



# Point to Point

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Logistics insights provided to you by **AVERITT**



## 3 YEARS LATER: THE IMPACT OF THE PANAMA CANAL EXPANSION

On June 26, 2016, the expanded Panama Canal was opened. There was much fanfare, with the Panama Canal Authority's public relations department declaring that the long-delayed opening "...ushers in a New Era of Global Trade." Three years later, it's time to assess whether the expanded canal has lived up to these lofty promises – and just what impact it's had on shipping in the U.S.

The original locks were built to accommodate Panamax ships carrying roughly 4,500 TEUs (twenty-foot-equivalent units). But these new, larger locks allow the passage of neo-Panamax container ships with a capacity of up to 15,000 TEUs. That dramatic increase means that the new locks can now accommodate roughly 79% of all cargo-carrying vessels, up from 45% prior to the expansion.

### DOMESTIC IMPACTS

Nearly 70% of all cargo that passes through the Panama Canal originates from, or is heading toward, the U.S. And long before the expansion even opened, there was a spotlight on how the increased traffic would alter container traffic patterns to the U.S.

At the same time, the Panama Canal Authority (ACP) estimated that transits by these much larger box ships would dramatically reduce the per-unit costs of containers shipped to the East Coast from Asia – making this route more competitive with services to the ports of Los Angeles and Long Beach.

In an April 2019 interview with FreightWaves, Argelis Moreno de Ducreux, senior international trade specialist at the ACP, stated, "It has happened. We analyze the market share of volumes from Northeast Asia to the U.S. East Coast using the Panama Canal, to the West Coast using the intermodal system, and coming through the Suez Canal. Since 2016, Panama's share has increased from

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43 % to 48%, and the intermodal share has decreased from 27% to 20%."

### A SHIFT TO THE EAST

The Port of Savannah, currently the nation's fastest-growing port, moved 4.35 million TEUs in calendar year 2018, its highest annual volume ever and a 7.5% increase over 2017.

In Louisiana, the Port of New Orleans moved more containers in 2018 than any other year in its history – an increase of over 12% from 2017. The Port of Houston

broke three records in 2018: a 9% increase in total tonnage from 2017, a \$33 million increase in operating revenue over the previous year (for a total of \$336 million), and an \$11 million increase in total combined business through the port's public facilities – for a record \$162 million.

### SUPPLY CHAIN TAKEAWAY

Shifts in freight from the West Coast to the East are underway, decreasing the demand for West Coast intermodal, rail and long-haul capacity. Granted, this is good news for shippers in the Southeast, since more freight is being delivered to population centers in the East. It also puts the Midwest very much in play, as Savannah, for example, is 1,000 miles closer to Chicago than Los Angeles.

While the long-term effects of the Panama Canal's expansion won't be clear for some time, it's safe to say that the trend points to continued growth and stability for the Gulf and East coasts. **PtoP**



# LOOKING AHEAD: TRUCKLOAD TRENDS TO BE AWARE OF



**In 2018, capacity had tightened substantially, and rates fluctuated noticeably in nearly every sector. We're now well into 2019, and several truckload trends have emerged that shippers should keep an eye on as the year inches closer to an end.**

## WASHINGTON IS PLAYING A ROLE

The strong economy over the past several months has been good news for many industries, including transportation. However, the ongoing debate and discussion around new tariffs levied by the U.S. may have a dramatic effect on full truckload shipping.

The uncertainty around both the tariffs and potential trade deals is leading to higher costs for raw materials

from multiple sources, including Mexico – which also happens to be one of the largest sources of finished products, including trucks. However, imports continued to grow last year even with modest tariffs in place. How much consumers and shippers are willing to pay in the end will be the question that markets will be focused on.

At the same time, shifts in international trade relations could lead to an increase in nearshoring. If prices continue to escalate, supply chains may look to relocate manufacturing operations from China to Mexico – where tariffs are not as hefty. As a result, northbound capacity from Mexico to the U.S. could become more strained over time.

## E-COMMERCE CONTINUES TO CHANGE THE GAME

The American Transportation Research Institute recently published some interesting research citing the impact of e-commerce on freight transportation. The research showed that the average length of haul is decreasing – a factor that's widely attributed to the growth of e-commerce, and the fact that companies are trying to move their supply chains closer to consumers.

