CSCMP'S ANNUAL
STATE OF LOGISTICS REPORT®

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24th Annual "State of Logistics Report®"

Is This The New Normal?

Talking Freight

Federal Highway Administration

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Rosalyn Wilson

r.wilson@delcan.com
571-425-4923

The U.S. Business Logistics System Comprises Three Main Components

CARRYING COSTS

- Interest
- Taxes, Obsolescence, Depreciation, Insurance
- Warehousing

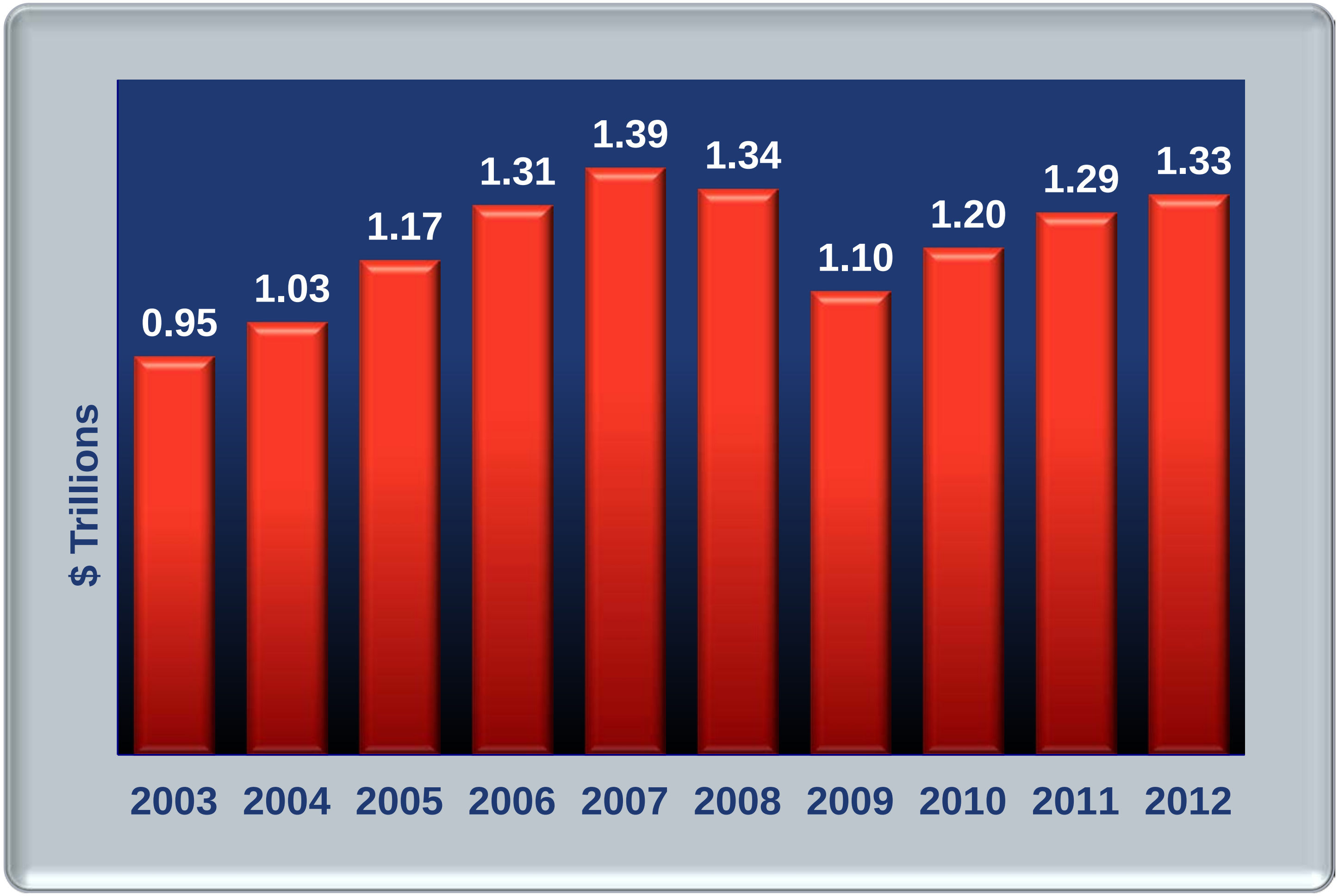
TRANSPORTATION COSTS

- Motor Carriers
  - Truck – Intercity
  - Truck – Local
- Other Carriers
  - Railroads
  - Water
  - Oil Pipelines
  - Air
  - Forwarders

OTHER COSTS

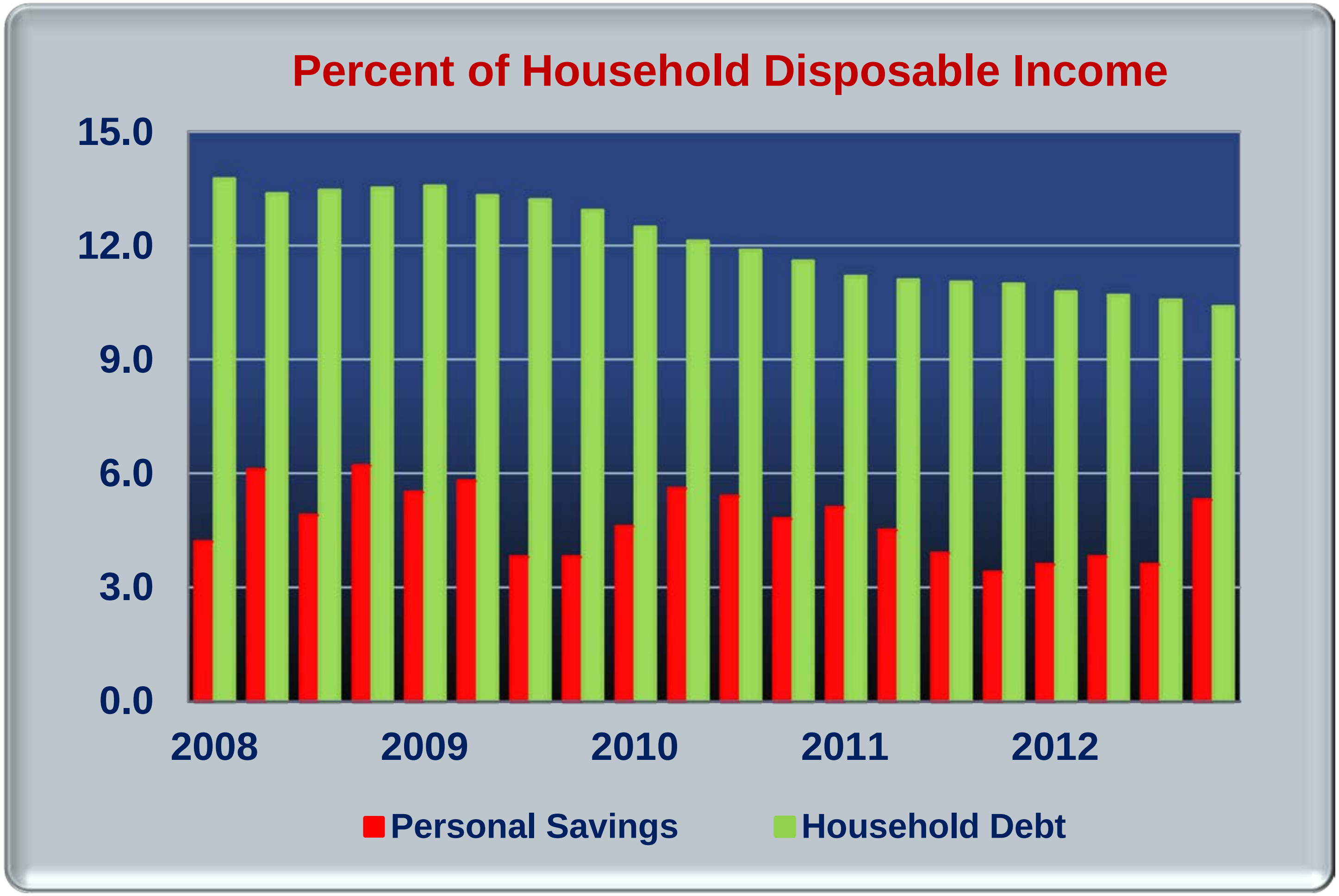
- Shipper Related Costs
- Logistics Administration

