



SUPPLY CHAIN DIGEST

INDUSTRY NEWS

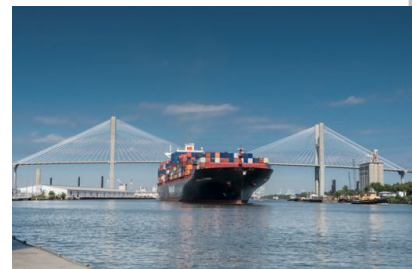
- 3rd Quarter earnings report are starting to illustrate where the larger asset carriers are at for equipment with Swift reporting a 2.3% drop in available trucks in the 3rd quarter compared to last year.
- According to ATA's chief economist, Bob Costello, 30,000 truck drivers have tested positive since January of this year and 24,000 of them have not taken steps to return to duty.
- New operating authorities for trucking companies issued by the FMCSA have been on the rise since July's spike above the monthly average of 3,000 to 4,000 per month. After a small increase in August, new operating authorities continued to increase with over 7,500 authorities being issued in October.
- The Port of Los Angeles Signal tool is illustrating big jumps in inbound containers. The week of Nov 15-21 illustrates a 30% jump in TEUs week over week and a 59% jump for the year run rate.
- Per the FMCSA, 40,000 of experienced military drivers have taken advantage of the Military Skills Test Waiver Program available in every state. This program allows drivers with two years' experience safely operating heavy military vehicles to obtain a CDL without taking the driving test.
- A recent owner operator poll by Overdrive Online showed 32% of owner operators work directly with some shippers, while 18% that they have great broker relationships that work. The poll also showed that 38% of the respondents prefer not to use brokers. (www.overdriveonline.com)
- UPS has eased up on their employee appearance policy elimination of gender-specific rules. Other changes include acceptance of facial piercings and beards within its customer facing positions.
- California's prop 22 won at the ballot. The prop takes Uber, Lyft and other drivers out from under the California law AB5. AB5 would have classified Uber and Lyft drivers as employees versus as independent contractors. The question arises if independent contract drivers performing work for a carrier can be covered under prop 22. This appears to be a stretch due to the core business of the company being trucking which is the service being performed by the drivers.

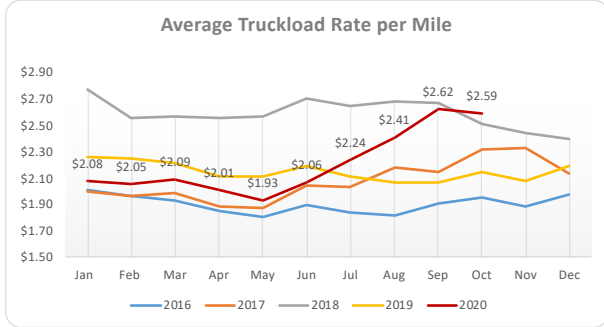
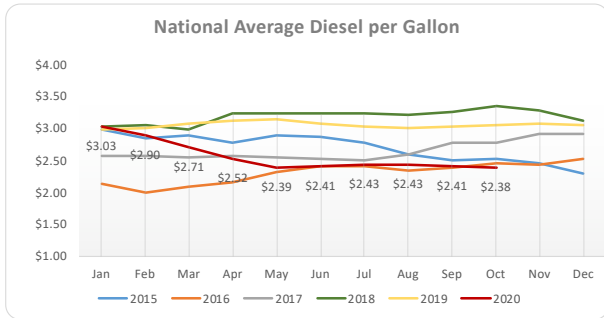
CATCHING THE EYE OF FEDERAL MARITIME COMMISSION (FMC)

The rise of the digital brokerage vertical in domestic trucking has led to inroads into the ocean side and it has caught the eye of FMC, the Federal regulatory agency overseeing U.S. imports and exports via ocean. Well funded start up companies offering digital freight matching and online shipping services for global shipments have become quite active in offering full container (FCL) and less than container load (LCL) services. When the services include import and export into the U.S. they may be subject to license, registration, bonding and tariff publication and other regulatory compliance requirements under U.S. law and federal regulations.

The FMC defines "Freight Forwarding" as the dispatching of shipments on behalf of others in order to facilitate shipment by a common carrier, this may include but not be limited to 13 core defined activities. (<https://www.hklaw.com/en/insights/publications/2020/06/forwarding-and-logistics-startups-must-be-wary-of-us-licensing>) If your chosen provider for ocean shipments from the U.S. is not licensed, and is conducting one or more of the activities defining a licensed forwarder, your forwarder may be subject to fines per each violation. Import shipments handled by an NVOCC to the U.S. must register with the FMC and publish a tariff as well as comply with bonding and contract format requirements, but do not need a license.

The bottom line is, as more digital freight match and online global shipping companies enter the global market place, do your due diligence to ensure your providers are in compliance with FMC.





Rockfarm Indexes

The good news for October? We only had one constant to deal with, fuel costs. Unlike the positive news with truck rates finally breaking the trend and decreasing in October, fuel remained flat for October. As a positive sign to come fuel remains flat through the first part of November. The outlook for fuel expense in 2021 remains positive as the World Bank is projecting oil will average \$44 per barrel in 2021. This price is significantly lower than the \$61 average price per barrel in 2019.