It's a trend that's increasing at an amazing rate. E-commerce, which made up 14.3% of retail sales in 2018, is expected to climb as more physical stores continue to close their doors. The inevitable result of this increase will be increased pressure on carriers – requiring more trucks, more shipping lanes, more time on the road, and more resources.

## FULL TRUCKLOAD DRIVERS ARE IN INCREASINGLY SHORT SUPPLY

The demand for drivers continues to expand significantly, with retiring drivers and those moving to other fields making the problem even more serious.

According to the American Trucking Associations, the truck driver shortage surpassed 50,000 in 2017.

Wage increases will certainly help slow the speed at which the driver pool is shrinking. However, the average age of today's trucker is 55. This means more drivers will retire more quickly, leaving even more vacancies in their wake.

The driver shortage is a primary point of concern for truckload shippers. Most truckload drivers work long-haul routes, which are the most difficult positions to fill.

To adjust to the volatile nature of truckload shipping, many shippers are now positioning materials and finished products closer to their key markets. This enables them to rely more on less-than-truckload and short-haul truckload services that can be easier to accommodate.

## IMPACT OF REGULATIONS

A combination of factors is responsible for 2018's increase in full truckload rates – including the tight capacity and shortage of drivers. However, another factor is at play as well – the impact of Hours of Service (HOS) regulations.

Both drivers and shippers have expressed concerns that the HOS regulations are negatively impacting both wages and profits. Just as important, though, these regulations are compounding the issues of capacity and driver availability and making it even more difficult for them to get goods to consumers on time.

## WHAT IT ALL MEANS

There's no doubt that these trends point toward potential volatility being felt in the third quarter of 2019 and well into 2020. The trajectory of rates and capacity will rely heavily on the state of the economy going forward. **PtoP**

# UNDERSTANDING FUEL SURCHARGES IN FREIGHT TRANSPORTATION

**No matter what type of shipping option you use, there's one fact everyone learns quickly – fuel surcharges can add up in a hurry.**

Fuel surcharges are tacked on to shipments by carriers to balance the fluctuating costs of fuel. This can become a problem for shippers, because it takes time and attention to fully understand them. Additionally, the way fuel surcharges are applied can vary significantly between carriers.

## WHY DO FUEL SURCHARGES EXIST IN THE FIRST PLACE?

Fuel makes up a large share of the cost of transporting goods by truck. Since the cost of fuel changes almost by the hour, and contracts are locked in months or years in advance, a fuel surcharge is a way for carriers to account for variations in fuel prices.

## HOW ARE THEY DETERMINED?

Each carrier has its own formula for calculating surcharges. They're normally added to the total freight

charge on either a per-mile or percentage basis. These methods replace the 15% flat fee set up by the Department of Energy in the '70s. That flat fee was based on the total linehaul charge and caused massive overpaying by shippers of high-value goods. It was later abandoned. Today, fuel surcharges are often based on an average mile per gallon and the national average price of diesel.

Many carriers determine their fuel surcharge according to the National Average Diesel Fuel Index, published weekly by the Energy Information Administration (EIA). This index collects retail pricing information from fuel stations throughout the U.S. and creates a national average.

Part of the confusion surrounding fuel surcharges comes from the fact that not all carriers use the same information to arrive at their numbers. For instance, some rely on a separate EIA program that determines average retail prices based on regional geography, as opposed to national averages. In this system, the country is broken into five regions, called "Petroleum

Administration for Defense Districts," or PADDs. In case you're wondering, the "Defense" is a reference to gas rationing during World War II, which is when the PADDs were established. By carving the country into these five distinct regions, the EIA is able to analyze not only pricing, but also petroleum movements over time.

Most carriers use one of these two EIA approaches in their fuel pricing formulas. That said, the EIA doesn't establish or regulate fuel surcharges. It merely provides the raw information. Each carrier privately negotiates its own terms, which helps explain the variation in fuel surcharges between carriers.

