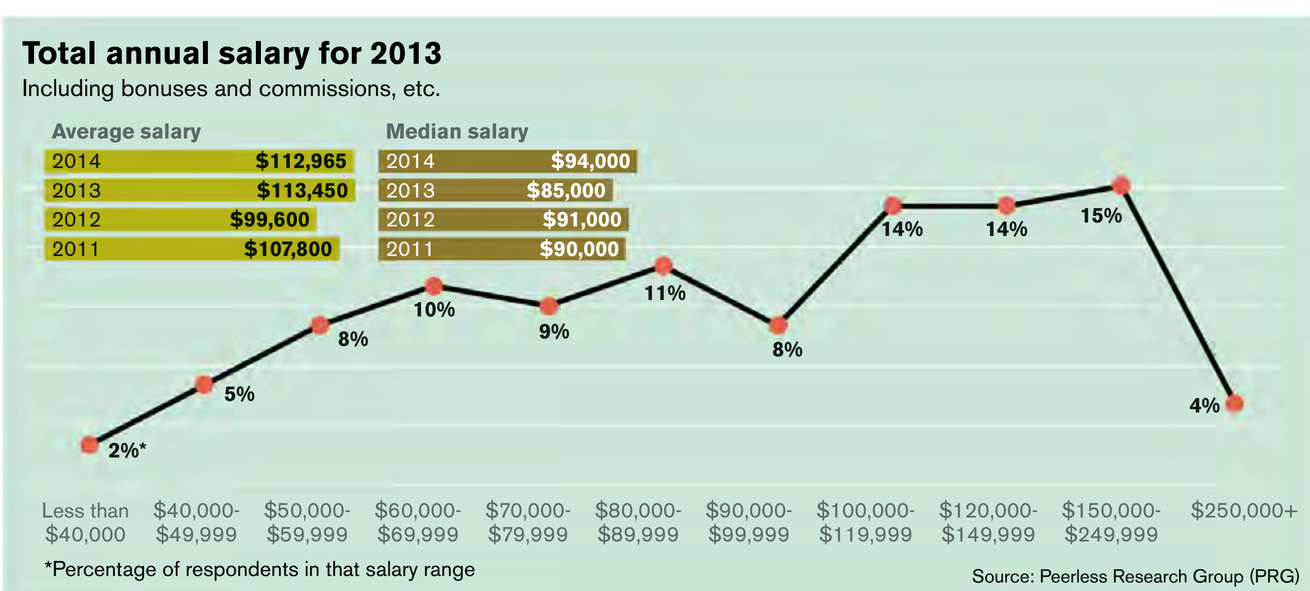
Those younger professionals should also be armed with a solid, "holistic" logistics and supply chain education, say executive recruiters. Now that a trend has been established to do more with less, employers are not likely to hire more logistics specialists than they need as today's talent is able to thrive in many roles.

"Hire the best and leave the rest," says Lynn Failing, vice president of supply chain recruiting firm Kimmel & Associates. "The big *Fortune 500* companies are looking for a supply chain major who has taken classes in finance and technology as well. There's so much cross-over in those disciplines, and we don't see that going away."

Alan Beaulieu, president of ITR, an economic forecasting firm, agrees, noting that by hiring multi-skilled professionals now, companies can secure a competitive advantage as the global economy stages a fresh rebound in 2015.

"Healthcare issues should be addressed and reformed by then, and we'll have survived mid-year elections," says Beaulieu. "In the meantime, China's economy should improve, thereby driving demand for U.S. exports of heavy equipment and finished goods, putting more emphasis on the need for skilled, global supply chain professionals."

For the time being, he advises companies to remain active in the global marketplace, as a concentration on purely domestic business may pose a long-term risk.



### Closing the gender and generation gap?

While the generation gap may be closing, our survey indicates that a similar trend is not taking place with the gender gap this year. The median salary earned by men weighs in at $98,000 while women earn a median salary of $72,250. However, many survey respondents took issue with this finding, explaining in interviews that women continue to make steady headway in the business.

Amber Hilt, a logistics and warehouse manager at Abaxis AVRL in Kansas City, notes that her veterinary reference laboratory has put her on a terrific career track. "I graduated with a degree in biochemistry, but discovered logistics when I left school," she says. "Now I'm nearly done with my business degree in operations management and human resources."

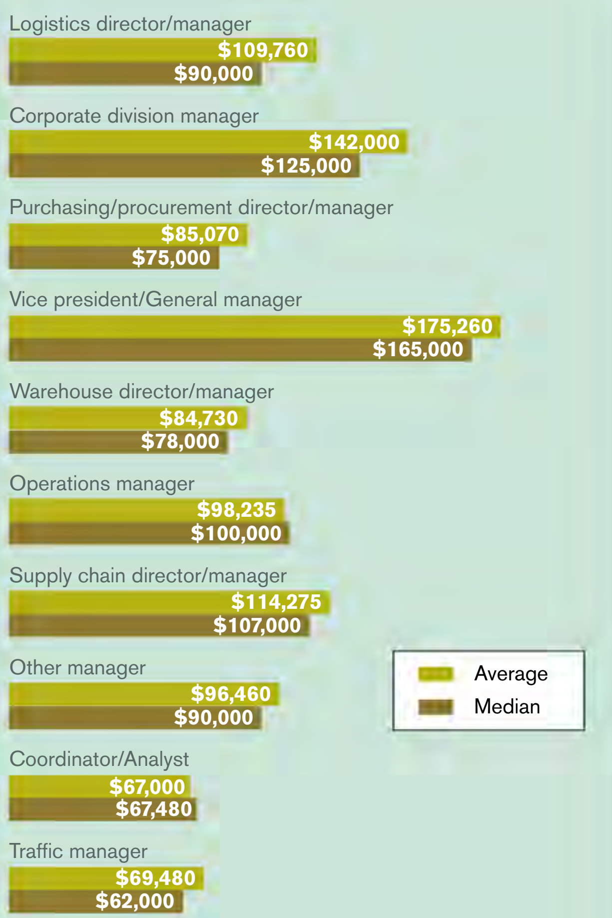
Hilt, who has been in logistics management a little more than 10 years, continues to pursue higher education. She adds that managing people is going to be critical in the coming years as more corporations realize how important the logistics function is to the bottom line.

"I speak with other women about the potential of this career path," says Hilt. "This has been a steady progression and points to the opportunity for women in this business. Furthermore, a logistics manager can live very well in Kansas City on the salary most companies offer."

Julie Wanstedt, marketing manager for third-party logistics provider Keller Logistics Group in Toledo, Ohio, likens the challenge of finding logistics managers to the search for qualified truck drivers. "Unless the pay is very good for an entry-level position, young people seem to go elsewhere," she says. "We will consider a candidate with just a couple of years of college if that person has some supply chain experience and seems willing to make a career of it."

Reaching young people through social networking seems sound, but it's also time consuming for recruiters. Wanstedt uses LinkedIn when she's looking for logistics talent, but also goes to job fairs at Bowling Green State University to help fill the pipeline. The school currently offers a Bachelor of Science in Business Administration in supply chain management.

**Salary by job title**




"Other" includes: Engineering, Sales/Marketing, Transportation manager

Source: Peerless Research Group (PRG)

**Salary by job function**


Single most important job function

Source: Peerless Research Group (PRG)

"Once a young person really understands that they can earn a good, middle-class income in this business, they might find it more attractive," adds Keller.

Brenda Gautier, director of operations and carrier engagement at MW Logistics in Dallas, says social networking is popular among young candidates, but her company's reputation is the real attraction. "Our clients are principally *Fortune 500* companies, household names," she says. "We are privately held, and very well known in the Dallas Ft. Worth area."

Now in her eleventh year at MW, Gautier says that many professionals who came to the logistics industry "midstream" in their careers had a work ethic that may be hard to find in today's youth. "A college degree is important, but we're really looking for people with a passion for logistics," she says.

"I need problem solvers, not just someone who can execute. There's no middle ground in this business," says Gautier. "You either love it or leave it." Gautier is active with the Transportation Club of Dallas, CSCMP roundtable, and the Association for Transportation Professionals.

Becky Moss, a 13-year veteran transportation manager at Orbit Irrigation Products in Salt Lake City, says logistics managers are too busy working at desks to get out much, so social networking can be useful—up to a point.

"It's still important to attend industry trade shows and participate in local association networks," says Moss. "Our local CSCMP roundtable is very valuable for discovering opportunities and common challenges faced by logistics managers."

Irrespective of gender, adds Moss, she wants workers who are detail oriented and dedicated to logistics. "They must also be good communicators. Unfortunately, our industry is still under the radar for many women. Companies still have the get the word out," she says.

### Retaining talent

Terry McDorman, CEO of MGRM Associates, an executive recruiting firm in Chicago, agrees that for young men and women, a career path in the logistics and supply chain industry is showing new signs of life. "Salary levels, particularly in the logistics and supply chain engineering sector, have increased dramatically, and it's about time," he says.

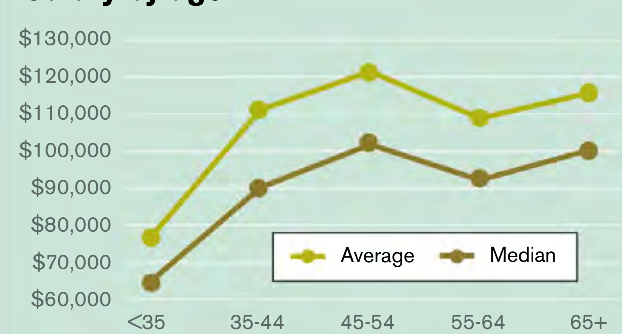
According to McDorman, the general impetus behind the increase is that shippers and their companies are finding substantial opportunities for cost savings when fresh human talent is brought aboard to manage inventory, procurement, and optimized transportation service.

"This is not just about the transportation sector anymore, but has ramifications in the areas of assembly, warehousing, and distribution as well," says McDorman. "It's no longer a matter of which carrier gets it there on time and at the lowest cost. Today, a logistics manager has far more

**Salary by years in present position**

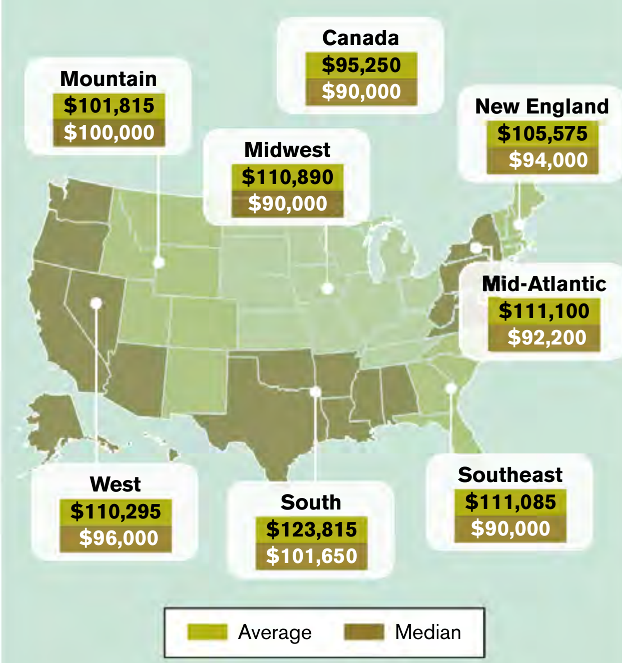

Source: Peerless Research Group (PRG)

**Salary by age**




Source: Peerless Research Group (PRG)

**Salary by region**




Source: Peerless Research Group (PRG)

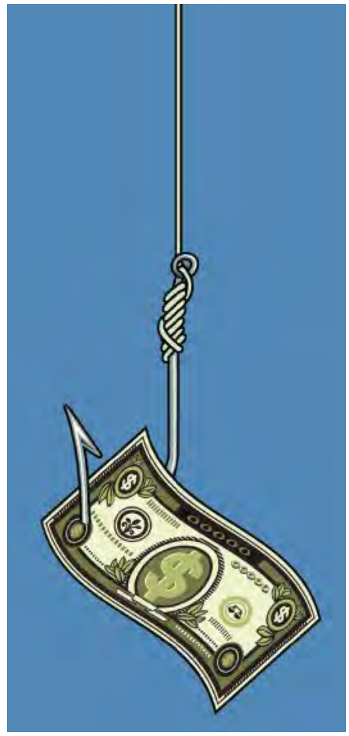
responsibilities."