U.S. Business Logistics Costs



Capacity, Capacity, Capacity

Personal Savings and Household Debt

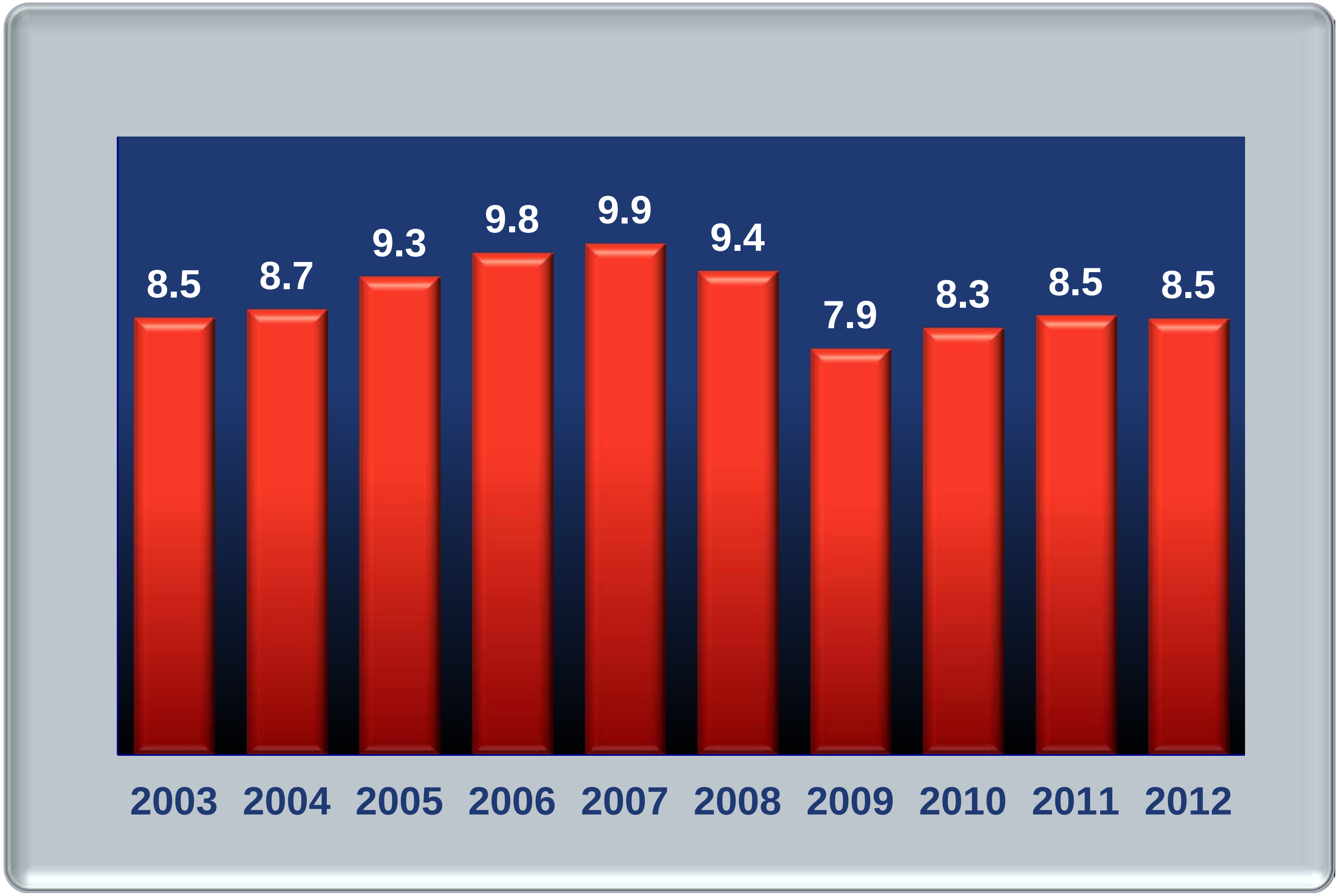


Source: Federal Reserve

Exports and Imports

Source: U.S. Department of Commerce

Logistics Cost As A Percent of GDP



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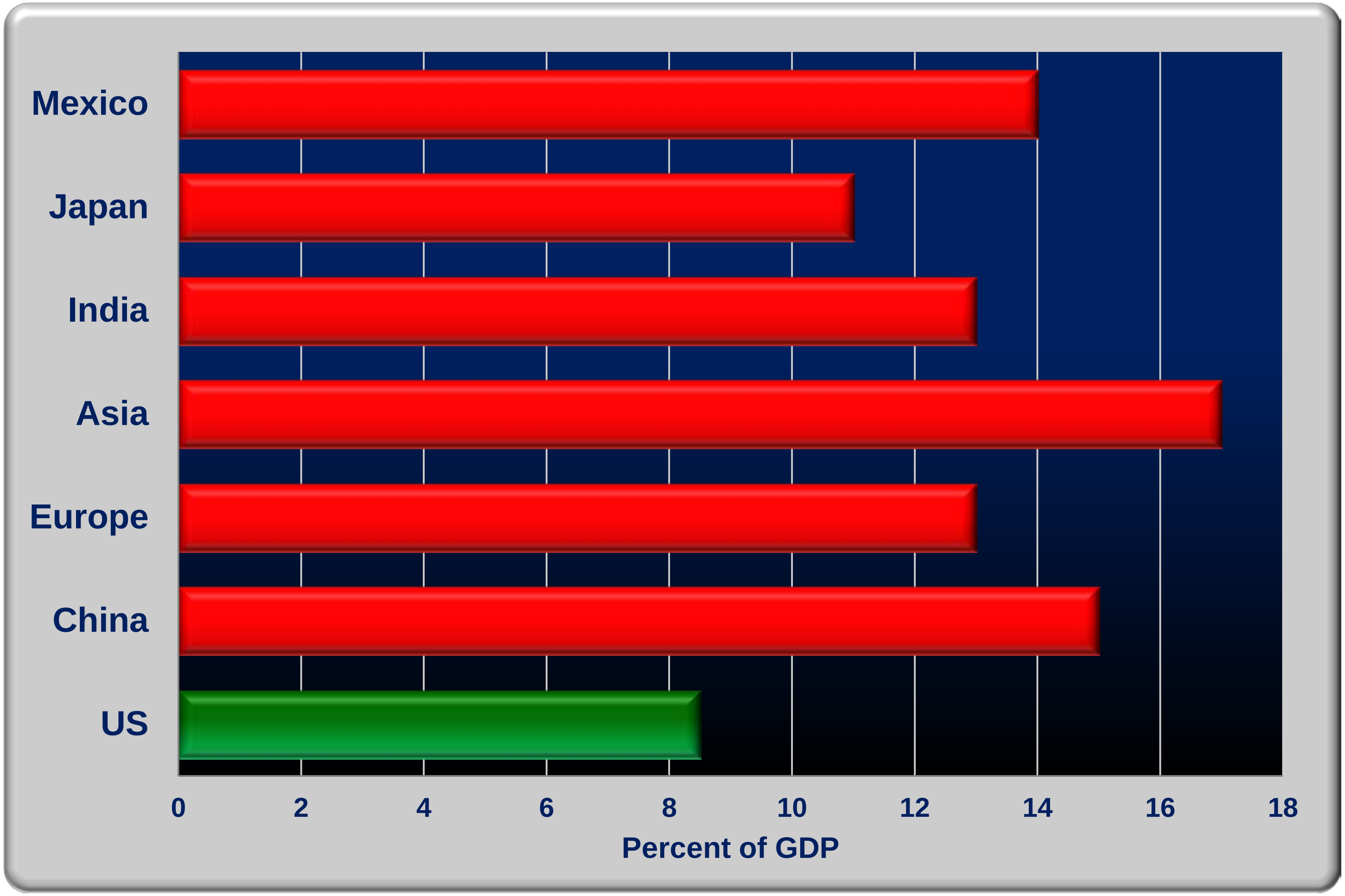


Source: Boston Logistics Group

The U.S. Business Logistics System Cost is the Equivalent of 8.5 Percent of Current GDP in 2012

		$ Billions
Carrying Costs - $2.269 Trillion All Business Inventory		
Interest		3
Taxes, Obsolescence, Depreciation, Insurance		302
Warehousing		130
	Subtotal	**434**
Transportation Costs		
Motor Carriers		
Truck – Intercity		*445*
Truck – Local		*202*
	Subtotal	**647**
Other Carriers		
Railroads		*72*
Water	*(International 27, Domestic 7)*	*35*
Oil Pipelines		*13*
Air	*(International 13, Domestic 20)*	*33*
Forwarders		*37*
	Subtotal	**189**
Shipper Related Costs		**10**
Logistics Administration		**51**
	TOTAL LOGISTICS COST	**1,331**

