LOGISTICIANS

JULY
2018
Issue #1

PTI

Economic Survey 2018: India's logistics sector to reach $215 billion by 2020

The Economic Survey for 2018 highlights a positive trajectory for India's logistics industry, currently valued at around USD 160 billion, projecting a significant growth to USD 215 billion within the next two years with the implementation of the Goods and Services Tax (GST). According to the Economic Survey tabled in Parliament, the Indian logistics market is expected to reach the USD 215 billion mark in 2020, growing at a Compound Annual Growth Rate (CAGR) of 10.5 percent. The industry, employing over 22 million people, has demonstrated a CAGR of 7.8 percent in the last five years. The World Bank's 2016 Logistics Performance Index indicates India's remarkable improvement in ranking from 54th in 2014 to 35th in 2016 in overall logistics performance, with advancements in all six components.

Recognizing the significance of the logistics sector and its challenges, the government has included it in the Harmonised Master List of Infrastructure Subsector. This move is expected to facilitate credit flow with extended tenures and reasonable interest rates, simplify approval processes for multi-modal logistics facilities, encourage market accountability through regulatory authority, and attract investments from debt and pension funds into recognized projects. Despite its unorganized nature, the logistics sector faces challenges such as high costs impacting competitiveness, underdeveloped material handling infrastructure, fragmented warehousing, and obstacles to seamless goods movement.

https://www.financialexpress.com/budget/economic-survey-2018-indias-logistics-sector-to-reach-215-billion-by-2020/1034711/

Economic is too important to leave to the economists

To address these, the survey emphasizes the need for a holistic approach focusing on technology, investment, skill development, bottleneck removal, inter-modal transportation improvement, automation, and simplified processes.On the flip side, boosting the efficiency of logistics can lead to high-quality economic growth and increased employment prospects Additionally, it has the potential to enhance safety standards and public health, contributing to India's successful fulfillment of international commitments related to climate change.

In recognition of the sector's importance, a new logistics division has been established in the Department of Commerce to coordinate integrated development, enhance existing procedures, identify bottlenecks, and introduce technology-based interventions. The survey underscores that improving the logistics sector has significant implications for exports, estimating

While the passenger and freight mobility sectors in India are witnessing improved efficiency, with the logistics sector growing at a Compound Annual Growth Rate (CAGR) of 10.5% and anticipated to reach approximately USD 215 billion in 2020, there exists a web of interconnected challenges within the system that must be addressed to further enhance its effectiveness. Addressing these logistical inefficiencies is crucial, as they contribute to a reduction in employment opportunities, perpetuate a poverty cycle in rural areas, compromise the safety of roads and highways, and contribute to environmental pollution.

In essence, rectifying the issues in the logistics sector not only has immediate positive effects on the economy and employment but also aligns with broader global goals forsustainability and environmental responsibility.

Price is what you pay
Value is what you get.
Warren Buffet

The transport status denotes the location or position of your goods in transit.

Delivery status is a term used to describe the current state of an order or shipment.

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By Patrick Burnson

State of Global Logistics: Delivering above and beyond

In 2018, experts in various industries unanimously anticipate a continued increase in costs globally, and the shippers who can effectively minimize the impact on their profitability are likely to thrive. The use of appropriate technology is becoming increasingly crucial in enhancing efficiencies throughout the worldwide logistics network.

Transport Intelligence (Ti), a consulting firm based in Bath, England, has recently conducted a series of surveys that shed light on the current urgency and heightened pressure in the global logistics landscape, regardless of the transportation mode.

The surveys, part of Ti's "Logistics Surveys 2017" collection, encompass the latest insights from the market and perspectives from senior executives within its "Logistics Briefing" network, primarily focused in the EU. The findings, completed in December, strongly indicate that the global express industry has undergone substantial transformations, notably influenced by the significant shifts brought about by e-retail. The collection offers a comprehensive analysis of the key trends impacting the entire industry, with a focus on five surveys investigating freight forwarding, motor carriers, express and warehousing sectors, along with the increasingly critical subject of "environment and ethics" in global logistics.

Despite the prevalence of online shopping for many years, shippers, as per Ti's research, express ongoing belief in its offering the best growth opportunities for their businesses. Additionally, they emphasize the importance of carriers remaining focused on meeting evolving consumer needs in the face of technological advancements.

The individual surveys conducted by Transport Intelligence (Ti) highlight distinct challenges within each logistics market, with disruption emerging as a predominant trend across all segments. Innovation and disruption are perceived as a "double-edged" sword in each case.