Meanwhile, selling the most gifted and driven young professionals on this industry remains a goal shared by both *Fortune* 500 companies and our leading institutions of higher education.

Joel Sutherland, managing director of the Supply Chain Management Institute at the University of San Diego says that there is clear frustration related to staying in the same position or job function for too long—if not for an entire career.

"This can lead to employee turnover when they search outside to gain a richer supply chain experience," Sutherland says. "Companies, large and small, need to provide and communicate a clear advancement plan for their employees if they want to retain this talent. As evidence, it appears that 69 percent of the *LM* salary survey respondents are either passively or actively looking for new opportunities."

Mike Burnette, associated director of The Global Supply Chain Institute at the University of Tennessee, Knoxville, says that sincerity and recognition of what it takes to keep logistics managers happy is also changing.



According to Burnette, many logistics leaders scratch their heads trying to figure out the new supply chain recruits, those we define as Generation Y, born between 1977 and 1994. "They're a diverse, technology-wise, and sophisticated generation. To keep them engaged, given their shorter attention spans, Generation Y must be challenged."

And because the survey clearly conveys respondents' strong desire to raise their salaries, employers should encourage them to pursue ongoing education, says Dr. Bruce Arntzen, executive director of the supply chain management program at the MIT Center for Transportation & Logistics.

"Staying ahead of the learning curve will keep young logistics managers on a positive salary trajectory," says Arntzen. "This year's survey clearly points to that trend."

*—Patrick Burnson is Executive Editor of* Logistics Management

# 2014 Air Cargo Roundtable: Forwarders aim to please

**With increased focus on penetrating new markets with high-value goods, shippers will be even more vigilant in vetting their freight intermediaries. Our panel sets out to explain how forwarders are preparing to take on the added volume and win their business.**

BY **PATRICK BURNSON,** EXECUTIVE EDITOR

With more capacity becoming available this year, shippers contemplating the air cargo option may have more choices than they really want—especially in finding a reliable forwarding partner. But while air is still an expensive mode to select, savvy forwarders are gearing up with knowledgeable staff and streamlined technology in an effort to make the process more cost effective and reliable.

Joining *Logistics Management* this year to help put the current air cargo market into perspective and explain how freight forwarders are preparing to handle more high-value volume are Brandon Fried, president of the Airforwarders Association (AfA); Stifel Nicolaus freight analyst David Ross; and Brian Clancy, managing director of investment banking firm Logistics Capital & Strategy, LLC.

***Logistics Management*: The growth in the number of freight forwarding companies joining the AfA has reached unprecedented levels, with the organization's regular membership rolls expanding by nearly 25 percent over the past year. What does this say about shippers' plans for the future?**

**Brandon Fried:** The economic downturn that began in 2008 created a challenging environment for freight forwarders and their customers worldwide. In fact, many of us are still clawing our way out. Economic uncertainty and reduced demand has shippers asking their forwarders for lower rates and slower transit options—and this is quite understandable. Forwarders have responded by offering a variety of service options using various modes of transport in addition to air cargo.

**Brian Clancy:** Afa consists largely of middle-market forwarders, and a lot of domestically focused truckload brokers who have realized that they must extend their product line. Furthermore, they wanted an association membership that deals with the regulatory issues. We see more foreign domiciled brokerage companies addressing the U.S. market, too. It's an important part of their strategy as the federal government becomes a bigger part of the economy.

**David Ross:** I agree with both Brandon and Brian on this, but the association's growth may say less about shippers' plans for the future and more about the competitive landscape in the industry. Air cargo remains a fragmented business, but the lack of global trade growth has only increased the intensity of the competition among the forwarders.

***LM*: Industry analysts seem to be suggesting that shippers will have more choices as barriers to entry fall for forwarders. Will we see more players in this arena?**

**Clancy:** That's correct, and there's more private equity coming into this industry to enhance competition. Economies of size are going to have less of an impact on procurement benefits going forward. You don't need to be a huge global player to get the best rates.

**Ross:** Forwarding is essentially a business built around people and IT. To be successful in the air cargo market, a middleman has to have both. Finding knowledgeable human resources is key.

**Fried:** David is right. Because the forwarding industry is based on the expertise of people and leveraging of personal relationships, barriers to entry are few. Understanding the various transportation modes, freight handling, and warehousing are essential. But in today's environment, a working knowledge of import and export regulations, banking, hazardous material rules, Customs procedures, and security requirements is critical. Adequate funding for station technology and facility investment is also important. And finally, sufficient credit line to pay carriers and vendors is necessary because shippers may not pay as quickly as invoices become due.

***LM*: How much will forwarders need to spend on new technology to remain competitive? What kinds of systems yield the greatest ROI?**

**Fried:** As forwarders become more e-freight focused, where paper is being replaced by the electronic transmission of shipping and Customs related documents, adequate technology to handle the task is essential. Fortunately there are many good software vendors in the market offering suitable solutions for any sized company. Members tell us that the move to cloud-based systems are gaining in popularity because they tend to be more secure and alleviate the need for expensive mainframe hardware.

**Clancy:** Some shippers have very specialized needs, so investment in strategic sourcing and procurement software is a must. Companies often balk at the software license fees, but they then underestimate the manpower necessary to efficiently utilize these high impact tools.

**Ross:** Absolutely true. Technology can make smart companies more efficient, but it can't make stupid companies smart. It's all about how IT systems deliver value to the shipper.

***LM*: So we've been hearing a lot about the "riches being in the niches." Do you see the greatest growth coming in cold chain?**

**Ross:** We certainly see a lot of growth in "cold chain," as biologics and other health care products are only increasing in demand from every part of the world. Getting the right product in the right place at the right time can be vital.

**Fried:** While there are many areas of growth in forwarding, "cold chain"

## U.S airports ramp up competition for cargo dominance

With world trade growing faster than demand for air cargo, both airports and air carriers face a significant challenge—how can they attract airfreight and fend off competition from other cheaper modes of transport such as intermodal and trucks?

According to Jones Lange LaSalle's (JLL) annual *Airport Outlook Report*, this environment now finds U.S. airports engaged in a fight for a larger share of the challenged U.S. air cargo market.

"Airport executives are increasingly focused on the bigger picture, specifically the role that their airport and the supporting infrastructure play in making shippers' supply chains more efficient," says Rich Thompson, managing director of JLL's Ports Airports and Global Infrastructure (PAGI) group. "The market is not growing as a whole, so they must use every tool they have to stand out and attract shipping volume."

Instead of relying on airline revenues for driving growth, airports are focused on leveraging nearby commercial real estate assets and logistics corridors to position themselves as an essential link in the supply chain. In fact, some airports are now seeing more than 60 percent of their revenue derived from non-airline sources.

"There are two factors that could increase global air freight," says Thompson. "The rapid growth of e-commerce sales to consumers who demand rapid package arrival, and the demand for time-sensitive and high value goods such as food, perishables, biologics, and pharmaceuticals."

Here's a quick overview of the top three "aerotropolis" districts—the areas surrounding these cargo-intense airports—that stand out in JLL's annual *Airport Outlook Report.*

**1. Chicago O'Hare (ORD)** moves to the top position, up from second in last year's index. Infrastructure is a priority, with new cargo facilities planned that offer both airside and landside access. For supply chain executives, the greater Chicago market offers six major railroad connections, and is a one-day drive to nearly a third of North American consumers, positioning ORD as a gateway of choice.

**2. Miami (MIA)** scores second highest in the index, down from the top position in last year's report. The airport and surrounding businesses control the food and flower trade (moving 71.2 percent of all U.S. perishables), and the lack of a single dominant carrier makes room for enhanced competition and demand for real estate.

**3. Los Angeles (LAX)** moved up in the rankings from last year's report, and now ranks third. Freight forwarders were especially active near the airport in 2013, and real estate demand from logistics providers, consumer non-durables, and food and beverage was notable throughout the surrounding market. China remains LAX's largest trading partner, followed by Japan, Hong Kong, Thailand, and South Korea.

*—Patrick Burnson, Executive Editor*

services are standing out in their rapidly growing popularity. This niche usually applies to several verticals including pharmaceuticals, bio-med, perishable foods, and other items requiring constant temperature control and monitoring.

While potentially lucrative, forwarders considering offering these services should remember that specialized expertise is essential. There may also be a need for technology such as refrigeration, monitoring systems, and customized trucking suitable to handle these commodities. And of course, depending on the area of the world, additional education and licensing may be required.

**Clancy:** Indeed, the life sciences and pharmaceutical industries are growing and globalizing. On top of this, the regulatory regimes are becoming stricter with the issues of custodial controls and record keeping is gaining in importance.

***LM*: How about the so-called "emerging markets"? Are we seeing volume growth in these regions or have things cooled?**

**Clancy:** Emerging markets have not been as hot in the last couple of years as they require demand to drive their re-export flows. Forwarders are better served focusing on a particular customer segment or industry segment. For example, forwarders who specialize in the oil and gas industry or the perishables industries will likely be more likely to succeed going into emerging markets.

**Ross:** Yes, and they should also expect a good amount of relative growth, though maybe not the most absolute growth. Asia should still dominate, as the biggest trade lanes remain Asia-Europe, intra-Asia, and Asia-U.S.; however, Africa and South America should also see significant relative growth.

**Fried:** There are other trends at work here as well. As wage pressure in China increases, we're seeing a shift of manufacturing to countries including Vietnam, Indonesia, and Cambodia to name a few. Of course, there are infrastructure issues surrounding the ability to move cargo quickly between manufacturing sites and gateways, but we expect these issues to be addressed over time.

We are also seeing an interesting shift of manufacturing back to North America to places like Mexico and even the U.S. Lower transportation costs and quicker market access are certainly factors driving this change.

***LM*: Can you describe the worst-case scenario for a shipper just getting started in air cargo?**

**Fried:** The basic problem begins when a shipper selects a forwarder that has inadequate capitalization and the lack of essential knowledge. Carriers and vendors are going to demand fast payment. Not understanding essential regulations and cargo handling procedures could lead to delays that will cost shippers money—and that will inevitably lead to a search for another forwarder.

**Ross:** A shipper who starts in air cargo not knowing he can use another mode—like truck or ocean—for much less and still have an effective supply chain. Modal selection is much more important than carrier or forwarder selection, in our opinion.