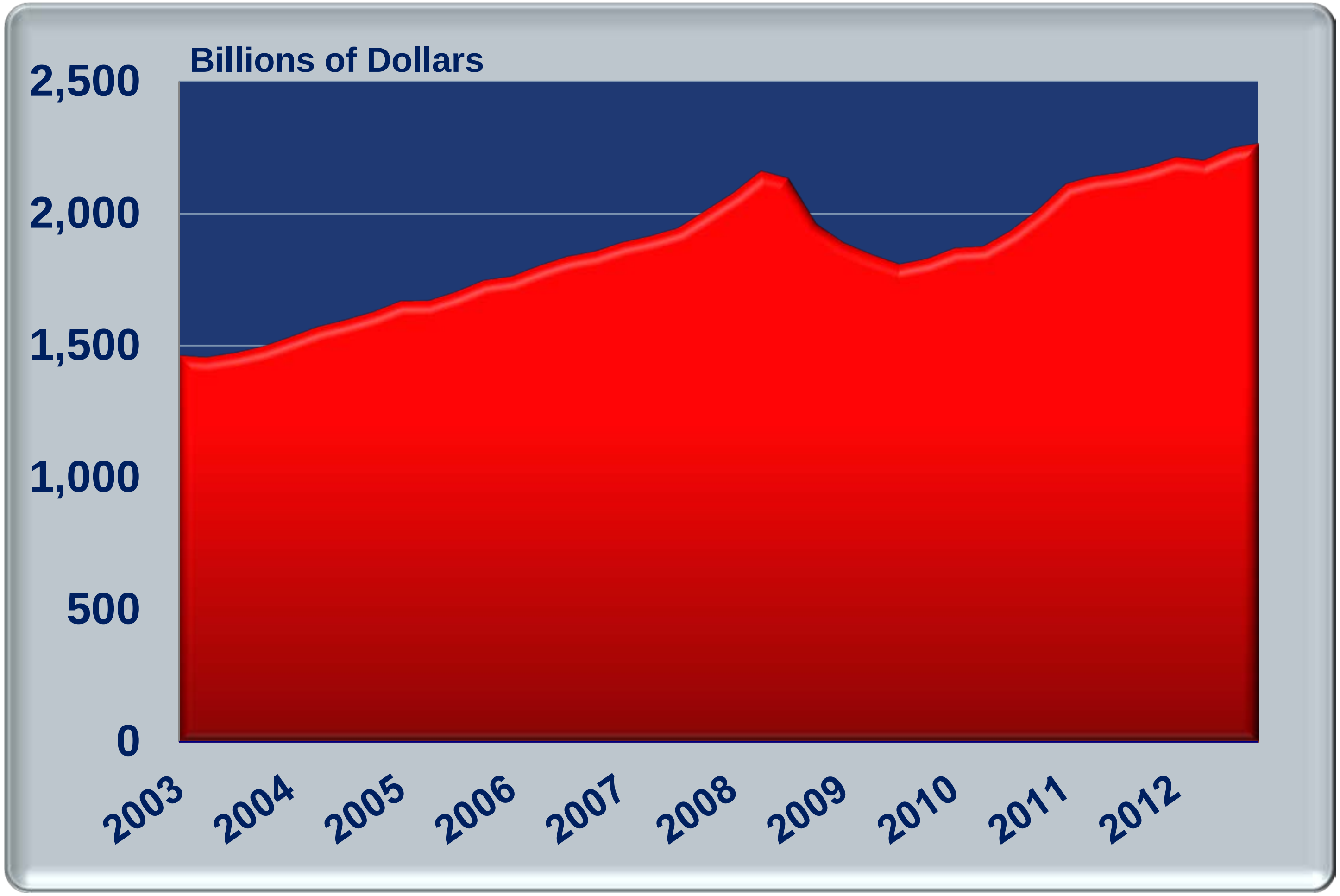
Up 4.0%

Up 3.0%

Up 3.4%

May not sum to total due to rounding

Total U.S. Business Inventories



Source: U.S. Department of Commerce, Census Bureau

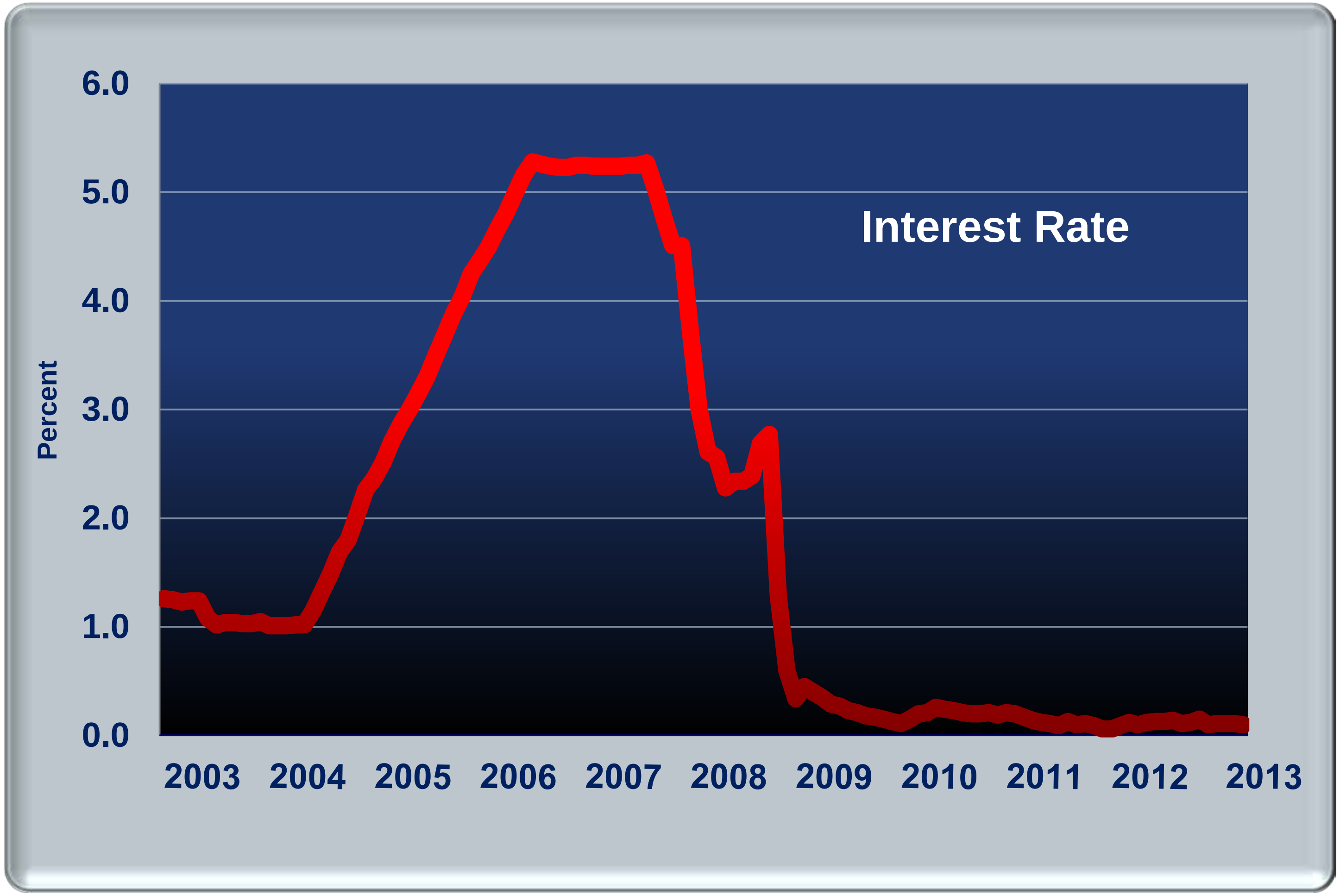
Inventories Remain High

Source: U.S. Department of Commerce, Census Bureau

The Inventory to Sales Ratio has Been Rising Since the Second Half of 2012

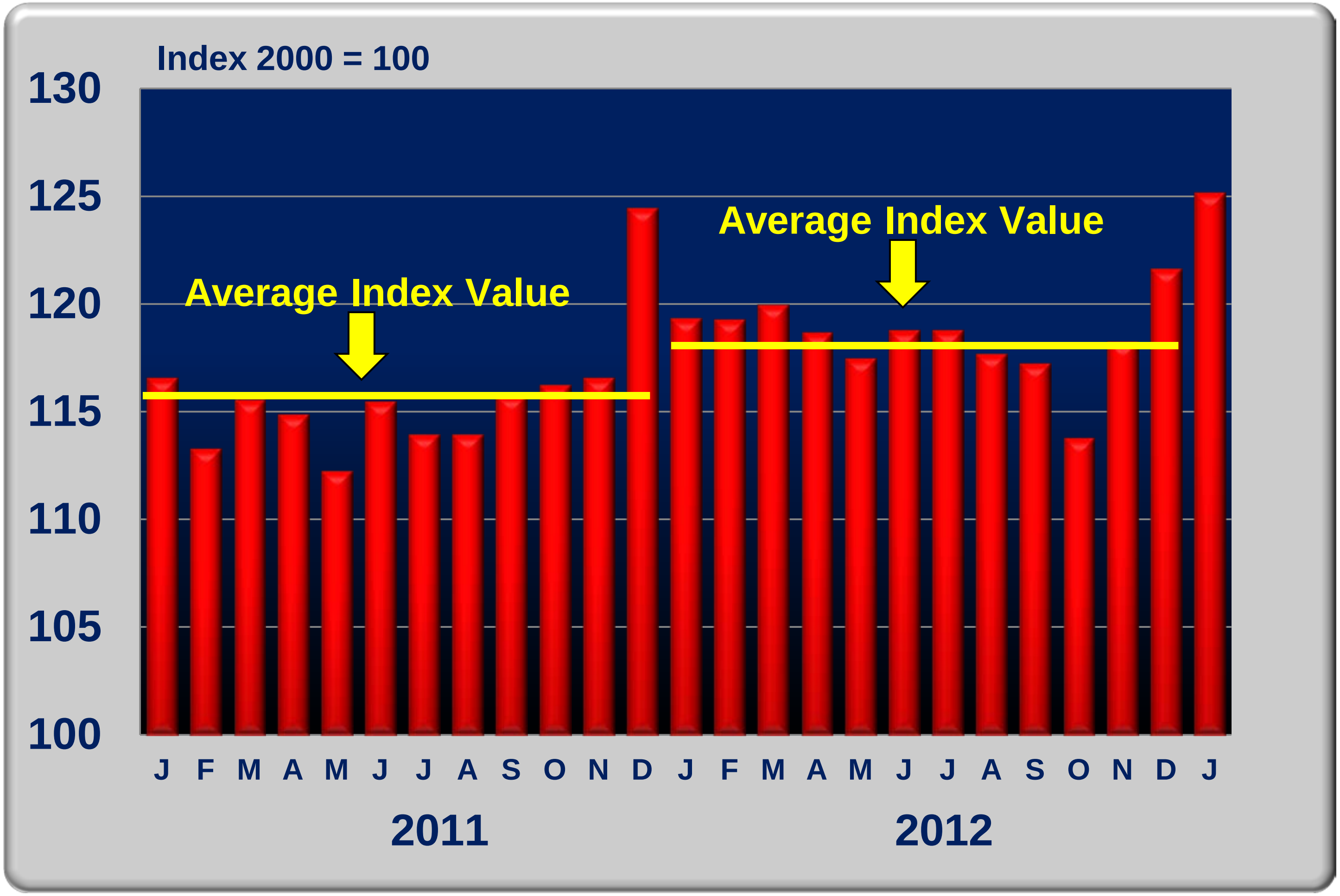
Source: U.S. Department of Commerce, Census Bureau

Interest Rates Have Been a Big (or Actually Small) Factor



Source: Board of Governors of the Federal Reserve System

Truck Tonnage Index

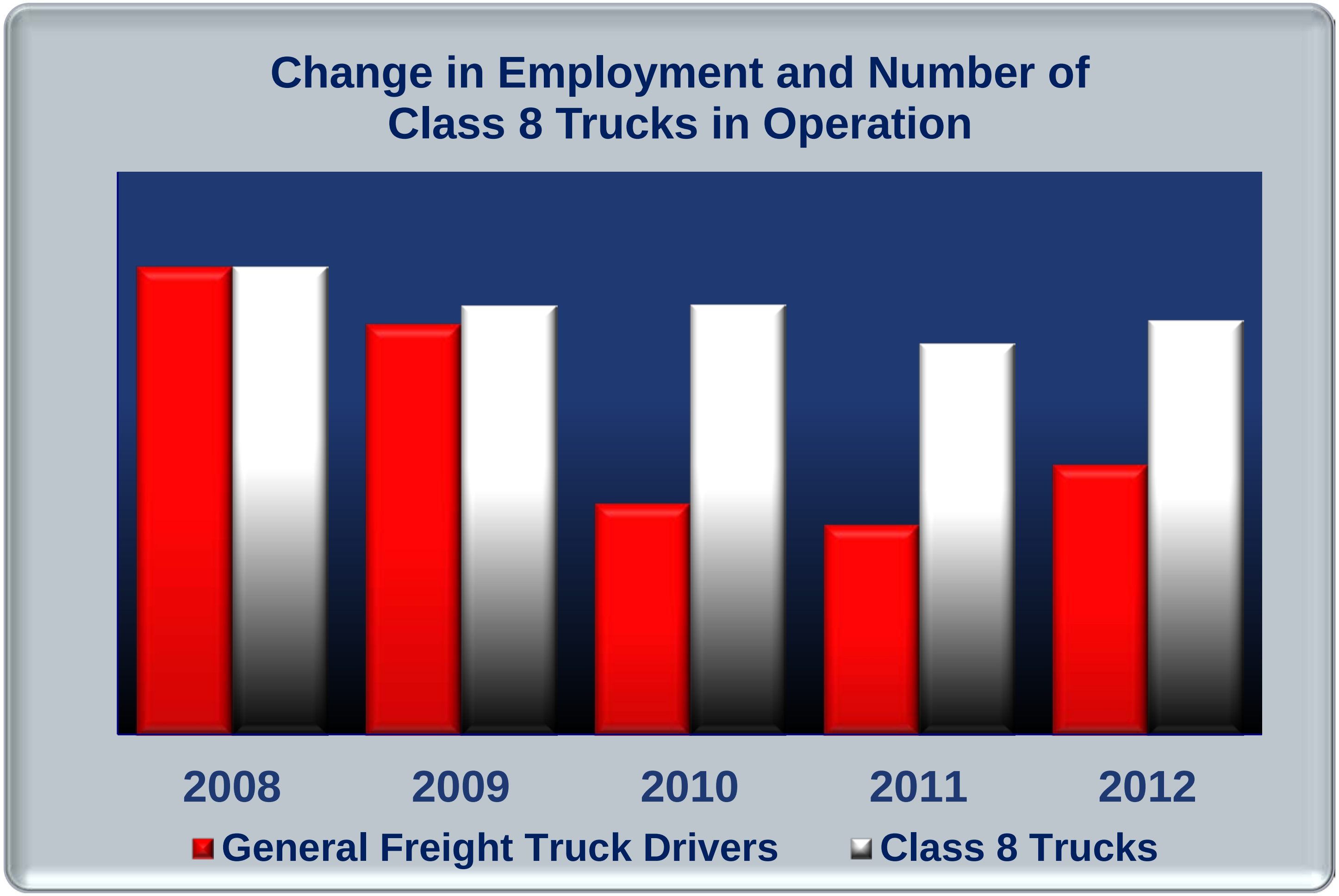


Source: American Trucking Associations

Truck Industry Recap

- Rates were flat for much of 2012; tonnage up 2.3 percent
- Truck capacity is tight and utilization rates are at 95 to 97 percent; driver shortage persists with greater problems looming
- Costs continue to climb, but rates have only inched up
- Truck sales gained strength, but have not reached replacement levels; used truck prices soared and the supply has dwindled
- Regulatory issues will affect productivity
  - CSA enforces stricter qualifications, new health requirements, and hair follicle drug testing has reduced the pool of eligible drivers
  - Prospect of EOBRs
  - New Hours of Service rule went into effect July 1st

2012 Recap for Trucking



Sources: Bureau of Labor Statistics and R.L. Polk

2012 Recap for Railroads

- Freight revenue increased 4.3 percent
- Revenue per ton-mile rose 5.3 percent
- Carloadings were down 3.1 percent
- Intermodal volume was the second highest on record
- Ton-miles decreased 1 percent
- $13 billion capital spending on road and equipment was16.1 percent higher than 2011

2012 Recap for Maritime

- Ocean carriers' positions are slowly improving
  - Global volumes down, carriers have taken hits financially; rates have not stabilized and announced rate hikes have been hard to maintain
  - Slow steaming is the norm now, which adds an extra week from China
- Barge traffic on the inland waterways has been hampered by water levels, especially in the summer – emergency dredging was needed to deepen channels
- Volume down because of drop off in coal and agricultural products affected by drought in the Midwest