For instance, in the forwarding sector, a significant number of respondents predict that traditional freight intermediaries may lose ground to new entrants. However, these respondents also view certain technological innovations as a means of offsetting the impact of rising costs. The freight forwarding survey additionally reveals that logistics professionals identify air and sea freight as the trade lanes with the most promising prospects for volume growth in the coming years.

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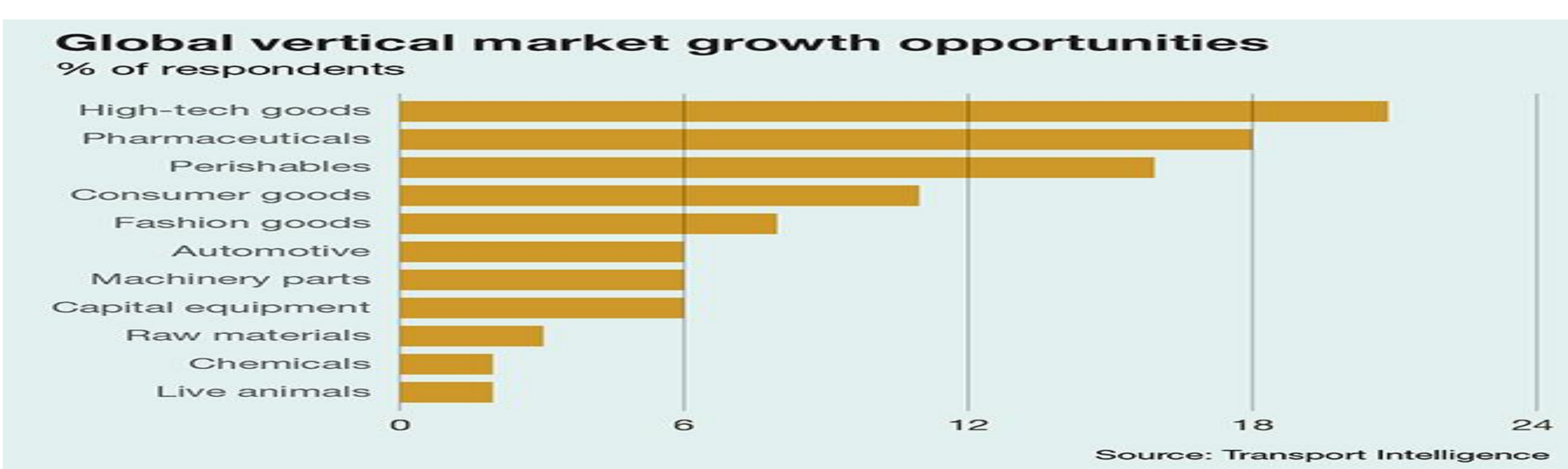

Source: https://www.logisticsmgmt.com/article/state_of_global_logistics_delivering_above_and_beyond

In Ti's European "Road Freight Survey," shippers indicate the technologies with the greatest potential to transform their business. Notably, autonomous vehicles ranked third, indicating a cautious outlook among respondents who may view fully driverless trucks as more aspirational than immediate.

The motor carrier survey anticipates substantial fluctuations in trucking freight rates in the EU in the coming year, particularly in the truckload and less-than-truckload (LTL) sectors. This survey provides insights into growth opportunities within the European motor carrier sector, offering valuable input for aligning trucking strategies with upcoming trends and demand fluctuations.

Ti analysts highlight the challenges e-commerce poses to express carriers' operations, prompting logistics managers to seek effective solutions for managing changes in volume mix. Ti's CEO, John Manners-Bell, emphasizes the significant impact of e-commerce on warehousing property in the EU, leading to substantial investments in new facilities. The survey reveals the growing importance of smaller locations aimed at distributing e-retail shipments to local consumers in the Americas and Asia-Pacific.

Despite the attention online booking and quotation platforms have received in the international freight forwarding sector, Manners-Bell notes that a surprising number of respondents expressed dissatisfaction with their performance. Of the logistics executives who used these platforms, 61% found their performance "mixed," while only 14% believed they performed well across all functionalities.

Manners-Bell suggests that while significant progress toward digitization is anticipated in the next five years, there is still a long way to go before this technology disrupts traditional freight forwarding processes.