**Clancy:** And let's not forget the true catastrophes that could make air cargo a tougher option. The most dire case would include the security cost for some cargo loaded on passenger aircraft, as well as a sudden spike in fuel prices that could further the gap between air and sea freight. Shippers should also be aware that the acceleration of retirement of freighter aircraft will limit options.

***LM*: What are forwarders doing to make sure that shippers are applying adequate risk management?**

**Clancy:** Shippers should explore ways to hedge fuel risk and charter capacity for peak season. They should also work with forwarders to identify the best lane strategies. Sometimes a direct route is less costly than an indirect route. From a security perspective, regulatory compliance is a must.

**Ross:** I agree. Transparency is crucial. In general, those with better IT can provide more visibility, which in turn mitigates some of the supply chain risk.

**Fried:** While forwarders are often considered the miracle workers of freight transportation, creating realistic expectations through customer education in a competitive market is key. If your forwarding company does not adequately understand how to handle a specific commodity to an obscure destination, perhaps additional education and experience is needed beforehand. If not, perhaps the forwarder may not be the best option for that shipment.

---

*Patrick Burnson is Executive Editor of* Logistics Management


BY **BRIDGET McCREA**, CONTRIBUTING EDITOR

On the prowl for technology solutions that will help streamline their transportation and distribution operations, many companies are tapping into the power of yard management systems (YMS) to help close the supply chain gaps that exist right in their own backyards. In return, these savvy shippers are alleviating long trailer wait times, reducing unproductive personnel numbers, and improving dock planning.

These systems, which most of the time are folded into a logistics operation's warehouse management system (WMS) or transportation management system (TMS), help synchronize yard operations, orchestrate loading dock activities, and streamline gate check-in.

Using the technology, shippers can track and control the movement of trucking assets; optimize labor resources as they move equipment within the yard; manage shipping and receiving dock doors and parking spots; drastically cut driver detention time; and continuously adjust priorities throughout the day according to receiving and shipping volumes.

Over the next few pages we'll explore the functionalities of YMS and its use in the field, and then hear from one shipper that has realized significant benefits beyond the lot from its YMS investment.

## Keeping tabs on trailers

According to Dwight Klappich, research vice president for Gartner, the size of a shipper's yard often dictates its YMS needs.

"For a yard with 100 to 200 parking spaces, yard management probably isn't much of an issue," says Klappich, who adds that smaller shippers generally just use the "lightweight" YMS options included in their WMS. "However, a DC with 6,000 spaces will be more interested in running a more robust YMS."

Right now, Klappich says that he's seeing slow but growing interest in YMS by large yards—many of which want to use real-time locating technology to track trailers while they are onsite. PINC, TrackX (formerly Fluensee), and Zebra Technologies, all offer some variation of this capability. Klappich says that a yard with 250 or more parking spaces is a prime candidate for such solutions due to the complications that can arise when all assets aren't easy to locate or track.

"YMS also helps shippers fine tune their dock and carrier appointment scheduling," says Klappich. "So, it's no longer just about getting a carrier to a dock door, it's about getting that vehicle in and out of the yard quickly and efficiently."

Steve Banker, director of supply chain solutions for research firm ARC



# Moving beyond the lot

**As yard management systems progress, a growing number of shippers are turning to these solutions to optimize assets, drastically cut driver detention time, and continuously adjust priorities throughout the day according to receiving and shipping volumes.**

Advisory Group, says that some of the growth in YMS is being driven by the introduction of the Food Safety Modernization Act (FSMA), which aims to ensure the U.S. food supply is safe by shifting the focus from *responding* to contamination outbreaks to *prevention*. And while the law was enacted in 2011, Banker says the transportation-related FSMA recommendations are just now beginning to surface.

Recommendations around truck security, food exposure, and vehicle cleanliness are all being considered, Banker states, and compliance with the new rules could be made easier by YMS. In particular, Banker says that the task management functionality that exists within both WMS and YMS could help shippers create new ad hoc steps to prove, for example, that a truck was cleaned properly or that food wasn't stacked in a way that would contaminate the items on the bottom of the load.

"As a result of these new rules, food and beverage distributors, farming companies, and other entities that deal with food," says Banker, "may have an increased need for YMS in the near future."

### Beyond the lot

When it comes to YMS, Joe Vernon, senior manager at research and consulting firm Capgemini, says that he's fielding more requests from retailers and third-party logistics firms who want standalone YMS—not just the varieties that come packaged as part of a WMS or TMS.

Intent on gaining better visibility of their yards, these firms are seeking more robust features like virtual inventory location and real-time tracking. "They also want to expand their warehouse visibility to show more of their supply chains," says Vernon. For some shippers, that could include being able to "see" a truck while it's in the repair shop or viewing current vehicle inventory in a freight forwarder's yard.

To achieve that goal, Vernon says YMS will have to be able to blend yard management with carrier shipment status messages (or "214s"). By entering a location name like "LA Freight Forwarder," and other pertinent details, shippers will be able to see what transportation assets are available or in motion, where those assets are located, and how quickly they can be mobilized or delivered.

"It will be one source visibility," says Vernon, "without the need for a proprietary trailer management web portal."

With many shippers still using spreadsheets and phone calls to monitor the movement and storage of trailers in the yard, Vernon expects more of them to make the switch to automated yard management solutions in the future.

Klappich concurs, saying that YMS capabilities will expand over the next three years to five years to include command center-like oversight of multiple yards. "A few leading edge YMS providers are focusing on this," says Klappich, "and finding ways to build more logic into their systems."


The YMS of the future may also be able to monitor the movement and storage of time-sensitive assets as they sit in the yard, according to Klappich, who sees a time when refrigerated trucks that are about to run out of diesel are quickly identified and prioritized using a YMS.

And while demand for such capabilities isn't huge right now, Klappich says larger shippers are seeking solutions that "go beyond just managing the parking lot."

*Bridget McCrea is a Contributing Editor to* Logistics Management

## Daimler Trucks streamlines its yard activities with RFID-enabled YMS

Daimler Trucks North America, LLC, initially looked into buying a YMS in 2011—the year that the company realized that its system of 2-way radios, clip boards, and slips of paper was no longer sufficient for managing its busy yard.

The truck manufacturer's plant in Saltillo, Mexico, for example, spans two kilometers of land and accommodates hundreds of trailers. "It was at the point where we couldn't locate anything within the time frame that we needed to find it," says Roderick Flores, IT project manager, vehicle electronics, for the Portland, Ore.-based manufacturer.

"We had several employees who drove around all day with clipboards making notes on where things were in the yard," says Flores. "Our approach got challenging when hot loads came in and we didn't know which trucks were in the yard or for how long."

Gathering any type of metrics or measurements around yard activities was next to impossible, Flores adds—as was tracking the efficiencies of the yard operators who transport trucks to and from the docks for unloading and loading. "Getting a handle on all that stuff without a software solution was pretty difficult," says Flores.

To alleviate those and other yard-related pain points, Daimler Trucks implemented PINC's Advanced YMS at its Saltillo plant in 2012. After seeing positive results from the implementation, the company deployed it across its remaining plants—including one Mercedes-Benz passenger car plant in Tuscaloosa, Ala.—the following year.

This year, Daimler Trucks will roll out a final YMS deployment at a plant in Portland. "We're up to five right now, with a sixth one coming online this quarter," says Flores.

When selecting its YMS, Daimler Trucks initially sought out a solution that included an active RFID solution that used encapsulated tags and internal batteries. "We originally wanted tags that would be constantly sending out RFID signals," says Flores, whose selection team changed its mind after measuring the maintenance and battery costs of an active option.

As an alternative, the manufacturer purchased PINC's passive RFID system in an effort to save on batteries, maintenance costs, and server expenses. Plant location also played a role in this choice, says Flores. "In Northern Mexico, the telecommunications system is overloaded, so using the cloud and letting PINC handle the passive system for us was clearly a better choice."

Using its RFID-enabled YMS, Flores and the logistics team can now pinpoint exactly where vehicles are in its yard—right down to the exact yard and parking space number. The company also knows how long the vehicles have been sitting and can avoid late and detention fees charged by firms that weren't getting their trailers back on time, says Flores.

Finally, Daimler Trucks also has better oversight of truck contents and knows when vehicles must go directly to a dock and when they can be parked out in the yard. "Better management of the parts that are in the trucks translates into fewer shortages on the assembly line," says Flores.

Every tractor-trailer produced by Daimler Trucks, for example, requires roughly one and a half trailers full of parts. "Plants that need 100 trucks a day need 150 trailers of parts to support production," says Flores. "We don't want to run out of parts, so we always have a buffer of about 500 trailers in the yard at any given time."

Daimler Trucks' YMS also enables automated trailer check-in and identification; real-time trailer tracking using the passive RFID tags and yard-truck mounted readers; real-time tracking of truck location in the yard; yard truck tasking; and check-in/check-out tracking.

Up next, Flores says that the company plans to tie all of its plants together on a single YMS that allows materials to move more seamlessly across the various locations. For now, however, the systems all operate independently.

"We'd like to be able to gather and mine our yard data across all of our plants in order to realize even more efficiencies and benefits from our system," adds Flores.

*—Bridget McCrea, Contributing Editor*

SupplyChain247
supplychain247.com

# Find everything you need when researching companies, trends, and industries.

Supply Chain 24/7 is the ultimate online business resource for transportation, distribution, logistics and supply chain professionals.

**Search engine** can search across content elements and by specific companies

Your *best* business resource for:

- News
- Best practices
- Trends
- Case studies
- White papers
- Webcasts
- Research
- Special reports
- Blogs

and *much much* more!


**Featured companies** that are relevant to the specific topic

**Trending** news and features

Visit **supplychain247.com**.
Begin your experience today.

# 2 trends fueling the

**WMS is now called upon to support omni-channel fulfillment and the increased use of automation that's necessary to make it all work. Here's how retailers, manufacturers, and distributors are continuing to drive the evolution of the market's most mature software.**

BY **BRIDGET McCREA**, CONTRIBUTING EDITOR

Occupying a rather mature corner of the supply chain software market, warehouse management systems (WMS) vendors simply can't afford to languish or rest on their laurels in today's dynamic business environment.

Well aware of this situation, vendors are working to stay ahead of the curve by integrating new functionalities and capabilities that were probably unheard of just 10 years ago. Two challenges that are garnering attention this year are the need for better support for omni-channel distribution operations as well as improved integration of WMS with warehouse control systems (WCS), the software traditionally used to manage automated materials handling equipment.

Over the next few pages we'll explore how WMS is evolving to support these two trends and then take a closer look at how retailers, manufacturers, and distributors continue to drive the evolution of the software.

## Channel integration

**1** Driven largely by the boom in e-commerce, today's shippers are focused on delivering a seamless customer experience across numerous channels.

Whether they're picking out goods on a mobile device, sitting down at a computer, standing in a brick-and-mortar store, or reading a paper catalogue, today's consumers want to be able to buy, exchange, return, and get support for a retailer's products across all channels and without a single hassle.

Adding to the overall omni-channel fulfillment challenge is the fact that it isn't limited to just the retail environment. Indeed, manufacturers and distributors are also using multiple channels to sell and deliver their wares to business partners and suppliers. And because shipping, return, and exchange activity on all of those fronts are taking place in the warehouse and distribution center (DC), the WMS is playing a vital role in ensuring a smooth omni-channel experience.

"At this point, everyone has latched onto the idea of omni-channel commerce," says Dwight Klappich, research vice president for research giant Gartner. "However, not everyone is equipped

# WMS evolution

to handle it."