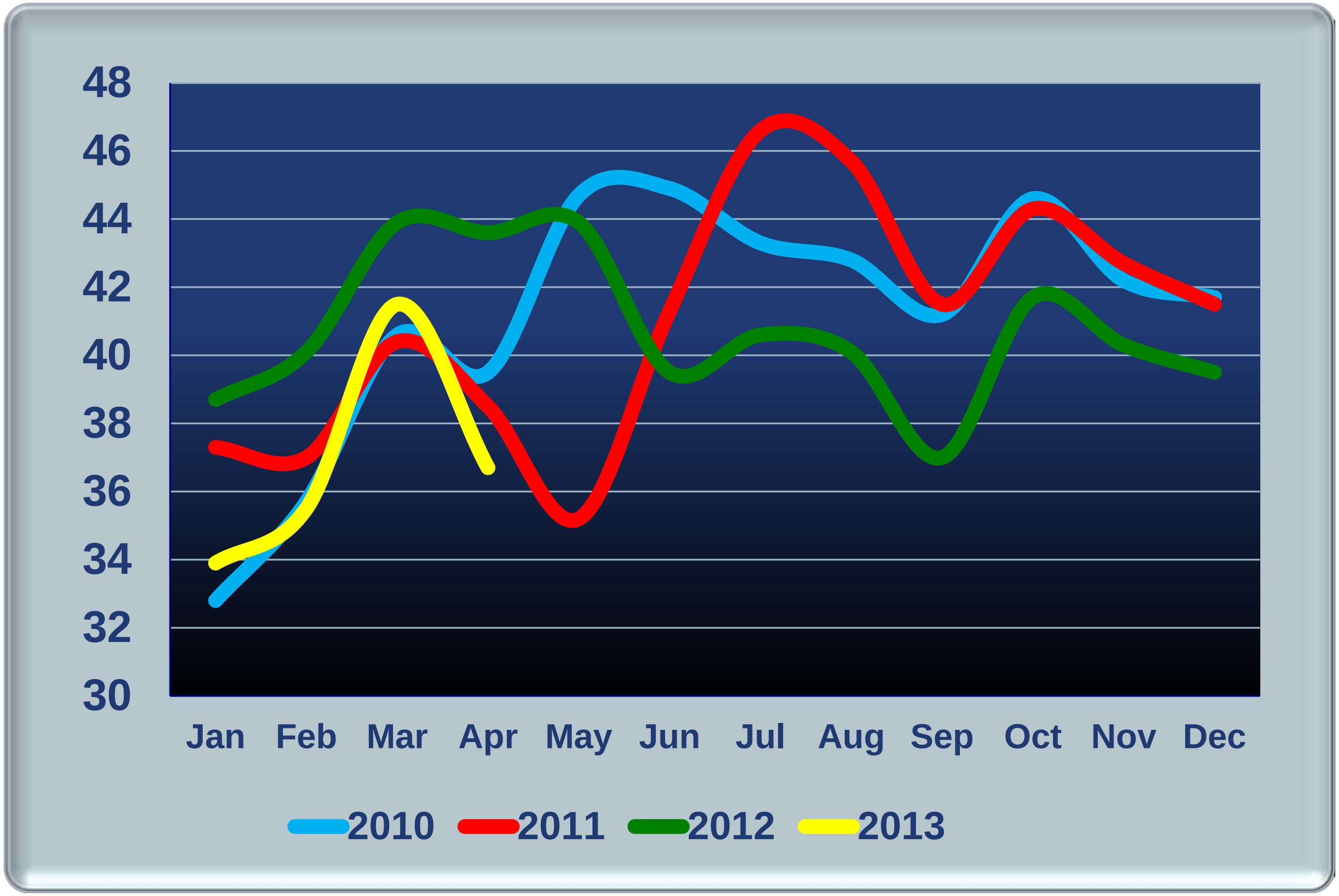
- Great Lakes shipping showed signs of recovery in 2012, after several slow years
- Jones Act in active debate again
- Maritime infrastructure, especially inland waterways, is in dire need of investment and Congress is formulating a comprehensive waterways package to address the issue

U.S. Ports Performance is Mixed in 2012

Port	2012 TEUs	2011 TEUs	Percent Change
Los Angeles	8,077,714	7,940,511	1.7%
Long Beach	6,045,662	6,061,085	-0.3%
New York	5,529,908	5,503,485	0.5%
Savannah	2,982,471	2,927,247	1.9%
Oakland	2,344,424	2,342,504	0.1%
Seattle	1,885,680	2,049,733	-8.0%
Norfolk	2,105,887	1,918,029	9.8%
Houston	1,922,479	1,866,450	3.0%
Tacoma	1,711,134	1,476,153	15.9%
Charleston	1,424,673	1,377,513	3.4%