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Source: https://www.porttechnology.org/news/microsoft_oocl_partnership_to_develop_shipping_ai/

Microsoft-OOCL Partnership to Develop Shipping AI

By Port Technology Team

Microsoft's research arm, Microsoft Research Asia (MSRA), and Orient Overseas Container Line (OOCL) have unveiled a collaboration aimed at integrating artificial intelligence (AI) research into the shipping industry.
Microsoft Research Asia (MSRA) and Orient Overseas Container Line (OOCL), a Hong Kong-based international container transportation, logistics, and terminal company, have formed a partnership to apply artificial intelligence (AI) research to the shipping industry.

Steve Siu, Chief Information Officer of OOCL, emphasizes the potential of MSRA's efforts to optimize shipping network operations. The partnership includes training over 200 AI engineers through machine learning and deep learning sessions at the Hong Kong Science Park. Dr. Hsiao-Wuen Hon, Corporate Vice President of Microsoft and Chairman of Microsoft's Asia-Pacific R&D Group, notes that AI is a complex business challenge in digital transformation, and MSRA's experts have collaborated with OOCL to optimize shipping operations using deep and reinforcement learning.Steve Siu, OOCL's Chief Information Officer, anticipates an annual saving of approximately $10 million in operational costs through the application of AI research and techniques in optimizing shipping network operations, a result of their recent 15-week engagement with MSRA.

The collaboration will engage over 200 AI developers in the next 12 months. OOCL emphasizes the significance of AI in its digital transformation vision, boasting a talent base of over 1,000 developers across various locations. The carrier has been utilizing machine learning for years, processing over 30 million vessel data monthly and leveraging AI technology for predictive analytics on vessel schedules and berth activities.Microsoft's General Manager in Hong Kong, Ally Chan, highlights the company's commitment to providing AI solutions for various industries and accelerating the adoption of AI innovations. MSRA, Microsoft's research arm in the Asia Pacific region, is a leading community for core AI technologies. The collaboration aims to revolutionize the shipping industry, with an 18-month joint partnership in research and development focused on applying deep learning and reinforcement learning in shipping network operations. OOCL expects to save around $10 million annually by applying AI research and techniques. business model, and user experience, Dr. Hon acknowledges the complexity of embracing AI in the digital transformation of shipping network operations, where multiple parties and variables can change rapidly. He highlights the collaborative efforts of MSRA's AI research experts with OOCL to optimize existing shipping operations using deep and reinforcement learning, underscoring the need for top AI researchers and domain experts for validating business impact in the realm of research and development

Microsoft Research Asia (MSR Asia)

Looking ahead, they plan an 18-month joint partnership with MSRA for research and development, specifically focusing on implementing deep learning and reinforcement learning in shipping network operations.Additionally, MSRA will play a crucial role in training over 200 AI engineers by conducting machine learning and deep learning sessions at the Hong Kong Science Park within the next 12 months. Siu expresses enthusiasm for strengthening the partnership with MSRA, aiming to leverage AI research and innovations to drive digital transformation in the shipping industry and facilitate knowledge exchange among their top developers to better address customer needs with advanced technologies and predictive analytics. OOCL aims to drive digital transformation within the shipping industry through this collaboration. The company, with over 1,000 developers situated in various locations, had previously adopted a hybrid cloud infrastructure with auto-switching and auto-scaling across its businesses, incorporating machine learning into its operations.

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UPS and Teamsters Discuss Two-Tier Wages, Sunday Deliveries

By Paul Ziobro

: https://www.wsj.com/articles/ups-and-teamsters-discuss-two-tier-wages-sunday-deliveries-1525860000

This proposal has sparked internal divisions within the Teamsters union, with opposition arising, particularly from a faction critical of President James P. Hoffa's leadership. A contentious aspect is the removal of three committee members who opposed the hybrid-driver proposal, leading to accusations of lacking transparency in the negotiation process.

During ongoing contract discussions, United Parcel Service Inc. (UPS) and the Teamsters union are in talks about implementing a two-tier wage system, introducing a new "hybrid driver" position to handle weekend package deliveries, including Sundays, amid the rising tide of e-commerce.

This proposal, currently under negotiation, suggests creating a role paying a minimum of $15 per hour, with a capped rate at $30. Hybrid drivers would operate from Sunday to Thursday or Tuesday to Saturday, avoiding expensive overtime costs associated with weekend services.

The current contract typically sees most package-truck drivers working Monday-to-Friday shifts with higher weekend wages. The proposed hybrid driver role aims to enable UPS to initiate regular Sunday package deliveries, aligning with the service provided by the U.S. Postal Service for customers like Amazon. While UPS introduced Saturday package delivery in select markets in 2017, plans for Sunday delivery have not been disclosed.