## THE BOTTOM LINE

Fuel surcharges are a valuable tool for carriers to protect themselves against fuel price increases over the life of a contract. At the same time, they're also a factor that can greatly impact overall shipping costs. Knowing how they work is essential in fully understanding your cost of operations. **PtoP**

# 5 TIPS FOR PROPERLY PACKAGING

## LTL SHIPMENTS

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The LTL shipping industry is busier than ever. As a result, space within trucks is also tighter than ever before. This places added responsibility on the shoulders of shippers and carriers to ensure that each shipment is packaged as safely and efficiently as possible. Improper packaging can lead to massive headaches for everyone in the supply chain. It can cause damage to your freight and that of others, and lapses in secure packaging can even lead to workplace injuries.

The good news is, you can take a few key steps to not only help ensure that your freight arrives safely, but also solidify your position as a preferred shipper with your carrier of choice.

### 1) PROPER PALLETIZING

As obvious as it sounds, it all begins with the right foundation. If you're using pallets, make sure they're up to the job. Pallets should be made of wood (not plastic or corrugated) and covered with a good deck of boards.

Four-way access is preferred, as it allows the greatest flexibility for loading and storage. They should also be free of any protruding nails. A standard "stringer" pallet has a loading capacity of around 2,800 pounds and should be stacked to a maximum height of 84 inches.

Pallets must be sufficiently constructed to support a double-tiered load that can accommodate equal weight and distribution. Additionally, the deck of the pallet should be built so that a forklift will not damage the freight resting on top.

### 2) ACCURATE LABELING

Proper labeling minimizes handling and dramatically improves efficiency. Which is why EVERY box in your shipment must be properly labeled prior to pickup. In addition, you should label the pallets in case pieces become separated in transit.

Labels should clearly indicate the name, phone number and address of both the shipper and consignee (including a shipping date may also help the carrier). Labels should be clear, easy to read, and placed on the top of each

box (but not over the seam). Any additional labels that describe special handling requirements – like "Top Heavy," "Fragile," "COD," etc. – should be marked on at least two adjacent outside panels.

### 3) SOUND STACKING

Improper stacking not only increases the chance of a load coming undone, it can also weaken the integrity of cardboard cartons by as much as 60%. Boxes should be stacked squarely on the pallet – lined up corner-to-corner with no overhang.

It's fine to stack near the edges, but under no circumstances should boxes extend over the edge. Overhang not only makes cartons vulnerable to damage, but it also decreases their strength by as much as one-third.

Don't use an interlocking pattern, as this can further weaken the cardboard. Distribute the weight evenly and do your

best to make sure the top surface is flat.

### 4) SECURE CRATING

If shipping fragile or easily damaged items, crating is a flexible and affordable option, as it can be built to accommodate both standard and nonstandard dimensions. But it's important to follow a few key guidelines to ensure that your shipment arrives safely.

To begin with, keep fragile and nonfragile items separate – to minimize possible damage in transit. Fragile items should be wrapped in protective material, and crates should be packed as full as possible in order to minimize the possibility of movement during transit. All movable items must be blocked or braced to prevent shifting in transit.

Crates must also be built so that slats are close enough to protect the contents and prevent any items from protruding outward. Additionally, a crate must include three-way locking corners that are joined by nails or fasteners.

Strengthening your crates with additional supports will further protect your shipment from damage. For example,



two diagonal boards on each side can make a crate nearly 12 times stronger than a nonreinforced crate.

### 5) SNUG WRAPPING

Using stretch wrap around your fully stacked pallet is the best way of ensuring that your shipment remains as secure as possible during all phases of transit.

Starting from the bottom, wrap around boxes in an upward direction, overlapping each layer of wrap by at least 50%. Once you reach the top, stretch the wrap in a crisscross pattern diagonally over the corners, then spiral back to the bottom.

Finish by wrapping a 3 inch overlap with the pallet itself, so that the cartons are secured to the pallet, and the entire shipment feels like one solid piece. For even greater strength and securement, use banding in all four directions. Depending on the weight of the load, choose either metal, plastic or nylon – and make sure it's as tight as possible.