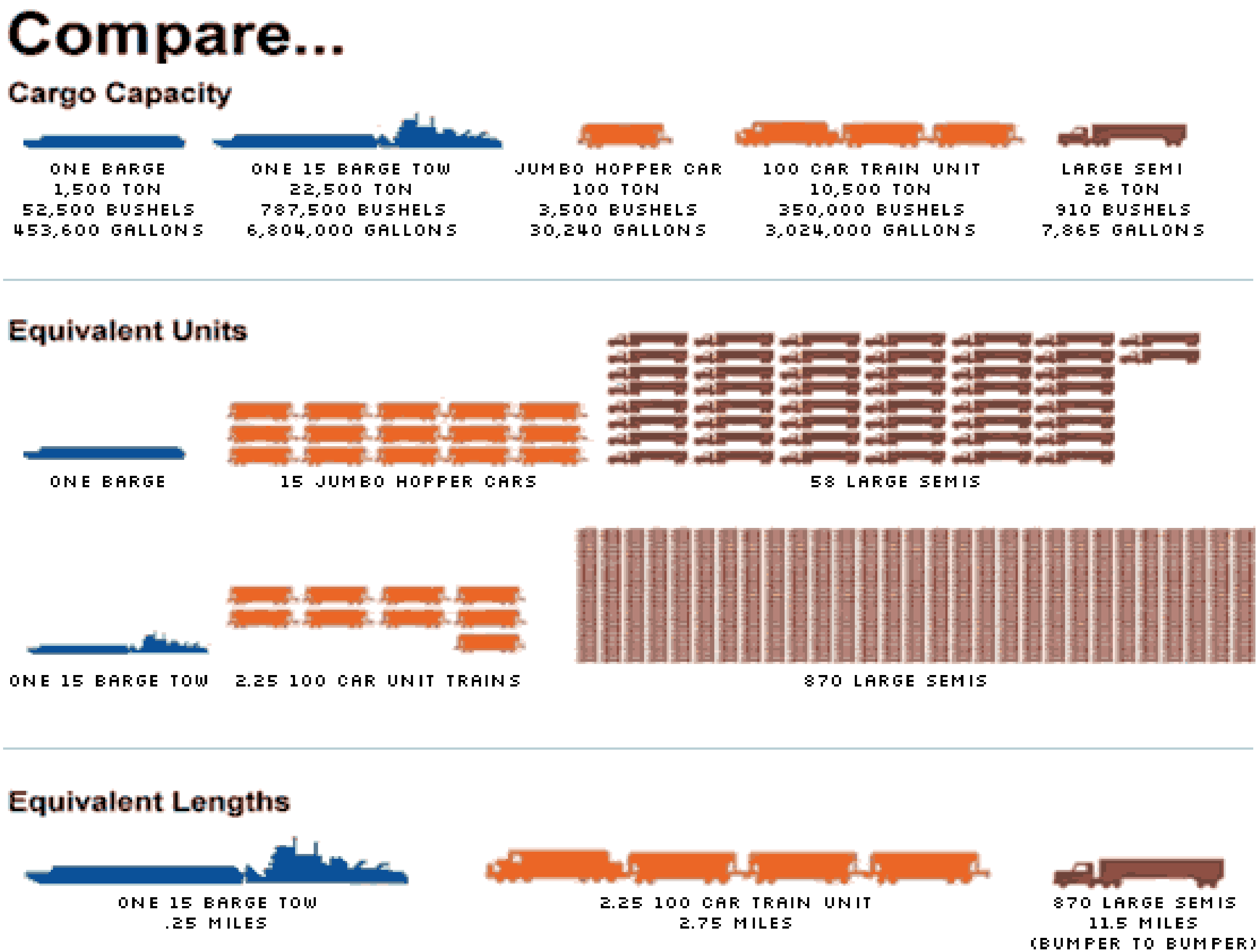
Source: Individual port reports

Monthly Tonnage Indicator for Internal Waterways

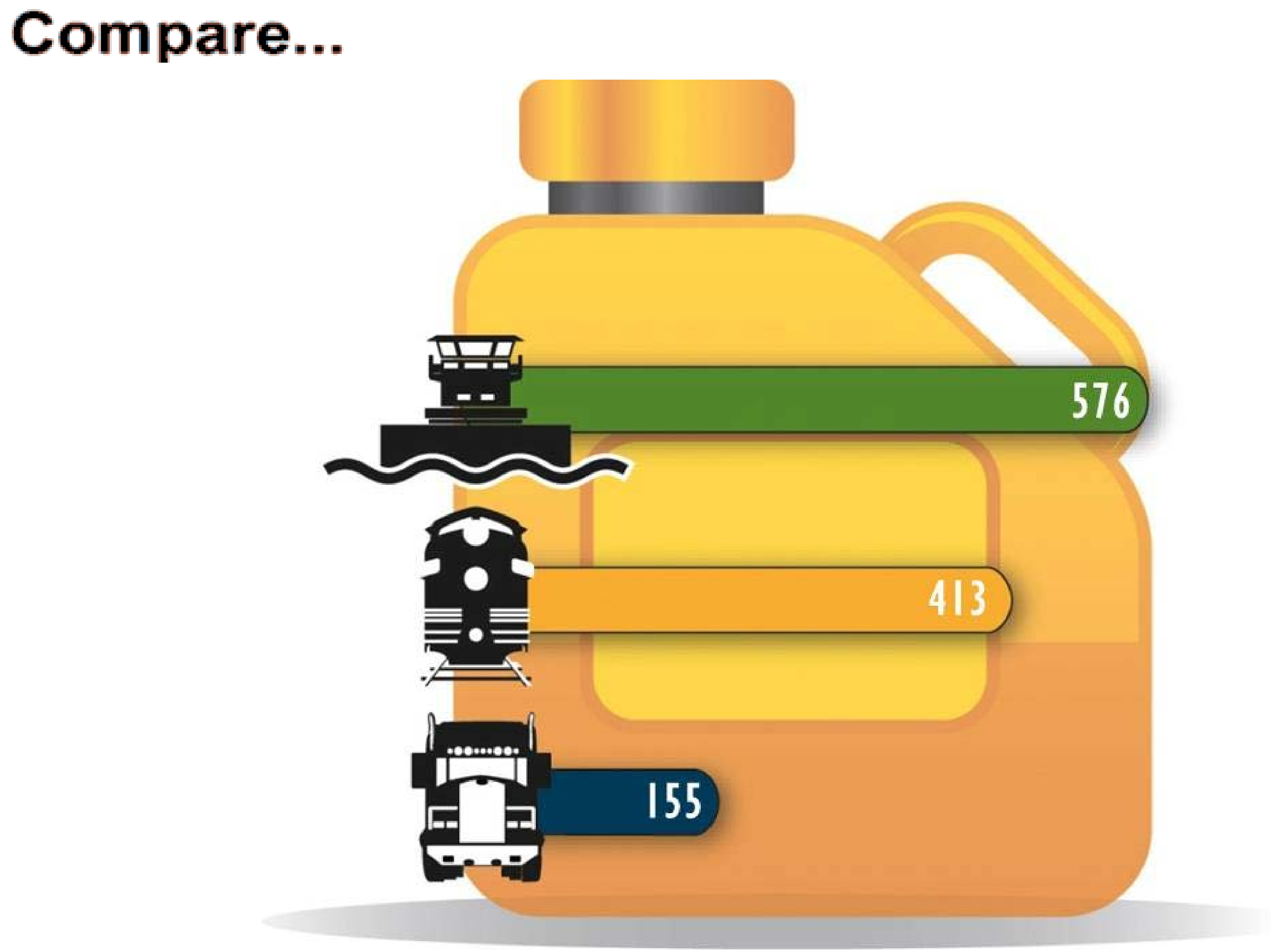


Source: U.S. Army Corps of Engineers, Navigation Data Center

Modal Capacity Comparisons



Ton-Miles Travelled per Gallon of Fuel

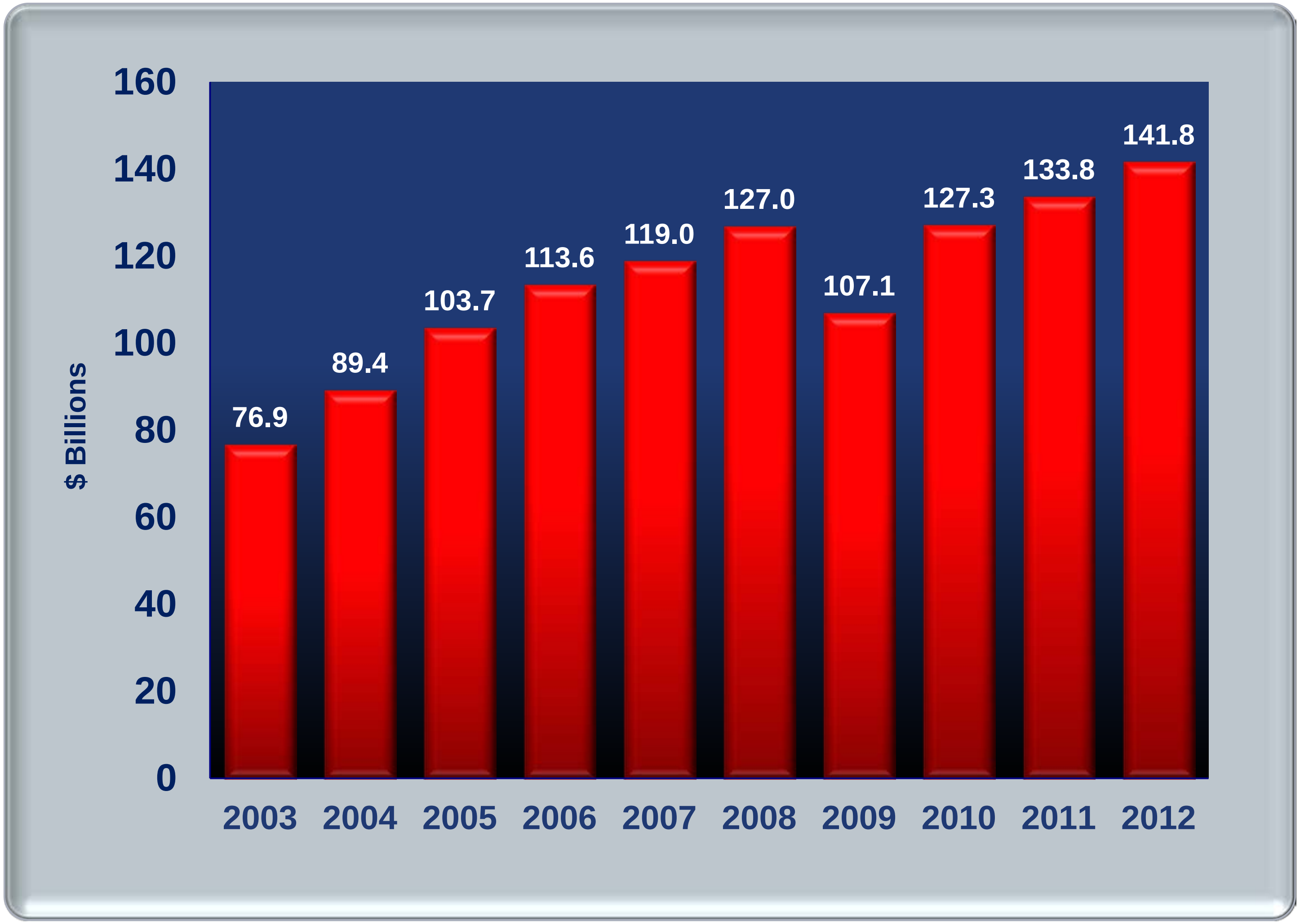


Marine Highways

2012 Recap for Air

- Domestic air cargo ton-miles were up 2 percent and international were down 3.9 percent, for a total drop of 3.6 percent
- Total tonnage declined 2.2 percent – 1.4 percent for international and 0.1 percent for domestic
- U.S. airlines moved more than 48,000 tons of cargo per day
- Jet fuel prices were up 2.9 percent
- The growth of cargo space in passenger jet bellies and their relative cost advantage is putting significant pressure on all cargo jets
- The cargo jet fleet was reduced by 30 aircraft, yet yield factors deteriorated again 2012

