Noteworthy News:

- The U.S. Supreme Court recently ruled to deny hearing the California Trucking Association’s petition over the California state’s Assembly Bill 5. AB 5, as it is known, applies an ABC Test to independent contractors. The ABC Test consists of three parts as illustrated below. Section B of the ABC Test is what is in conflict with the Owner Operation an Independent Trucker frameworks deployed today in the trucking market. With little to no guidance from the state of California, legal inputs have pushed that compliance with AB 5 should include the owner-operator securing their own authority or being hired on as an employee with a trucking firm. The AB 5 was passed in 2019, however the lawsuit by the CTA prevented it from taking effect for Owner Operators and Independent truckers. 70,000 owner-operators are expected to be impacted.

- As a result of California’s AB 5 bill going into effect, protests at California ports have been occurring. The demonstrations are occurring at the Los Angeles, Long Beach and Oakland ports. According to Gene Seroka, Executive Director at the Port of Los Angeles, there has been no impact to the Los Angeles port.

- Speaking of labor challenges, President Biden issued an executive order on July 15th naming the arbitrators that will be a part of the National Mediation Board to intervene in current contract negotiations between five major railroads and the 12 unions. If the 115,000 rail workers cannot come to terms with the railroads in the next sixty days, congressional action will most likely take place by imposing terms. The Presidential order grants six days to get the two sides to agree and avoid a rail worker strike.

- The U.S. exports on diesel hit a record pace this summer with 1.39 million barrels a day of diesel leaving the Gulf Coast. Coupled with gasoline exports, and the Gulf Coast exported over 2 million barrels a day of fuel through the first half of July, another record setter.

- LandAir, a Northeast based Less than Truckload carrier, has ceased operations. The Vermont Labor Department is seeking information from LandAir regarding its shutdown due to violations of both state and Federal laws. LandAir has 135 drivers and 450 employees. Founded in 1968, LandAir has 11 service centers with direct coverage from upper New York to Maine.

- The latest joint statement from the Pacific Maritime Association (PMA) and the longshoremen union (ILWU), simply states,”While there will be no contract extension, cargo will keep moving, and normal operations will continue at the ports until an agreement can be reached between the Pacific Maritime Association and the International Longshore & Warehouse Union. Both sides understand the strategic importance of the ports to the local, regional and US economies, and are mindful of the need to finalize a new coastwide contract as soon as possible to ensure continuing confidence in the West Coast.”

- The latest U.S. Census Bureau announcement on Manufacturing and Trade Inventories and Sales illustrates growing inventory levels. The May 2022 report came in at an increase of 1.4 up slightly from April’s adjusted level of 1.3%. Consensus across distribution and manufacturing is that the push for the remainder of the year is seasonal and holiday inventory now hitting ports.

- A quick check at the Port of Los Angeles shows19,084 containers that are on dock rail waiting to load. The containers have been waiting for 9 days or more, which falls into the ranges being experienced since April. The port is up to 55 vessel gangs working, which is keeping the ships moving, however congestion to get containers moved off the port remains a challenge.

ABC Test for CA Bill AB 5:
A: That the worker is free from the control and direction of the hirer in connection with the performance of the work, both under the contract for the performance of the work and in fact.
B: That the worker performs work that is outside the usual course of the hiring entity’s business.
C: That the worker is customarily engaged in an independently established trade, occupation or business of the same nature as that involved in the work performed.
By all accounts we are certainly nearing what could be described as the bottoming out of rates for at least the short term. The Rockfarm truckload index recorded an average rate per mile of $3.15 in June which aligns to July’s mid-month rate per mile of $3.14. In the Rockfarm truckload indices, the Market Trend per Mile is illustrating $2.87 line haul rate per mile, down from a high of $3.61 in January of this year. In summary, carriers are getting paid less as fuel stays elevated through the mid-year mark.

On the fuel front, the National average for diesel hit its high mark in June reaching $5.75 per gallon. Midway through July the price per gallon has fallen to $5.62. Oil prices have now come down to the $100 per barrel price from the high of $130 in March. Though the price of oil is still 30% higher than January's price range of $70, fuel prices are just now seeing the impact of lower oil prices. The good news for shippers? The EIA is reporting the average price for diesel is less than $6 per gallon across all regions.

Coaches Corner: Getting Back to Continuous Improvement

There has been a growing trend among shippers to get back to the fundamentals of continuous improvement as we finally work to put the impact of the Covid-19 pandemic behind us. With the ensuing disruptions we have all felt over the past two years, not to mention the changing dynamics of our businesses, the call to answer is, how do we create resiliency, mitigate risk and lower my supply chain cost? Those three initiatives are beating the drum to identify continuous improvement initiatives, both in answering the business aspect as well as our supply chain themselves. So, where to begin?

The first step is the identification of continuous improvement initiatives. At this point, you have been through the impact of the pandemic, and the alarm bells are most likely ringing loudly. It is time to take a step back and gather all your data points and begin listing out all the issues over the past two years. Secondly, begin rating each issue. Typically this may begin with the level of impact to the organization and how quickly you can accomplish the initiative. The exercise of mapping this out is critical as you enter the third step.

In step three of your journey, prioritization of the issues needs to occur to keep your sanity and begin to lay out a cohesive plan to strengthen your supply chain. In this ever important prioritization step, it is critical to identify organizational resources that will be required for each initiative. The last point here is to be cognizant of the overall organizational goals and objectives. Alignment of your initiatives to the overall organizational direction will get you the resources and funding to make your vision a reality.

A final fundamental step is implementation. Depending on the scope of the initiative you want to implement, you will generally need approval from executive leadership, management teams and or your own staff. Approval gives you the authority, funding and organizational resources to push your initiative forward. Critical in achieving the green light is keenly understanding funding requirements, and building out the ROI for investment in your initiative. Next up in the implementation is having a plan. The plan should include success measurements of each initiative. The rest is all about hard work.

Some recent examples Rockfarm has worked on in collaboration with our Clients include: a) network rationalization b) TMS technology implementation c) TMS enhancements to include data warehouse and workflow automation d) order lifecycle mapping e) freight policy to improve carrier relations and performance f) supply chain metrics as well as many others.