According to Klappich, that's because omni-channel goes beyond just managing inventory within the four walls of a distribution center and incorporates a broader picture of inventory at rest, in transit, in stores, and throughout the supply chain.

"With omni-channel, stores ultimately become a fulfillment point," says Klappich, "which means companies have to be able to accommodate a higher volume of returns that may have originated online, in the store, or from any other channel."

Klappich points to Manhattan as one vendor that has incorporated e-commerce, retail, distributed order management (DOM), supplier enablement, and warehouse management to help shippers handle the omni-channel environment. HighJump Software has also made some interesting inroads in the WMS space, says Klappich, particularly when it comes to the store fulfillment side of the grocery business.

Using HighJump's WMS, for example, shippers can set up their stores as "mini warehouses," where workers walk around picking and packing orders for home delivery. "Those are just two best-of-breed WMS vendors that are doing well in the omni-channel space," says Klappich.

Simon Ellis, practice director at IDC Manufacturing Insights, says that for WMS providers to completely service the omni-channel shipper, the former will have to add more piece-picking functionality to their menus. Right now, most manufacturers ship via truckload or LTL shipments—not parcel—by choice.

"Most manufacturers would prefer to sell cases or even pallets over individual units," says Ellis, who expects software providers like JDA, Oracle, and SAP to continue broadening their features and functionalities to accommodate the challenges of omni-channel warehousing and distribution. "At this point, some WMS vendors allow for the management of individual products while others don't," he adds. "That will likely evolve over the next few years as omni-channel continues to grow."

## More automation, please

2 The WMS evolution goes beyond omni-channel to include supporting a higher degree of automation and complex fulfillment strategies that, incidentally, also do their part in supporting the omni-channel environment.

Klappich says that there has been a slow progression of WMS vendors moving into the WCS space over the last few years, with vendors like Oracle and SAP both integrating materials handling interfaces into their solutions.

The WCS/WMS connection is fairly new, says Klappich, and a far cry from the days when WMS as a business process application relied heavily on human involvement. "The mass majority of WMS solutions were designed for people-driven processes—from driving forklifts around to moving pallets to picking orders," he notes. "As

WMS and WCS functionality has improved, companies have started looking harder at how to better manage their workforces and run more effective, more automated warehouses."

The fact that materials handling automation has become more affordable is also pushing more companies to integrate the technology into their warehouses and DCs. In the past, Klappich says building out a highly-automated facility could run upwards of $20 million and require at least a five year commitment to run "as-is" on the company's part.

"The setup was extremely rigid, with any notable changes to the automated facility being very expensive and time consuming," says Klappich. Today, he says materials handling automation vendors are creating more flexible environments and developing systems that can be more easily adapted and reconfigured.

Interest in WCS is also being driven by the current crop of what Klappich refers to as "Frankenwarehouses," huge, older facilities filled with expensive equipment born from mergers and acquisitions that companies suddenly found themselves owning.

"As more automation was added to these facilities, they became hodgepodges of fragmented systems," says Klappich. "Now, their owners are looking to create more streamlined environments and are showing an increasing interest in WCS to help them attain those goals."

With SAP and Oracle driving the charge on the large vendor side, and Ehrhardt + Partner on the best-of-breed side, the blending of WMS with warehouse automation and WCS is expected to gain steam in 2014. "We've been joking about the use of robotics and other innovations in the warehouse, but now we're there, it's happening," says Klappich. "In fact, we're already seeing some companies replacing tasks that warehouse workers handled manually with highly automated systems."

Because U.S. companies tend to use fairly unsophisticated materials handling systems, Ellis is bearish on just how far the WCS/WMS alliance will grow. In Europe, on the other hand, he says the potential for such integration is much higher.

"The levels of automation that you see in European DCs are typically much higher than they are here in the U.S., although there are always exceptions to the rule," Ellis says, noting that international overnight package and mail service providers work in a decidedly different environment. "UPS and FedEx run massively complex sortation systems in their warehouses and distributions centers, so WCS would be a crucial part of their operations."

### Other key WMS drivers

As WMS vendors continue to hone their offerings to meet the growing omni-channel and WCS trends, most are also keeping a close eye on several other changes taking place within the warehousing arena.

For starters, Bob Hood, senior manager of supply chain for consulting firm Capgemini, says that the number of shippers that are upgrading their WMS (versus installing new or continuing to use aging systems) is on the rise. "There are a lot of firms out there sitting on WMS platforms whose support costs have become extraordinarily high—from both the physical hardware architecture and the maintenance perspectives," says Hood.

"Over the last few years, an increasing number of companies have made the strategic decision to move away from those tailored applications and over to new releases," says Hood, who sees most operations selecting upgrades from existing providers. "If a company is already a Manhattan shop, then it will likely upgrade Manhattan."

Hood says that he's also seeing more shippers take an interest in WCS, but adds that simply layering such solutions on top of existing warehouse systems typically results in a "hybrid facility" that can be difficult to optimize across multiple channels. He expects WMS vendors to continue honing in on organization's needs and coming up with solutions that help solve key pain points.

"Warehouse and distribution managers want to be able to leverage common assets," says Hood, "and encounter fewer barriers when it comes to supplying multiple channels using the same workforce and IT assets."

In assessing the future of WMS, Klappich sees one more trend in the cards: a growing use of cloud computing as the delivery mechanism for these solutions.

And while cloud adoption in the WMS space remains fairly low, Klappich says that more managers are getting interested in the lower cost of ownership (at least at the outset), faster implementation times (a benefit that's "often overstated by the vendors themselves," Klappich notes), and 24/7 web-based platforms served up in the cloud.

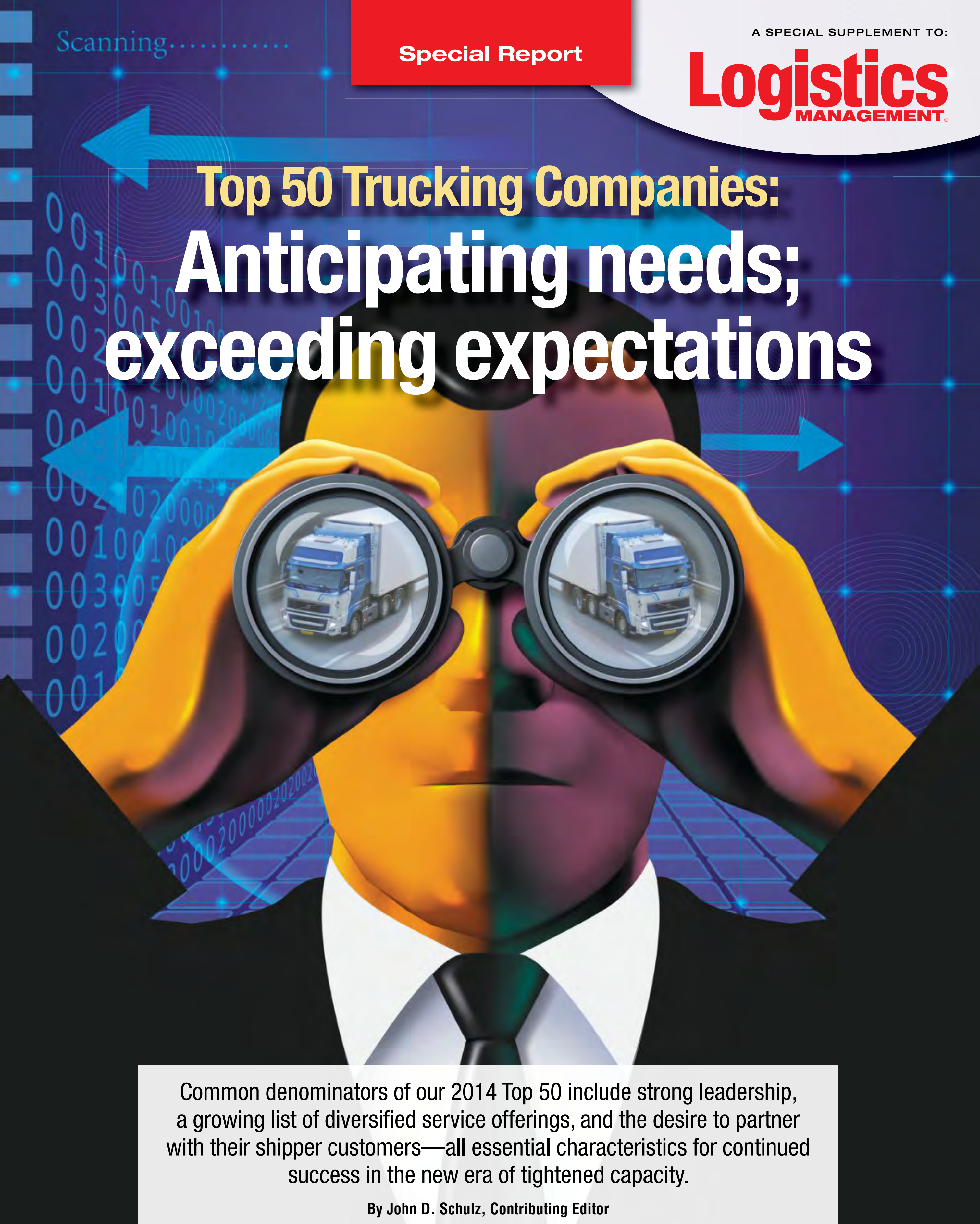
"For now, it's still a fairly small percentage of companies that are moving in that direction within the WMS space as compared to other applications," Klappich says. "However, there's definitely a growing interest from warehouse and DC managers who want to be able to invest less and ramp up somewhat faster than they would with more traditional WMS options."

*Bridget McCrea is a Contributing Editor to* Logistics Management

A SPECIAL SUPPLEMENT TO:
Logistics MANAGEMENT

Special Report

# Top 50 Trucking Companies:
# Anticipating needs; exceeding expectations




Common denominators of our 2014 Top 50 include strong leadership, a growing list of diversified service offerings, and the desire to partner with their shipper customers—all essential characteristics for continued success in the new era of tightened capacity.

**By John D. Schulz, Contributing Editor**


Some are full truckload (TL) carriers operating from Point A to Point B as quickly and efficiently as possible. Others are less-than-truckload (LTL) operators handling partial shipments to literally hundreds of thousands of customers each day. And still others are providing a plethora of services as they seek to become the final, vital portion of a shipper's complex supply chain.

But *Logistics Management*'s 2014 roster of the nation's Top 50 trucking companies have some common denominators: All have excellent top management teams with a vision for the future, keeping a sound eye on what shippers will be asking for next; most have modern fleets of trucks; and the best are becoming a vital partner, able to streamline all transportation needs.

"I would say that some are morphing into supply chain optimizers for their customers," says John Larkin, the veteran trucking analyst for investment firm Stifel Inc. "They're offering or plan to offer all the services a customer may need to run an efficient supply chain operation."

No matter what the specific service is—TL, LTL, truck brokerage, intermodal, dedicated, or international to Mexico and Canada—these leaders all focus on the day-to-day "blocking and tackling" in the execution of their services.

According to Larkin, it's the combination of vision and execution on the ground that separates the best from the rest. "Others are inclined to be the best operators they can be by focusing on service and cost," says Larkin. "Sometimes they offer complimentary services to help some customers, but they shy away from endeavoring to be all things to all people."