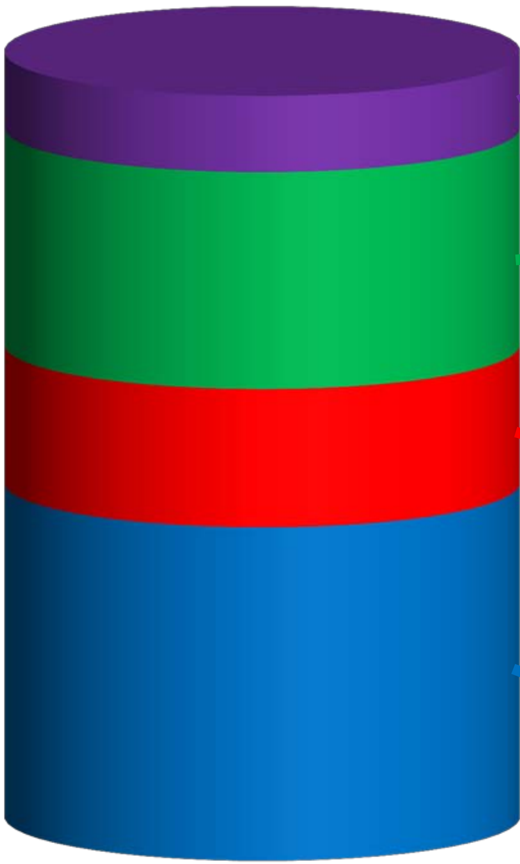
U.S. Third Party Logistics Market



Source: Armstrong and Associates

U.S. 3PL Market Segments 2012 Net Revenue

Total $63.5 B ↑ 4.1%



Domestic Transportation Management
$6.3 B ↑ 5.4%

International Transportation Management
$17.9 B ↑ 1.0%

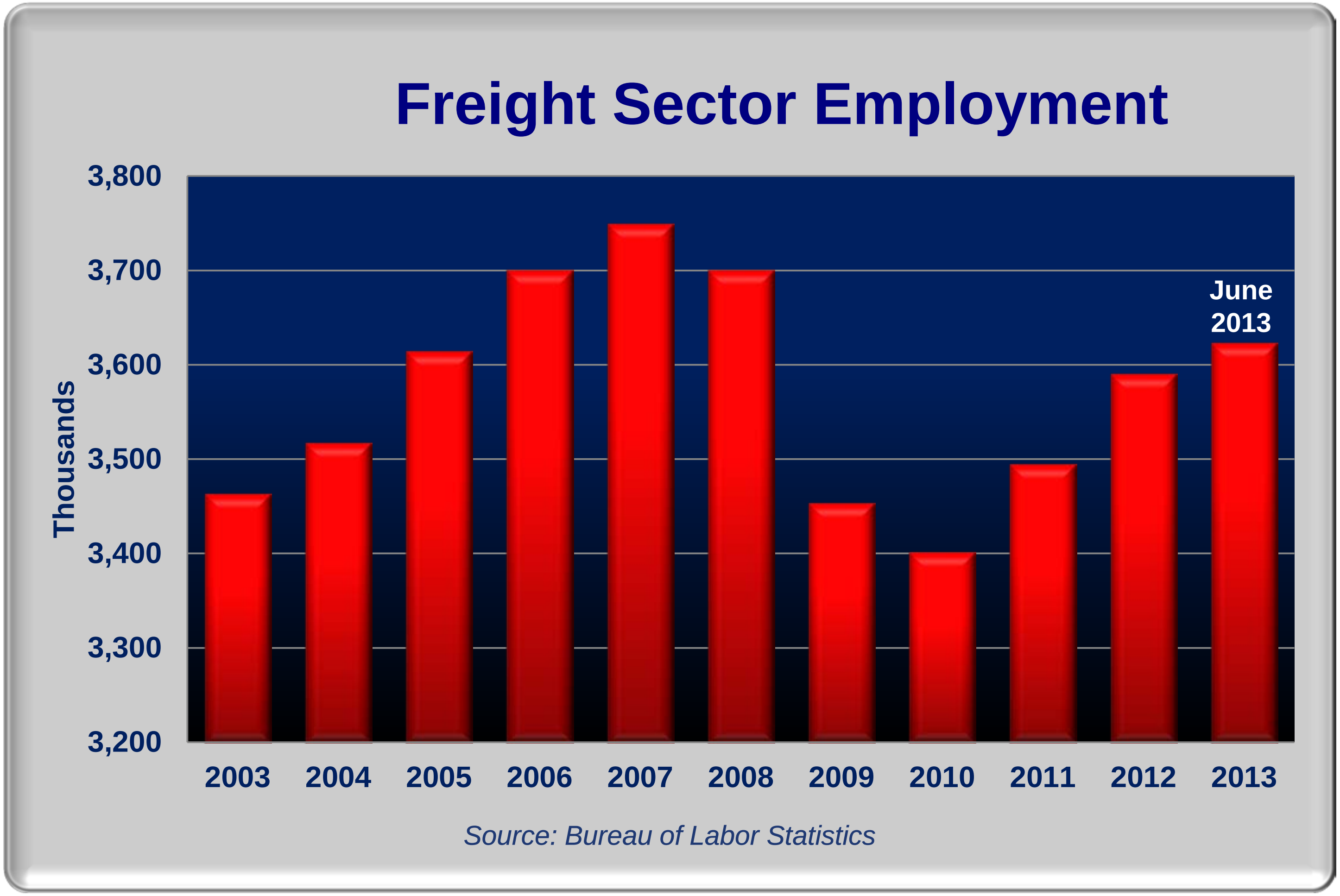
Dedicated Contract Carriage (DCC)
$11.4B ↑ 4.7%

Value-Added Warehousing and Distribution (VAWD)
$27.6 B ↑ 3.8%

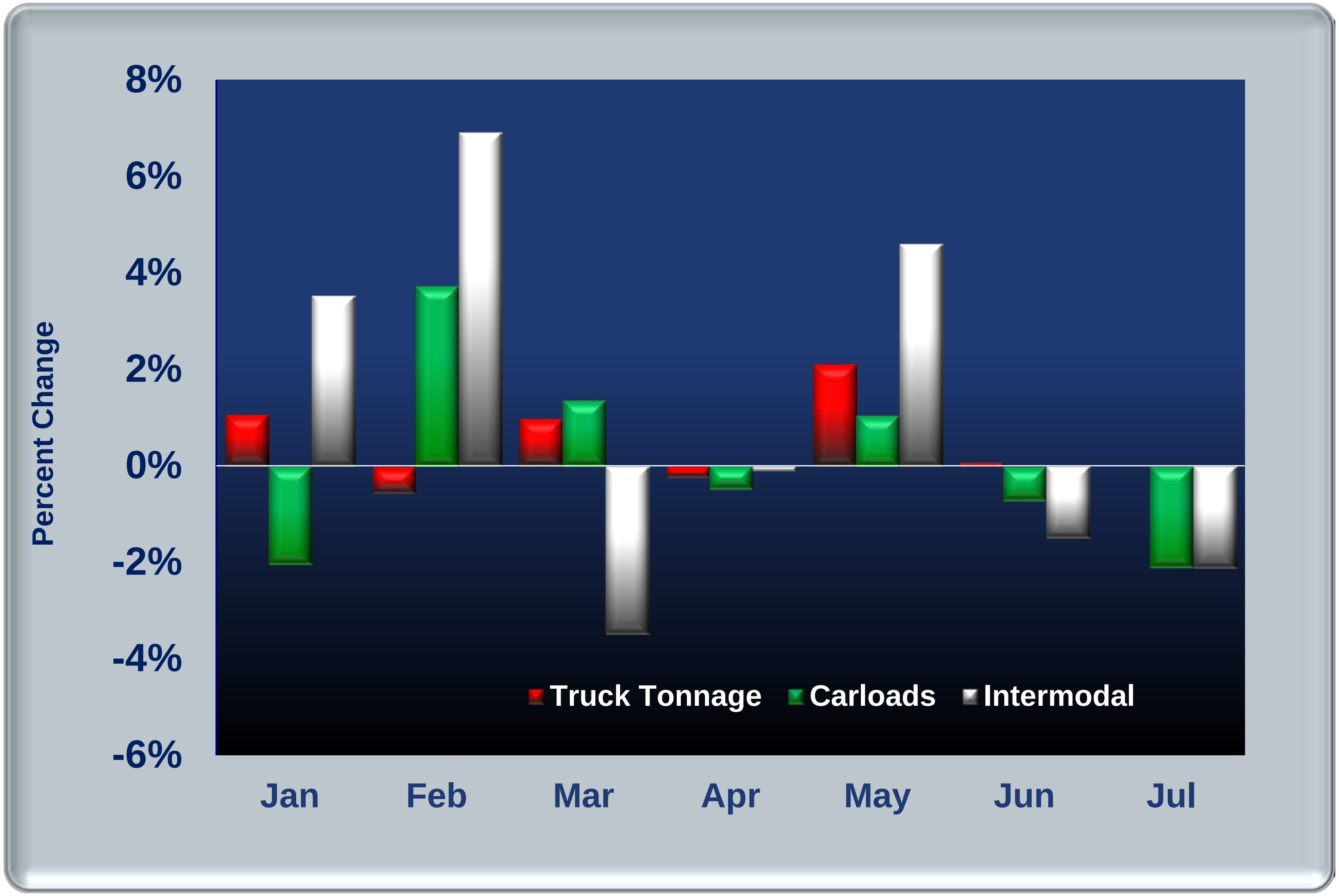
Recent Developments

- The Institute for Supply Management's manufacturing activity index expanded in July, along with new orders, production, but backlog of orders still declines – this after several months of contracting
- China's PMI rose after months of decline; however close examination shows only domestic manufacturing is up, new export orders and backlog still contracting
- Signs of strengthening:
  - New jobs created has been growing slowly
  - Existing home sales and residential construction rising in first half 2013
  - Exports are growing despite the shaky state of the global economy
  - May have a measurable holiday peak shipping season – just a bump
- Signs to be watchful of:
  - Most of the employment growth is in part time jobs
  - Freight volumes have been very volatile with little overall growth
  - Inventories are high and are staying on the shelf longer
  - Consumers are hanging on to their money