The negotiations between UPS and the Teamsters involve one of the largest collective bargaining agreements in the U.S., covering approximately 280,000 UPS employees. The company, with a global workforce of about 454,000, aims to finalize a new contract before the expiration of the current five-year agreement on July 31. UPS CEO David Abney has expressed confidence in reaching an agreement by the deadline.

Apart from the hybrid-driver proposal, other issues being negotiated include raising starting wages for part-time workers and addressing concerns related to excessive overtime. UPS, based in Atlanta, has been investing significantly in automation to handle the surge in e-commerce parcels while also taking measures to control employee costs, such as offering early buyouts to managers last month and freezing pension plans for nonunion staffers in 2017

The ongoing negotiations between UPS and the Teamsters Union involve a proposal that could establish a "two-tier" driver structure, enabling Sunday deliveries, according to The Wall Street Journal.

This proposal forms part of the extensive collective bargaining agreement—one of the largest in the U.S.—that encompasses 280,000 employees out of UPS's total workforce of 454,000. The existing contract is set to expire on July 31

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Truck orders are up but it may not all be for capacity expansion

By Jeff Berman

While there is a prevailing positive outlook on the current state of the trucking market, concerns have been raised regarding the imbalance in capacity coupled with an increased demand.

Recent data on Class 8 truck orders for May, as reported by FTR, underscores the positive outlook for the trucking market. With 35,200 units, May marks the third-highest month on record, and the orders have averaged over 40,000 per month in the last six months through May. FTR notes that Class 8 orders are surpassing expectations, with fleets placing significant orders to meet the growing demand for freight services. Over the 12-month period through May, North American Class 8 orders reached 386,000 units, highlighting the intense capacity crunch in the industry.

Don Ake, FTR's vice president of commercial vehicles, describes the current situation as the tightest capacity crunch ever, emphasizing that fleets are struggling to add capacity quickly enough. Despite the robust truck orders, there's a disconnect, as some industry stakeholders argue that these orders primarily aim at replacing existing capacity rather than expanding it.

Mike Regan, chief relationship officer for TranzAct Technologies, echoes this sentiment, citing insights from CEOs of public truckload carriers. He notes that the majority of new truck orders are for replacement purposes, addressing the challenges of aging fleets. The difficulties in finding drivers persist, and paying them adequately remains a significant challenge. Regan suggests that the market clearing rate for drivers is estimated to be between $68,000-$72,000, yet the current median pay scale for drivers is in the mid $50,000s.

https://www.logisticsmgmt.com/article/truck_orders_are_up_but_it_may_not_all_be_for_capacity_expansion

Capacity expansion is the process of adding facilities over time in order to satisfy rising demand (Manne, 1961; Freidenfelds, 1980, 1981)

Despite the increased demand and higher rates, the trucking industry is grappling with a shortage of drivers.
Lee Klaskow, senior transportation analyst for Bloomberg Intelligence, concurs with Regan, stating that the Class 8 order book is being driven more by replacement needs than by capacity expansion.

He emphasizes that the addition of new trucks is unlikely to loosen up capacity, and the current cycle is expected to continue into 2019 and possibly 2020, barring a major economic shock. Chris Tudtud, senior category manager for Mallinckrodt Pharmaceuticals, anticipates a continued rise in the U.S. freight market due to positive changes in the economy and political landscape.

He acknowledges that rate increases are a result of lower supply and higher demand, with technology also playing a role in driving productivity in the industry.

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STB communicates concern over service issues to Class I railroads

By Jeff Berman

The Department of Transportation's Surface Transportation Board (STB) is once again focused on railroad service concerns. STB Acting Chairman Ann Begeman and Vice Chairman Deb Miller have written letters to the chief executives of the seven North American Class I railroads. The letters request insights from each carrier regarding their service expectations for both the near term and the remainder of 2018.

The STB executives expressed increasing concern about the overall state of rail service based on weekly data collected by the Board. Most Class I railroads show deteriorating service, with system average dwell time on the rise. Other key metrics, such as the average number of stagnant cars in revenue service for 48 hours or more, are trending unfavorably.