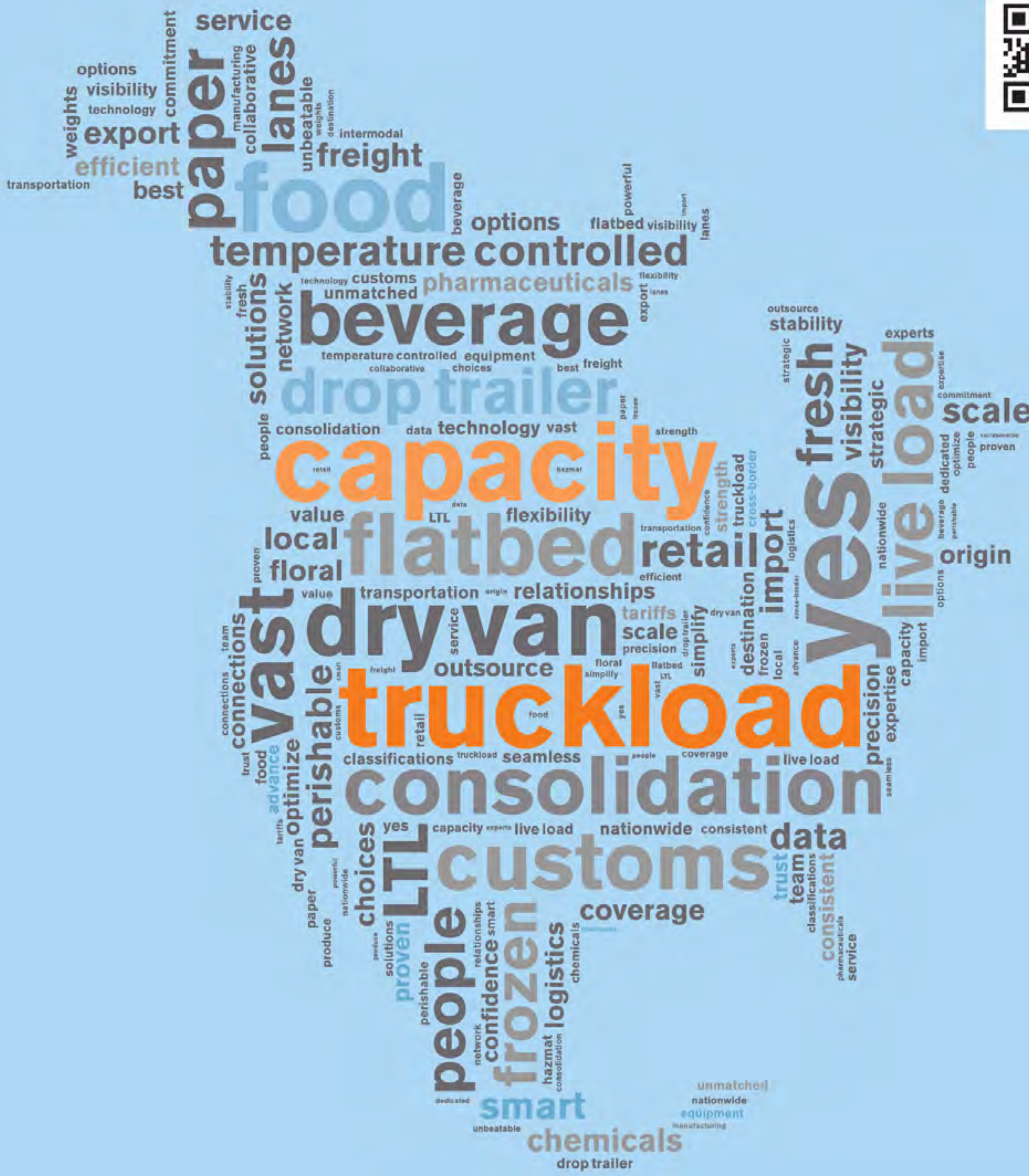
Pitt Ohio (No. 17 LTL), A. Duie Pyle (No. 19 LTL), Stevens Transport (No. 17 TL), Heartland

## 2013 Top 25 less-than-truckload carriers: 2012-2013 revenues

(including fuel surcharges)

| 2013 Rank | Carrier name | 2012 revenue ($ million) | 2013 revenue ($ million) | Year-to-year % change |
|---|---|---|---|---|
| 1 | FedEx Freight | $5,011 | $5,095 | 1.7% |
| 2 | Con-way Freight | $3,393 | $3,466 | 2.2% |
| 3 | YRC Freight | $3,187 | $3,127 | -1.9% |
| 4 | UPS Freight | $2,378 | $2,502 | 5.2% |
| 5 | Old Dominion Freight Line | $1,942 | $2,126 | 9.5% |
| 6 | Estes Express Lines | $1,751 | $1,835 | 4.8% |
| 7 | YRC Regional | $1,641 | $1,730 | 5.4% |
| 8 | ABF Freight System | $1,669 | $1,721 | 3.1% |
| 9 | R+L Carriers* | $1,250 | $1,298 | 3.8% |
| 10 | Saia Motor Freight Line | $1,099 | $1,139 | 3.7% |
| 11 | Southeastern Freight Lines* | $875 | $914 | 4.5% |
| 12 | Averitt Express | $579 | $606 | 4.6% |
| 13 | Roadrunner Transportation | $511 | $559 | 9.4% |
| 14 | AAA Cooper | $465 | $500 | 7.5% |
| 15 | Central Transport Intl. | $380 | $488 | 28.4% |
| 16 | Dayton Freight Lines* | $353 | $386 | 9.4% |
| 17 | Pitt Ohio Express | $327 | $362 | 10.9% |
| 18 | New England Motor Freight | $351 | $358 | 2.0% |
| 19 | A. Duie Pyle* | $286 | $293 | 2.4% |
| 20 | Central Freight Lines* | $202 | $208 | 3.0% |
| 21 | Daylight Transport | $169 | $183 | 8.6% |
| 22 | Oak Harbor Freight Lines | $156 | $168 | 7.9% |
| 23 | Wilson Trucking | $150 | $156 | 3.6% |
| 24 | New Century Transportation | $151 | $145 | -4.5% |
| 25 | Ward Trucking | $128 | $140 | 9.8% |
| | **Total Top 25 LTL carriers** | **$28,401** | **$29,504** | **3.9%** |

Note: Revenue for LTL operations only, unless otherwise indicated and include Canadian operations
*Revenues primarily LTL and include less than 10 percent for truckload and other services
Source: Company reports and SJ Consulting Group estimates


service
options
visibility
technology
weights
commitment
paper
manufacturing
collaborative
lanes
unbeatable
export
efficient
transportation
best
intermodal
freight
food
beverage
options
powerful
flatbed visibility
temperature controlled
pharmaceuticals
unmatched
customs
beverage
solutions
network
temperature controlled
equipment
drop trailer
consolidation
technology
capacity
outsource
stability
experts
fresh
visibility
strategic
live load
scale
yes
value
local
floral
flatbed
flexibility
retail
import
origin
transportation
relationships
vast
dry van
scale
tariffs
outsource
truckload
classifications
seamless
consolidation
coverage
live load
precision
expertise
data
customs
nationwide
consistent
LTL
people
frozen
logistics
coverage
choices
perishable
optimize
trust
team
consistent
confidence
smart
chemicals
drop trailer


## Top 25 truckload carriers: 2012-2013 revenues
(including fuel surcharges)

| 2013 Rank | Carrier name | 2012 revenue ($ million) | 2013 revenue ($ million) | Year-to-year % change |
|---|---|---|---|---|
| 1 | Swift Transportation | $3,007 | $3,052 | 1.5% |
| 2 | Schneider National | $2,290 | $2,320 | 1.3% |
| 3 | Werner Enterprises | $1,686 | $1,642 | -2.6% |
| 4 | J.B. Hunt Transport Services | $1,563 | $1,622 | 3.8% |
| 5 | Landstar System* | $1,680 | $1,606 | -4.4% |
| 6 | U.S. Xpress Enterprises | $1,630 | $1,480 | -9.2% |
| 7 | Prime** | $1,372 | $1,478 | 7.7% |
| 8 | C.R. England | $1,071 | $1,203 | 12.3% |
| 9 | CRST International | $1,061 | $1,071 | 0.8% |
| 10 | Crete Carrier Corp.** | $999 | $1,008 | 0.9% |
| 12 | Knight Transportation | $862 | $822 | -4.6% |
| 11 | Cardinal / Greatwide Logistics | $900 | $780 | -13.3% |
| 13 | Ruan Transportation Management Services | $708 | $735 | 3.9% |
| 14 | Ryder Systems | $665 | $709 | 6.6% |
| 15 | Covenant Transport | $640 | $634 | -1.0% |
| 16 | Con-way Truckload | $636 | $630 | -0.8% |
| 17 | Stevens Transport | $609 | $621 | 2.0% |
| 18 | Celadon Group** | $551 | $601 | 9.2% |
| 19 | Heartland Express | $546 | $582 | 6.7% |
| 20 | Anderson Trucking Service | $668 | $567 | -15.1% |
| 21 | Central Refrigerated Service | $485 | $534 | 10.2% |
| 22 | Universal Truckload Services* | $465 | $533 | 14.6% |
| 23 | NFI Industries | $460 | $512 | 11.3% |
| 24 | Marten Transport | $483 | $507 | 5.0% |
| 25 | Mercer Transportation* | $492 | $483 | -1.8% |
| | **Total Top 25 truckload carriers** | **$25,527** | **$25,732** | **0.8%** |

* Light-Asset Carrier
** Results adjusted to closer resemble calendar year
Revenues primarily for truckload operations and may include less than 10 percent for non-truckload services
Source: Company Reports and SJ Consulting Group estimates

Express (No. 19 TL), as well as smaller carriers Raven Transport and Cowan, have all tweaked their operations in recent years to expand services from their original offerings.

James Welch, CEO of YRC Worldwide (parent of long-haul YRC Freight, No 3 LTL, and YRC Regional, No. 7 LTL) says the best carriers are not just cost competitive, but efficient and consistent in their overall offerings. "We seek to provide competitive and consistent service," says Welch. "Shippers tell us they need their carriers consistent."

The best are also conscious of their position in the industry and are willing to take a leadership role. "We push ourselves to be much more than just a good service carrier," says Chuck Hammel, president of Pitt Ohio. "We feel every aspect of doing business is as important as service. We make our customers, employees, and our community feel that they have a trusted partner in us."

Now let's delve deeper into the inner-workings of the *2014 Logistics Management Top 50 Trucking* list and see what moves the top players are making to maintain the delicate balance of providing leading service while delivering strong results on the bottom line.

### How they stay on top

Trucking is a capital- and labor-intensive business. Between labor and rolling stock, carrier executives say that nearly 70 percent of all revenue gets eaten up immediately.

Throw in fuel, insurance—both liability and healthcare for employees—and debt service, and that percentage rises to nearly 85 percent. So even the best and most profitable carriers are running rather thin profit


margins compared to railroads and other industries.

Larkin says that the most important things carriers can do to stay on top in this brutal operating environment is to price their services properly, maximize equipment utilization and productivity, proactively manage safety, recruit and retain high-quality drivers, manage driver turnover, maximize fuel efficiency, trade in rolling stock regularly, and avoid an over-leveraged balance sheet. That, of course, is easier said than done.

"The most important thing is pricing properly," says Larkin. "Without that, all cost and efficiency measures are for naught."