Recent Developments

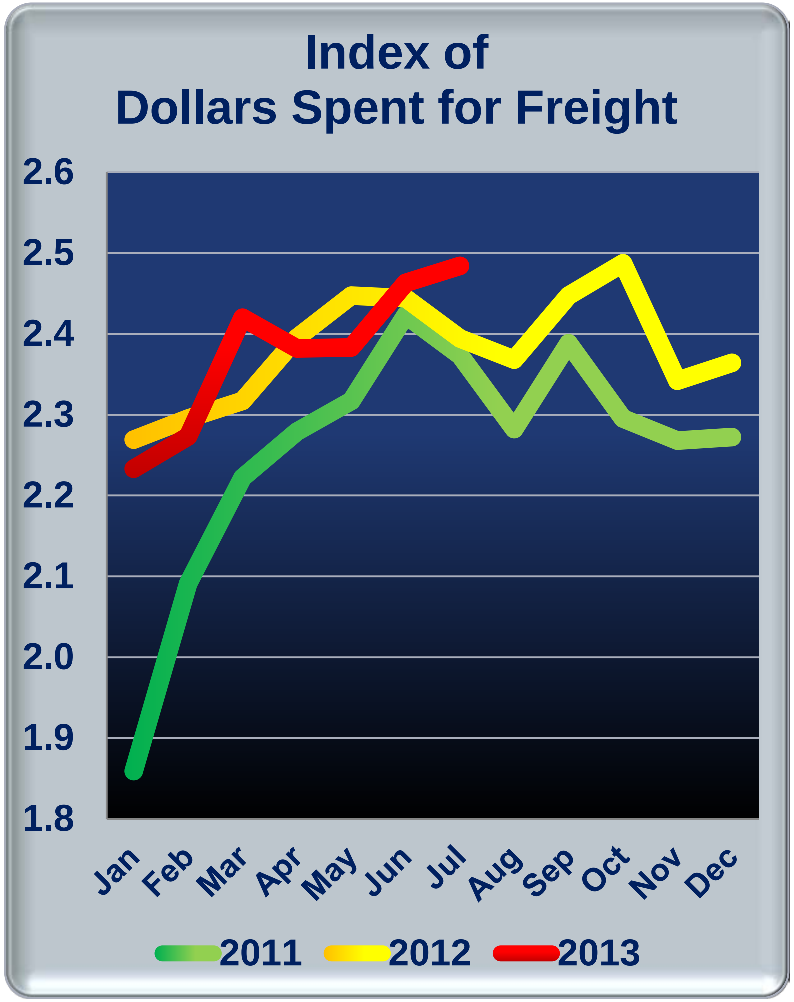


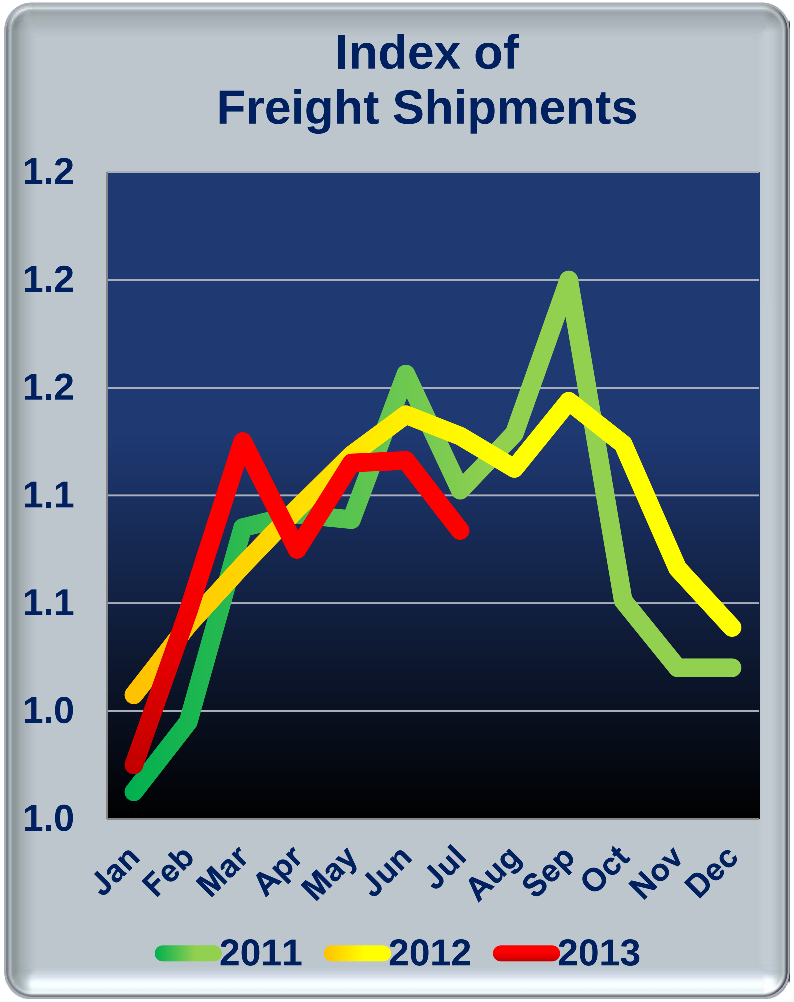
Truck and Rail Volume in 2013 has Been Mixed



Sources: American Trucking Associations and Association of American Railroads

Cass Monthly Freight Index





Source: Cass Logistics, Cass Freight Index, January 1990 = 1.0

Estimates of Annual Manufacturing Growth

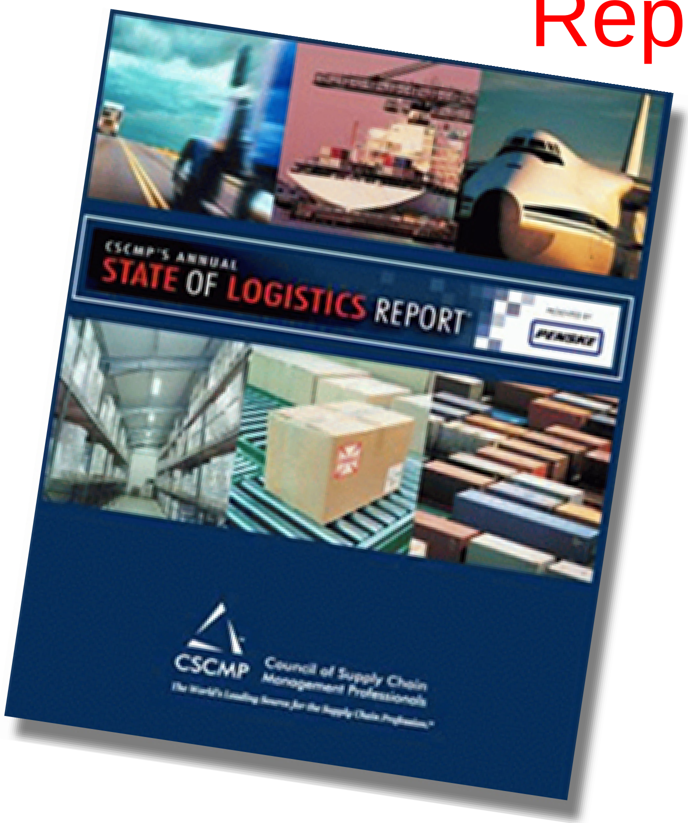
	Percent Change Year Over Year	
	2012	Expected for 2013
World	2.9	3.0
Industrialized countries	0.4	1.4
North America	0.4	1.7
East Asia	-1.6	4.1
Europe	1.8	-1.7
Developing countries	5.4	4.5
China	10.6	9.0
Newly industrialized countries	5.7	4.4
Other developing countries	3.7	4.4

Source: United Nations Industrial Development Agency

Summing Up

- Economy
  - Expect continued slow growth – GDP around 3 percent
  - Trucking industry capacity problem is a serious issue and could hit the tipping point this year with new Federal regulations
  - High inventories could become a drag on the economy
  - While hiring is growing and the unemployed rate is slowly dropping; jobs are not keeping up with population growth and the biggest growth sector is part-time jobs with no benefits
- Global picture
  - Current economic conditions globally do not support a robust outlook: new orders and backlogs are down, manufacturing is falling, GDP outlooks are being downgraded
  - China economy has slowed from double-digit growth to about 7 percent

Inventory management techniques have improved and these practices are likely to be one of the major lessons learned



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Questions?

Roz Wilson

r.wilson@delcan.com

703-587-6213