A little added preparation helps ensure that LTL shipments arrive on time and intact. This will help in eliminating costly delays, headaches and fees. **PtoP**

## Want to learn more?

Check out "The Rigors of Freight in Transit" video at: [Blog.Averittexpress.com/Videos](http://Blog.Averittexpress.com/Videos)

## LAREDO SURPASSES LOS ANGELES

### AS #1 TRADE HUB

In March, Port Laredo became the nation's busiest international trade point-of-entry. Los Angeles had long held the position thanks in part to the large volume of goods that the U.S. imports from China. However, continued trade tensions between the U.S. and China have taken a toll.

According to the Census Bureau, \$20.09 billion in goods moved through Port Laredo in March, compared with the \$19.66 billion that flowed through the Port of Los Angeles.

Much of the goods moving north from Mexico serve the U.S. automotive industry. Perhaps a sign of increasing nearshoring for U.S. manufacturers, Mexico also became the top exporter to the U.S. in the same month.

In April, China rebounded as the top origin of imported goods for the U.S. However, the brief rise to the top for Mexico could indicate that more shippers are taking a second look at their supply chain structure in lieu of ongoing trade disputes abroad. **PtoP**





# ESTABLISHING A QUALITY RELATIONSHIP WITH YOUR DRIVERS

At its heart, transportation is still a personal business. For all the talk of technology and logistics, it remains

**an industry built on people dealing with other people.** To that end, building and maintaining strong relationships makes the process better for everyone.

One of the key figures in that process is also one of the easiest to overlook – the driver. The driver's role can be easy to take for granted. However, drivers are the linchpin of the industry. Without them, trucks would sit idle and business would stop altogether.

Most carriers work diligently to create a positive work atmosphere for their drivers. Nonetheless, a driver's work environment expands well beyond the truck and walls of the company. And while carriers will always strive to take the best care of their shippers, they are also extremely humbled knowing that their drivers are being taken care of as well. Below, we've highlighted a few simple ways you can help your carriers improve the driver experience, and help your own business in the process.

## RESPECT AND COMMON COURTESY GO A LONG WAY

A 2017 survey by WorkHound revealed that better work relationships were the topic most often mentioned by drivers (pay came in fourth).

This can take many forms, from improved communications to simple gratitude. Drivers depend on good communication – not just from their dispatchers, but from the warehousing and manufacturing facilities themselves.

When they're treated like a distraction as opposed to an important part of the operation, it creates unneeded stress. It's a simple matter of respect and treating others the way you'd want to be treated. So make sure they have the information they need to properly perform their job.

Likewise, a little acknowledgment of their efforts can pay big dividends. They work long hours, sometimes in rough conditions, to deliver their loads on time. So take a moment to share a word, text, or note of thanks, letting them know that you don't take their role in the process for granted.



## SIMPLE AMENITIES CAN MEAN A LOT

Many locations don't allow drivers on the dock floor due to liability concerns. As a result, they often need a place to wait during the loading and unloading process. This provides shippers a clear chance to set themselves apart by providing the amenities that mean the most to drivers.

Nearly half of drivers surveyed said that the most important improvement shippers could make revolved around giving drivers access to break rooms that featured bathrooms, snacks, coffee and water, and – important – free WiFi.

## THEY VALUE THEIR TIME JUST LIKE YOU DO

The best snacks and amenities in the world can't compensate a driver for lost time. If stuck waiting for hours at a location that wasn't properly prepared, not only are the driver's later deliveries impacted – so is personal time.

"I would submit that respect for the driver's time really trumps everything else," said Avery Vise, VP

of Trucking Research with FTR at the 2019 Retention and Recruitment Conference. In fact, 61% of drivers say shippers can be a better partner by being efficient with loading and unloading.

Time is literally money for most drivers. So demonstrate that you respect their time by having freight properly packaged, palletized and ready to go.

## CELEBRATE NATIONAL TRUCK DRIVER APPRECIATION WEEK

Each year, carriers and shippers throughout the U.S. are encouraged to celebrate and lift up the men and women who keep our economy moving. National Truck Driver Appreciation Week (NTDAW) occurs every September and offers us all a chance to recognize our country's professional drivers.

This year, NTDAW will take place September 8-14. As we approach NTDAW, please consider implementing the previously discussed points when possible to help recognize your drivers during NTDAW and throughout the year! **PtoP**

## YOUR OPINION MATTERS TO US!

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Do you have article ideas for future editions? Let us know!

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