The larger part of the expense equation is line haul expense. Forecasts have been relatively aligned with costs remaining higher and contract rates seeing 5% to upwards of 10% increases during 2021.

As we have seen in the past six months, the challenge hasn't been so much in the contract side as it has been in the spot market where rates were volatile on a weekly and, in some cases, a daily basis. The larger questions

remain with the economy and COVID-19 restrictions, and their impact on freight rates into 2021. Lastly, messaging by the larger asset carriers on projected rate increases has reached a crescendo in the past month. Many are now showing solidarity in pronouncing double digit increases in 2021. Negotiations will determine their ability to hold onto the rate increases as 2021 begins to unfold and we get by the next surge in imports.

Q3 State of Affairs

The 3rd quarter earning reports posted overall positive results for various transportation components. Q3 showed strong revenue with increases in net income as carriers, both ocean and truck, and logistics companies led the way with gains in sales and profitability. Strengthened by pent up demand and capacity constraints, the 3rd quarter required logistics companies to step up and support more of the shipper's supply chains as primary asset based carriers were stretched thin. The result showed increases of 20% in top line were reported by leading logistics firms compared to 2019 3rd quarter results.

On the asset side, the general trend lines for both revenue and net income were positive with carriers such as Landstar System and Arc Best posting increases compared to last year 3rd quarter. Ocean carrier profits soared as demand for pandemic product lines increased dramatically from China alongside pent up demand for finished goods, components and parts. The 4th quarter is pushing us quickly into year end and budgets are now a top priority.

There are outreaches we can now utilize to begin to forecast and put pencil to paper for the CFO, and give us a fighting chance to stay in budget for 2021. Three key call to actions include:

- ☑ Communicate with your core carrier group. Request profitability index by lane for deeper insight on what is driving higher expense with your business.
- ☑ Develop your processes to support your strategy. Contract lanes should carry a commitment. Spot market execution requires compliance within your outreach to the market.
- ☑ Communicate your measurements of success to your carriers and within your dashboards. Communication has to carry a measured edge of accountability. Saying is doing.

COACHES CORNER: Don't Get Ripped Off

According to CargoNet, the third quarter of 2020 saw an increase of 23% in cargo theft events in comparison to the third quarter 2019. The risk of fraud and theft in the non-asset trucking arena requires continuous vigilance, great processes and caution. Capacity is still tight, which creates a situation whereby the desire to secure capacity blurs the processes meant to prevent a potential fraud or cargo theft. The issue of fraud and theft is not just a broker issue, it also greatly impacts shippers not meeting customer expectations, lost revenue and time. Being aware that what is happening in the market can prevent a potential fraud or theft. As we have learned this year and in years past, no process is perfect.

The latest incident involved a carrier assuming the identity of an approved carrier within our own carrier network. In this case, the carrier that was booked had no idea of the ongoing attempt to steal the load. Our agent was diligent in conducting a check call four hours prior to the same day load picking up. The lack of communication caused the agent to dig deeper and include internal outreach to support validation of the carrier and their past performance with us. As a result, the agent discovered the truck currently booked to pick up the load was not the carrier approved in our system. The email address domain was found to be one character off and the phone number did not match the system profile. The owner of the business did not have any prior knowledge that a rogue carrier had assumed his carrier's identity. In the end, the outcome was positive with the load rebooked on a qualified and valid carrier.

CargoNet reports the average cargo value per cargo theft in 2020 is \$151,452.

Preventive Steps for Shippers and Brokers:

- Confirm phone numbers of brokers and carriers using SAFER at <https://safer.fmcsa.dot.gov>. If the number you were given by the carrier/broker does not match the number posted, call the number posted in SAFER for the company to discuss the load. It is possible the identity of an employee of the business you are contacting has also been stolen.
- If your SAFER search identifies a carrier or broker without a phone number visible, consider not contracting for the work until you can confirm it is a valid transaction.
- When using a search engine to confirm numbers, emails and websites, keep in mind the top search returns may be fake profiles created by the scammers. Do not trust the information unless you can confirm it on multiple sites.
- Document examination is critical. Even insurance certificates can be fraudulent. If you suspect something is not right, research the numbers and call the companies.
- STOP the transaction if:
 - ✓ Your broker asks you to present yourself as a carrier of a different name, or asks your driver to lie about who they work for;
 - ✓ You question the destination of the load and are told it is a "blind load";
 - ✓ The broker is quick to agree in paying you more; or
 - ✓ The rate far exceeds the current market rate.
- Shippers maintain driver and vehicle logs for all of your pickups. Confirm that the name and numbers on the truck that shows up to load are the same as the one with which you contracted. Recording the tractor and trailer plate information will assist in identifying the actual carrier. Security photos of the truck and trailer are worth a thousand words and can be used to verify information provided on rate confirmations and with your broker. If you have been involved in a fraudulent load, this will be important information for law enforcement.



For more information regarding supply chain planning please reach out to info@rockfarm.com for additional information.

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