Myron "Mike" Shevell, chairman of the Shevell Group (parent of Northeast Regional giant NEMF, No. 18 LTL) who's been in trucking for more than 60 years, heartily agrees with Larkin's assessment. "There's so much discounting going on, it's crazy," he says. "Everything we buy has been going up—equipment, fuel, insurance, driver pay, terminals—but some guys insist on cutting rates. If this keeps up, we're going to end up like the airlines, with one or two carriers dominating every region. You have to recapitalize and invest to stay in business."

The profit leader in the LTL sector is Old Dominion Freight Line (No. 5 LTL). While not immune to rising health care costs and difficult winter operating conditions, ODFL still posted an impressive 87 operating ratio (OR) with 10.9 percent year-over-year tonnage growth in the fourth quarter of 2013.

Even so, ODFL is not standing still. It is making significant IT investments, including a 3-year to 5-year project of expanding and enhancing its technology platform and getting a new mainframe to position the company for another doubling of capacity over the next 10 years.

TL carrier U.S. Xpress (No. 6 TL) takes great pride that its fleet of 6,000 tractors and 16,500 trailers is among the youngest in the industry, with power units averaging less than four years old. "We routinely recapitalize our fleet assets in order to provide our customers one of the safest and most efficient TL fleets on the road today," says Todd Davis, USX senior director of pricing and marketing.

And it's not just in rolling stock. "Just as we are investing in our physical assets, we are also investing in our human assets," Davis adds. "We are undertaking a company-wide Lean Six Sigma training program to further improve quality and efficiency."

In that category, USX joins Con-way (No. 2 LTL and No. 16 TL) in embracing Lean Six Sigma. Con-way formally began its continuous improvement process about six years ago. According to Doug Stotlar, president and CEO of parent Con-way Inc., it is a process, not an event. In fact, its third party logistics unit, Menlo Worldwide Logistics, has been a leader in Lean for nearly a decade, Stotlar adds.

"The past two years have seen these continuous improvement practices roll into our trucking operations, which we believe will drive efficiencies and more fully engage employees in the business," says Stotlar. "Our focus is now on becoming a world-class safety organization."

Stotlar says that Con-way has invested in advanced onboard safety technologies, while changing its approach to safety. "We are focused on going beyond the traditional rules-based safety program to developing a true, high-performing safety culture."

According to Hammel, "Pitt Ohio continually invests in technology to become more efficient and to understand our customers better. We know which customers work well for us in certain lanes and which customers don't. We're also investing in back office functions to keep our costs low and our service high."

> Even the best and most profitable carriers are running rather thin profit margins compared to railroads and other industries.

Pitt Ohio enjoyed 10.9 percent jump in revenue last year, the largest organic revenue increase of any LTL carrier, according SJ Consulting, *Logistics Management's* partner in producing the annual Top 50 Trucking list.

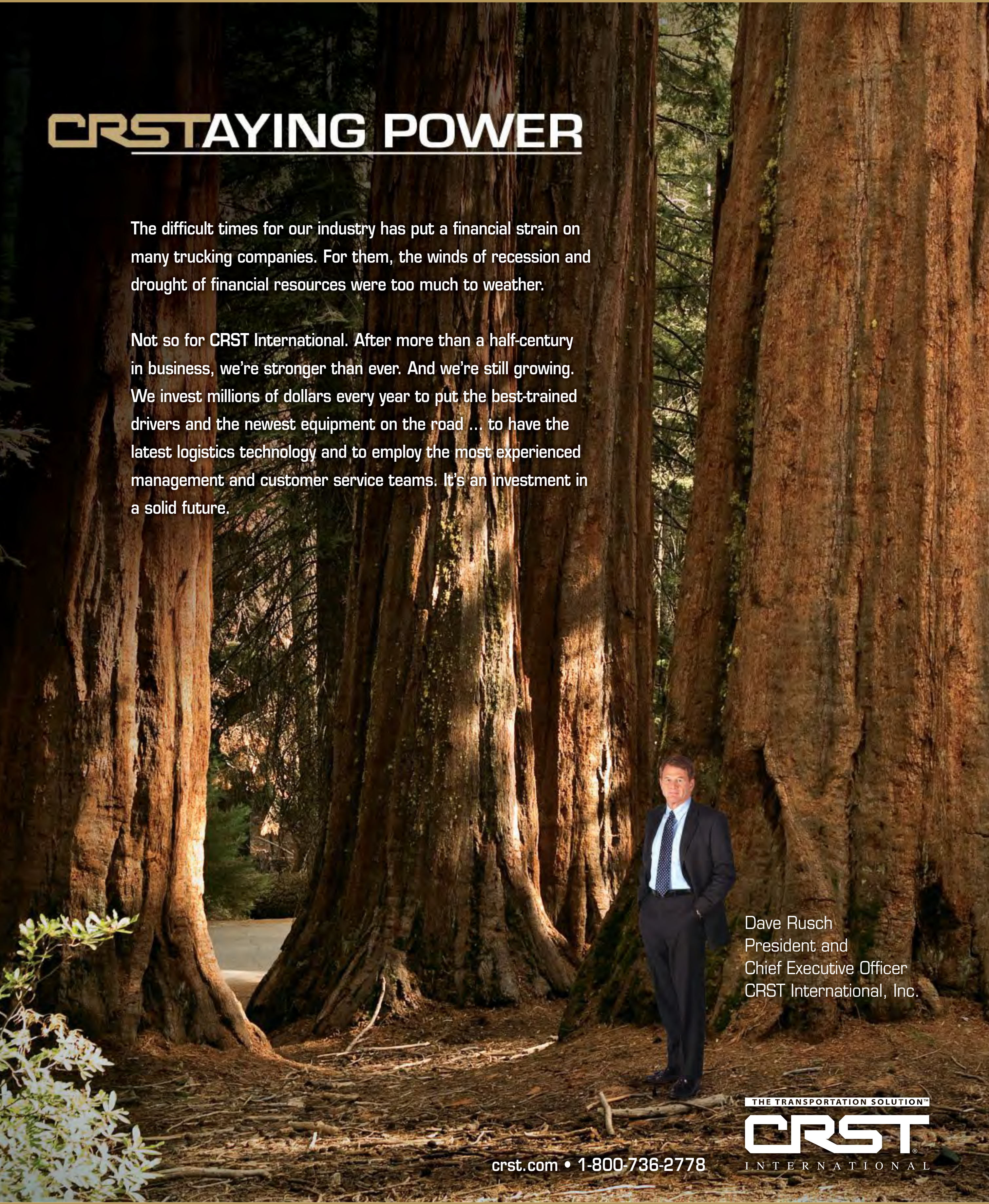
Hammel says that jump is partially due to Pitt Ohio's solid relationship with third-party logistics providers (3PLs), which increasingly control an ever-larger share of freight. "From a go-to-market standpoint, we have embraced 3PLs as a valued sales channel," Hammel explains. "Many carriers see them as competition, but we see them as an efficient way of onboarding new business at a fair price."

Another innovation is the formation of new creative services on the ground. Pitt Ohio and Averitt Express (No. 12 LTL) have teamed with a handful of other traditionally regional LTL carriers to form the "Reliance Network," which allows for longer-haul, national coverage.

Averitt also introduced "PortSide" services in response to the near-shoring trend in manufacturing. This provides shippers with one-stop shopping for transloading, drayage, inland transportation management for road and rail, distribution and consolidation, as well as warehousing and other services.

Information services is another differentiator for

DEDICATED SERVICES | EXPEDITED | MALONE | LOGISTICS | SPECIALIZED TRANSPORTATION | TEMPERATURE CONTROLLED TEAM SERVICE




CRST – THE TRANSPORTATION SOLUTION


the Top 50 carriers. Besides moving boxes and pallet loads of freight consistently, YRC's Welch says that there is a new demand to provide timely and reliable information about where those boxes and pallets are.

## Race for drivers

Besides offering new services, chasing freight, and trying to keep their customers happy, all truckers face the prospect of coping with $4-per-gallon diesel, increasingly costly government regulations, greater capital expenditures for rolling stock, information technology investments, and higher driver pay.

Of all those cost, perhaps the driver situation is the most vital. Very few fleets are expanding significantly, mostly because they don't have the additional supply of drivers. "The truckload driver shortage is as severe as ever," Larkin says. "Finding drug free, CSA compliant drivers remains a challenge, despite commendable efforts on the part of many carriers."

Some carriers are turning to military veterans returning from Iraq and Afghanistan as a partial solution. Con-way, for instance, actively recruits from the military and already has 2,500 ex-military working at its various units. Con-way Truckload has a goal of hiring 500 drivers this year who are veterans.

Driver retention has always been challenging, says Phil Pierce, executive vice president of sales and marketing for Averitt Express. He says Averitt hires only 2 percent to 3 percent of all driver applicants, utilizing one of the most selective hiring practices in the industry.

Once drivers are behind the wheel, they must try to use best driving practices to conserve fuel and lower a fleet's operating costs. Some carriers are using the carrot—rather than the stick—approach. Pierce says Averitt drivers have been rewarded with thousands of dollars in gift cards, a new Mercedes Smartcar, and a Ford F-150 pickup truck.

## The rate effect

Trucking rates in 2014 will largely be determined by which type of trucking service is desired, capacity restraints in that area at any given time, the cost of fuel, geographic lane, the carrier's lane balance and freight density, and the ascent of the U.S. economic recovery.

Perhaps most importantly, contract rate increases will depend on a shipper's particular relationships with their carriers. Factors such as freight volumes, lanes, ease of delivery/drop-offs, and percentage of "driver friendly" freight tendered play a huge part, carrier executives say, when it comes to contract renewal time.

However, in talking with analysts and industry executives, and taking all the operational challenges into consideration, the following ballpark estimates of rate increases can be expected in 2014: dry van TL freight may see 1 percent to 3 percent rate hikes (net of fuel surcharges); temperature-controlled TL carriers perhaps 3 percent to 5 percent; and LTL rate hikes in the 3 percent range, but perhaps higher in some lanes with tighter capacity.

"Capacity is currently at a premium, and it looks as though it will stay that way for a long time," Pitt Ohio's Hammel says. "Rates certainly will go up, as they have been, for the foreseeable future."

Of course, geographic lanes and shippers' individual freight characteristics will largely determine precise increases. An increasing number of carriers, including Pitt Ohio and Con-way, are eschewing large announced general rate increases (GRIs) in favor of working individually with customers.

> "Capacity is currently at a premium, and it looks as though it will stay that way for a long time. Rates certainly will go up, as they have been, for the foreseeable future."
>
> —— *Chuck Hammel, president, Pitt Ohio*

"Rates and capacity are always linked and are often driven by fluctuations in the market," Averitt's Pierce says. "Our philosophy is to position ourselves for as many contingencies as possible."

Con-way's Stotlar adds that savvy shippers are aligning themselves with carriers as "strategic partners," working collaboratively to make both sides better. "It's not a pure rate play," he says. "It's understanding the value of service and having capacity where and when you need it. Those shippers who demonstrate true partnerships and can work toward continuous improvement for both sides are the ones who will fare best in a tightening market."

On the truckload side, USX's Davis says that his company has been "up front" with shippers on the double whammies of the tightening driver supply and increasing cost of compliance with government regulations. "We primarily seek to improve network velocity, density, and eliminate deadhead," Davis says. "Then we review the rate to ensure all aspects are being adequately addressed."

The bottom line for shippers: They can help mitigate inevitable rate hikes by working collaboratively with the best in the industry.

—*John D. Schulz is a Contributing Editor to* Logistics Management


"SMC³ tools provide valuable supply chain data and visibility to our customers."