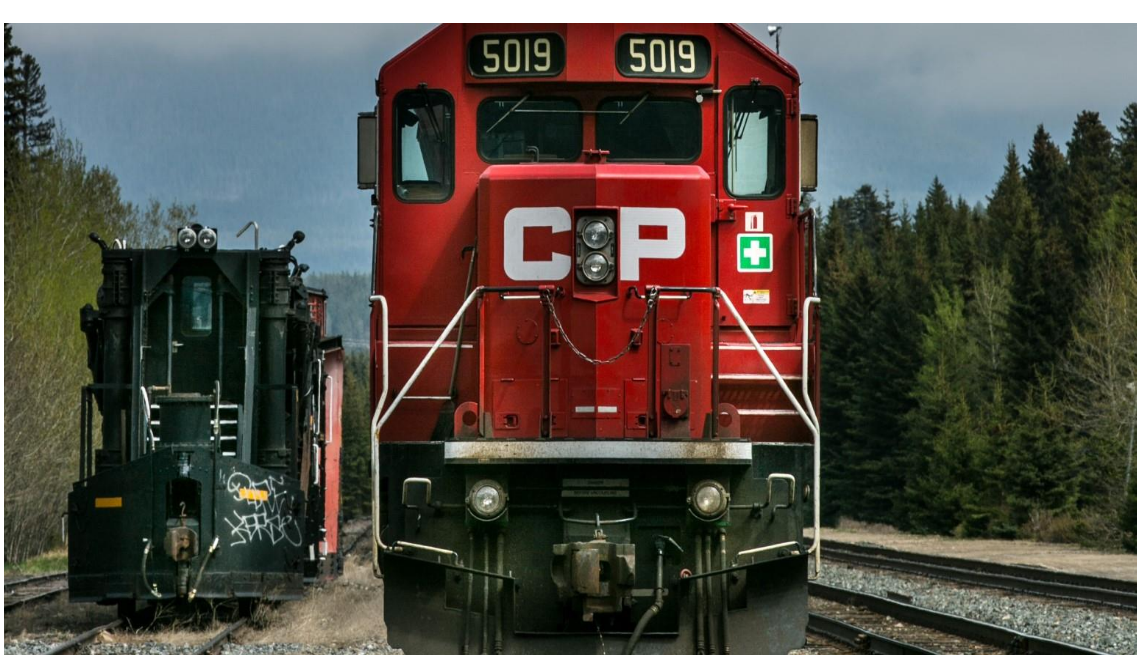
The STB's Rail Customer and Public Assistance Staff will conduct weekly calls with these carriers. Each Class I railroad is requested to provide a written response regarding their outlooks for rail operations, addressing locomotive availability, employee resources, local service performance, demand, communication, and capacity constraints. The letters did not specify a deadline for responses.

The NGFA raised concerns about the railroads' service and accessorial charges, attributing them to the Class I railroads' aggressive efforts to reduce operating ratios. This has resulted in a systemic shedding of resources, including locomotives and crews, leading to unacceptable service levels and a lack of surge capacity.

The STB also received letters from the National Grain and Feed Association (NGFA) and the Alliance of Automobile Manufacturers, expressing dissatisfaction with the current state of the U.S. freight railroad network. The Auto Alliance cited significant degradation in rail service, causing substantial consequences for its members.

It mentioned a shortage of bi-level and tri-level cars for transporting finished vehicles and a failure to meet targets for rail car orders and vehicle ground counts.

The NGFA's letter highlighted specific service and accessorial issues faced by its members for each Class I railroad carrier.



https://www.logisticsmgmt.com/article/stb_communicates_concern_over_service_issues_to_class_i_railroads

One explanation offered to LM was that, in response to decreased volumes, the railroads are adopting an economic strategy of operating fewer but longer trains to cut costs. This approach leads to extended intervals between departures, contributing to increased yard dwell times. Additionally, these larger trains typically travel at a slower pace, causing a significant decline in the average train speeds.

Various reasons have been cited for the decline in railroad service, including the economic response to lower volumes, where railroads run fewer, longer trains to cut costs, resulting in longer wait times and reduced average train speeds.

The STB executives expressed growing concern regarding the overall condition of rail service in recent weeks, as indicated by the weekly data collected pursuant to 49 C.F.R. pt. 1250. Despite some exceptions, the data from most Class I railroads suggests a deterioration in service, accompanied by an increase in system average dwell time.

Key metrics, including the average number of stagnant cars in revenue service for 48 hours or more, are showing unfavorable trends for these railroads. In response, the Board's Rail Customer and Public Assistance Staff will initiate weekly calls with these carriers.