*Bernd Mosbrucker*
*VP Global SCM Innovation*
*Novigo, formerly GOPA IT Consultants*

An expert at developing focused, pragmatic solutions for this global leader of SAP Transportation Management integration, Mosbrucker delivers customer value through integration of *CzarLite*® LTL base rates, *RateWare*® XL rate management, and *CarrierConnect*® XL content.

**Collaboration. Innovation. Technology.**

Benefit from our collaborative pricing technology and industry expertise. As the leading provider of LTL technology, data and education, SMC³ offers an integrated solution like no other.

The result? End-to-end, ongoing predictability in relationships with shippers, logistics service providers and carriers. For more information, visit www.smc3.com/novigo

SMC³®
Transportation Pricing at Work

**800.845.8090**
**smc3.com/novigo**

MODEX 2014

GEORGIA WORLD CONGRESS CENTER
ATLANTA | MARCH 17-20
www.MODEXShow.com

powered by MHI



# Show WrapUp

By Supply Chain Group Staff, Peerless Media

## Modex 2014 in Review

***With more than 800 exhibits, 150 show floor seminars, and 10 co-located education partners, Modex 2014 showcased the "best of the best" in supply chain, transportation, and logistics information and technology.***

AT 10 A.M. ON MONDAY MARCH 17, John Paxton, president of MHI, welcomed attendees and exhibitors to Modex 2014, "the greatest supply chain show on earth."

This year, the Supply Chain and Transportation USA (SC&T) show was co-located with Modex to deliver a complete supply chain experience for attendees. Laurent Noel, vice president of transportation and logistics at Reed Exhibitions, said SC&T chose the arrangement to showcase leading suppliers in global logistics and supply chain.

This installment of Modex featured 800 exhibits and a broad scope of educational content that included three keynotes and more than 150 show floor seminars. The show also included the events of 10 co-located education partners including the Georgia Logistics Summit.

The combined event offered a broad scope of educational content and insights while also giving attendees a first-hand look at some of the newest innovations in supply chain technology and equipment.

**George Prest, CEO of MHI; John Paxton, president of MHI; and Laurent Noel, VP of transportation and logistics for Reed Expositions, at the show's opening.**

KEYNOTE

## Speed and sustainability win in global logistics

The Monday morning keynote address featured William Strang, president of the Americas Operations Group for TOTO USA, and Gil West, EVP and COO of Delta Airlines.

Strang explained how near-shoring has shortened the supply chain and improved sustainability for TOTO, a plumbing products manufacturer with worldwide operations. Ten years ago, Strang said, TOTO North America sourced about 70 percent of its products from Asia, but today, 73 percent is made in the Americas, cutting logistics time and its carbon footprint while also avoiding trade disruption risks involved in longer overseas routes. "We want to make sure we can mitigate those risks as much as possible," he said.

**William Strang**

Delta uses a "speed wins" philosophy for its operations, said West, including keeping better track of baggage to improve handling performance to an industry-leading position within the last five years, and proactively rerouting customers when flights are canceled, using text alerts and mobile apps to keep customers informed.

## INSTAPAK® FOAM

- Expands on site by 200 times original volume reducing freight energy.
- Custom-engineered, reduced package size and weight reduces shipping resources.
- Instapak® RC45 foam contains 25% renewable content.

**www.instapakcomplete.com**

## FILL-AIR® INFLATABLE VOID FILL

- Expands on site, reducing freight energy.
- Loses 99.3% of its volume when deflated after use.
- Easy to recycle. Visit *how2recycle.info*.

**www.fillaircyclone.com**

Sealed Air
Product Care

# Packaging Should Protect More Than Products

At Sealed Air, when it comes to our products and the environment, we look at the entire lifecycle of our products—because it's the right thing to do.

Our SmartLife™ initiative is designed to educate and demonstrate how packaging can enhance sustainability through technology, innovation and design. This approach helps our customers make smarter decisions about the entire lifecycle of their packaging materials.

We all share the responsibility of making informed choices about the products and materials we generate, with the ultimate goal being a better way for life.

Let us be your partner in packaging.

For More Info

**www.sealedairprotects.com**



## BUBBLE WRAP® BRAND CUSHIONING

- Available in Recycled Grade, with 50% pre-consumer recycled content.
- Patented Barrier Bubble® layer retains air longer.
- Maintained performance promotes reusability.

**www.bubblewrap.com**

## PAPER PACKAGING

- Can be recycled in mixed paper streams.
- 100% recycled fibers (85% post industrial, 15% post consumer).
- All production scrap is reclaimed.

**www.fasfilsystem.com**

## ETHAFOAM® POLYETHYLENE FOAM

- Our Closed-Loop Recycling system reclaims nearly all fabrication scrap.
- Recycled Content foams contain 65%-100% pre-consumer recycled content.
- Can be recycled in LDPE recycling systems.

**www.ethafoam.com**

KEYNOTE

## Omni-channel and supply chain analytics top trends in industry survey, say Modex keynote presenters

The impact of omni-channel fulfillment and the power of analytics emerged as the most important trends in an industry survey released and highlighted at Wednesday's keynote, according to Scott Sopher, a principal with Deloitte, and co-presenter of the keynote with George Prest, CEO of MHI. The survey was conducted by MHI and consulting firm Deloitte.

In the survey of 450 supply chain professionals titled *2014 MHI Annual Industry Report: Innovations that Drive Supply Chains*, 61 percent of respondents called multi-channel, also known as "omni-channel" fulfillment, as either very strategically important or moderately important, though only 46 percent planned to increase investment on it over the next three years, indicating a potential gap in the industry in being able to take advantage and lead with this trend, said Sopher.

"I believe companies are going to need innovative materials handling equipment to meet this need," said Sopher.

The two major barriers preventing innovation in the supply chain are a talent shortage and a continuing focus on cost reduction, the study found.

Prest encouraged companies to invest in talent development and education efforts to cope with technology priorities and interests revealed in the study, which included mobility, 3D printing, and sustainability. While cost reduction remains the dominant driver in the industry, abruptly shutting down talent recruitment efforts or employee education to cut costs is a bad move because it effectively "cuts off your talent supply chain," said Prest.

STATE OF THE INDUSTRY

## Growth to continue, but at a slower pace, MHI says

*Growth will continue in the materials handling industry in 2014 and 2015, announced MHI, the sponsor of Modex, in the group's annual State of the Industry press conference on Tuesday.*

"We anticipate growth in the range of 7 percent to 8 percent in 2014, and from 9 percent to 10 percent in 2015," said George Prest, CEO of MHI. Prest tempered his comments by noting some downside risk remains for the first half of 2014, due to global economic and political uncertainty, as well as tentative U.S. consumer and investor confidence.

Breaking down the numbers, Prest highlighted:

• New orders grew by 8.2 percent in 2013 over prior year orders. MHI anticipates new orders to grow by 8 percent in 2014 and 10 percent in 2015.

• Shipments grew by 7.8 percent in 2013 over prior year shipments. MHI expects shipments to grow by 7.7 percent in 2014 and 8.7 percent in 2015.

• Domestic demand, which is defined as shipments of materials handling equipment plus imports less exports, grew by 8.5 percent in 2013. Domestic demand is forecasted to grow by 7.9 percent in 2014 and 9 percent in 2015.

• Import growth in 2013 was 3.9 percent in 2013—a significant decrease from 17.9 percent in 2012. Export growth was flat in 2013, down from 12.4 percent in 2012. MHI projects a modest rebound on both imports and exports beginning mid-2014, and continuing to grow into 2015.

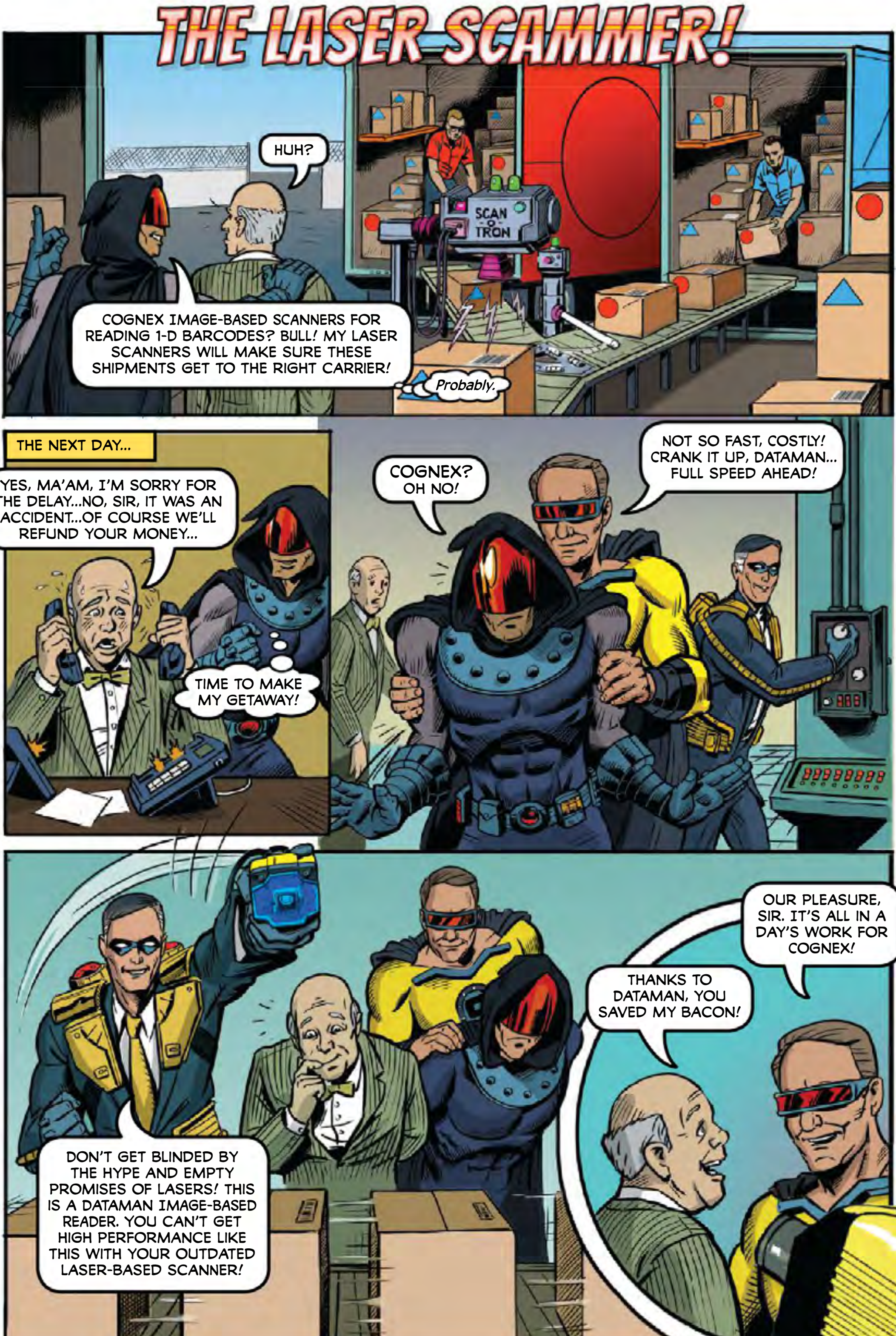
"The numbers are slightly down from where we were projecting last year," Prest said, "but we've had a really nice run as an industry overall for the past four years. Although we are now on the decelerating side of growth in our cycle, things have been very strong, and the economic indicators continue to be strong for our industry."

Prest also highlighted MHI's involvement in the *U.S. Roadmap for Material Handling & Logistics*, a joint effort among multiple industry associations and publications. The Roadmap, published in January, offers a visionary look at how the industry will change between now and 2025.

Additionally, Prest introduced Daniel Stanton, MHI's new VP of education and professional development. MHI's Young Professionals Network (YPN) was also showcased as a means to help develop the careers of those entering the industry through networking, mentoring and professional development activities.

Finally, Prest encouraged attendees to make plans to attend ProMat 2015, scheduled for March 23 to 26, 2015 in Chicago's McCormick Place South. The tradeshow will showcase the latest manufacturing, distribution and supply chain solutions in the materials handling industry. Registration for ProMat gives attendees free entrance to Automate 2015, highlighting automation and motion control technologies, as the two shows will once again be co-located.

# BEWARE OF CHEAP IMITATIONS! DON'T BE FOOLED BY...




## DATAMAN® 300

SERIES OF BARCODE READERS IS THE TRUE LASER REPLACEMENT FOR LOGISTICS AND FACTORY AUTOMATION APPLICATIONS.

WITH HIGHER READ RATES THAN LASERS, DATAMAN IMAGE-BASED READERS CAN EASILY HANDLE DAMAGED OR DISTORTED CODES THAT CONFUSE LASER SCANNERS.

**GET THE DATAMAN PRODUCT CATALOG**

**WWW.COGNEX.COM/SCAMMER**

DATAMAN® 300 BARCODE READER

*READ MORE ADVENTURES OF DR. VISION AND DATAMAN:*

**WWW.COGNEX.COM/ADVENTURES**

COGNEX

SERIES 1, NO. 4

## Seegrid unveils vision-guided walkie stacker

In a press conference at Modex, Jeff Christensen, director of product development at Seegrid showed off the new GWS35 automated, vision-guided walkie stacker.


**Jeff Christensen, director of product development at Seegrid, demonstrates the new GWS35 automated, vision-guided walkie stacker.**

"In keeping with our 'Automation for Everyone' theme in 2014, we've added the GWS35 to help users take advantage of their vertical transportation," he said. "This automatic guided vehicle (AGV) can place or pick loads elevated on a conveyor, an ergonomic lifting device or racking."

Capable of lifting 3,500-pound loads to heights of 72 inches, the unit travels without wire, laser, tape or magnet.

Its 360-degree vision system uses the existing infrastructure to map its own guidance path.

"The stacker can be added to an existing fleet of Seegrid AGVs, and can be operated in either manual or automatic modes, reducing labor requirements," added Christensen.

To reinforce the "Automation for Everyone" message, the company gave away a free GWS35, fully installed.

## Lucas Systems launches voice picking solution for smart phone

Lucas Systems announced that its Jennifer VoicePlus voice picking applications will be certified on smart phones, starting with the Samsung Galaxy S4, with general availability planned for May 2014.

The Jennifer solution for smart phones includes industrial-grade accessories to create a rugged, secure, and economical solution for the warehouse, said Jennifer Lachenman, VP of product strategy at Lucas Systems. Lucas also continues to support best-of-breed industrial computers, but certifying the solution for smart phones builds on the company's tradition of concentrating on applications and giving end users a wide range of hardware options, said Lachenman.

"For us this is not so much a revolution as an evolution of what we've been doing," said Lachenman. "Ultimately it's about offering our customers the best range of choices."

A demonstration of Jennifer VoicePlus running on a Samsung Galaxy S4 was shown at the booth. The solution can leverage the smart phone's imaging engine to perform scanning, or can be outfitted with a Bluetooth wireless ring scanner.

According to Lachenman, smart phones are well suited to voice picking because they are built with features like Bluetooth connectivity in mind, and have become more rugged and secure as well. Some case options for the Galaxy S4, she noted, bring the hardware's IP rating up to 68.

"Smart phones are designed to support the use of voice, screen, and imaging, so they are a natural fit for Jennifer VoicePlus," she said. "More importantly, the smart phone ecosystem is driving mobile technology innovation and new types of smart and durable wearable devices that create the possibility of even more powerful, productive warehouse applications in the future."

## Honeywell releases new picking solutions

Bringing together the technologies of both Honeywell and Intermec RF scanners is the new Granit 1280iFR device that was introduced in the companies' shared exhibit.

The unit features near/far scanning capabilities that enable 1D bar code reads at distances up to 54 feet, in a ruggedly engineered unit, designed to withstand harsh environments, said Bruce Stubbs, director of industry marketing at Intermec by Honeywell.

"This rugged device is ideal for refrigerated and freezer applications in particular," Stubbs added. "It's IP65-rated to remain sealed against condensation and resist fogging and frosting on the scan face. Its rugged construction can also withstand repeated drops to frozen concrete floors."

Also on display is Vocollect's new Talkman A720 voice-directed picking device equipped with two TCO connectors. "Having two connectors supports wired headsets and other peripherals, such as long-range scanners," said Jay Armant, VP of product management for Vocollect by Honeywell.

## SSI Schaefer showcases parts handling solutions for low-volume applications

SSI Schaefer demonstrated integrated standardized systems for small parts handling, including the Logimat AS/RS, the Pick@Work workstation, and the Autocruiser transport system.

In principle an automated tool drawer cabinet, the Logimat can be configured as high as 60 feet. One operator could operate as many as six of the units, which deliver goods on a tilted tray with target picks illuminated from above.

**Norbert Hübler, business development manager for SSI Schaefer.**

The Pick@Work solutions combine ergonomic workstations with pick-to-light technology that leads the employee step by step through a work process. The system is suitable for the assembly of tiny (batch size 1) and small series (maximum recommended batch size 300) and/or assembly at a pick speed of up to 600 lines per hour.

The Autocruiser is a scalable transport solution closing the gap between forklift transports and conventional conveyor technology. Designed for 10 to 500 transports per hour of weights up to 30 kg, the system requires no software or controls.

## Swisslog announces major U.S. installation of robotic order fulfillment system

In a press conference, Swisslog detailed a commissioned installation of its Click&Pick goods-to-person, multi-channel robotic order fulfillment system for LIDS Sports Group, part of Hat World.

The system will be installed at the company's central DC in Indianapolis, said T.J. Fanning, Swisslog's director of customer support sales and account management. "This project will support continued sales growth and ensures fast, accurate order fulfillment to their stores, third-party partners, and direct e-commerce customers," he said.

Click&Pick's 3D grid of stacked cubes holds bins of SKUs. Wheeled robotic pickers travel across the top of the grid tracks, pulling each required bin and depositing it in a chute that sends it to a picking station. There, an operator selects the required item and routes it to packing.

"Click&Pick will transform the automated omni-channel solution landscape through speed, efficiency, storage density, and sustainability," said Markus Schmidt, SVP of Swisslog. ☐

## MHI looks ahead to ProMat 2015

***A note by George W. Prest, Chief Executive Officer, MHI, upon the conclusion of Modex 2014.***

You have seen these challenges addressed in more than 100 educational conference sessions, including three keynotes and several collocated education sessions. You have experienced the solutions demonstrated on the Modex show floor by 800 exhibiting companies, first hand.

Now the real work begins, applying the solutions discovered here to your business to cut costs and increase productivity and safety in the years ahead. Even though Modex closed, it continues on-line at MODEXShow.com as an on-going resource to both exhibitors and attendees.

MHI will sponsor another world-class trade event in March 2015. **ProMat will be held March 23-26, 2015 at Chicago's McCormick Place.**

More information and free on-line registration for ProMat can be found at ProMatShow.com.

MHI was privileged to be your host during Modex and would like to serve as a year-round resource as you face the challenges and opportunities of a more complex and ever-changing commercial world. We can be reached by phone at 704-676-1190, by fax at 704-676-1199 or by visiting us on-line at mhi.org .

We hope you found your visit to Modex both enjoyable and productive, and we look forward to seeing you in March 2015 in Chicago at ProMat.

# Pacific Rim Report

By Patrick Burnson

**Patrick Burnson** is Executive Editor of *Logistics Management.* If you want to contact Patrick with feedback or a story idea, please send an e-mail to pburnson@peerlessmedia.com.

## Leadership void adds to tension at trio of major ports

IN KEEPING WITH A TREND established at the dawn of the container age, inbound shipments dipped substantially following Chinese New Year.

Overall February volumes at the Port of Los Angeles decreased 8.9 percent compared to February 2013 due in part to the Lunar New Year celebrations that closed many factories in Asia for two to three weeks last month. Shippers will no doubt recall that in 2013, the holiday had a negative impact on March container volumes.

Import volume at the Port of Long Beach, meanwhile, was down 2.7 percent, while exports were up 2.1 percent in February compared to the same month last year. Overall, cargo volume fell 2.6 percent due to an 8.3 percent decline in empty containers.

But while the slump in activity is seasonally predictable, shippers are concerned about another major development: the leadership void. The Port of Los Angeles lost its executive director, Geraldine Katz, when a new mayor was elected. And the Port of Long Beach lost its chief, Chris Lytle, when he took a better offer at the Port of Oakland.

**There's certainly no dearth of candidates on the Pacific Rim capable of embracing such risk. It's up to the ports to find the right horse and ride out the wager.**

Both major ocean cargo gateways have an executive search underway, and now the Port of Seattle has begun one of its own in anticipation of Tay Yoshitani's departure. This veteran port director announced his resignation late last year, leaving a lasting and enviable legacy.

Unfortunately, this lack of leadership comes at a time when forces are converging to make the West Coast less attractive to ocean carriers.

A case in point is the Port of Vancouver. This huge Canadian player—the largest in the nation—suffered a crippling strike staged by truckers last month. Almost 2,000 truckers, both union and independent, stopped working to protest long lines and wait times and other "unfair" practices at the port.

The strike began in late February and at press time was still unresolved. The event had a devastating impact on the economy, with only about 15 percent of the normal container traffic being moved by motor carrier—thereby causing supply chain disruptions for retailers across British Columbia and in the rest of Canada dependent on Pacific Rim logistics.

A strike similar to this one can occur at any time in the U.S., but what really has shippers concerned are the pending negotiations with dockside labor.

With the current Longshore and Clerks' Contract expiring just three months from now, on midnight of June 30, The International Longshore and Warehouse Union (ILWU) is gearing up for a major fight.

ILWU International President Bob McEllrath has told members to "hold the line," and encouraged them to propose strategies to address the challenges ahead, including:

Jurisdiction: Efforts by the employers and other unions to "poach" Longshore jobs.

Health Care and Pensions: Increased employer and government pressure to cut benefits.

Automation: Employer efforts to replace workers with new technology.

Add to this miasma the fact that West Coast ports are being threatened by the Panama Canal expansion. East Coast and Gulf ports are aggressively wooing beneficial cargo owners to advise carriers on deployment alternatives when the project is completed in 2015.

These developments lead one to beg the question: Who would want to be an executive director of a West Cost port?

One might argue that it's time for these bureaucracies to begin to take a creative path toward evaluation of leadership. In the private sector, logistics managers are often drawn out of the world of finance, research, or human resources. Placed in a new position of authority, many of them thrive while altering the company culture with innovation and vision that had not been considered before.

There's certainly no dearth of candidates on the Pacific Rim capable of embracing such risk. It's up to the ports to find the right horse and ride out the wager. ☐