21st Annual "State of Logistics Report®"

The Great Freight Recession

CSCMP Baltimore Roundtable

Baltimore, MD
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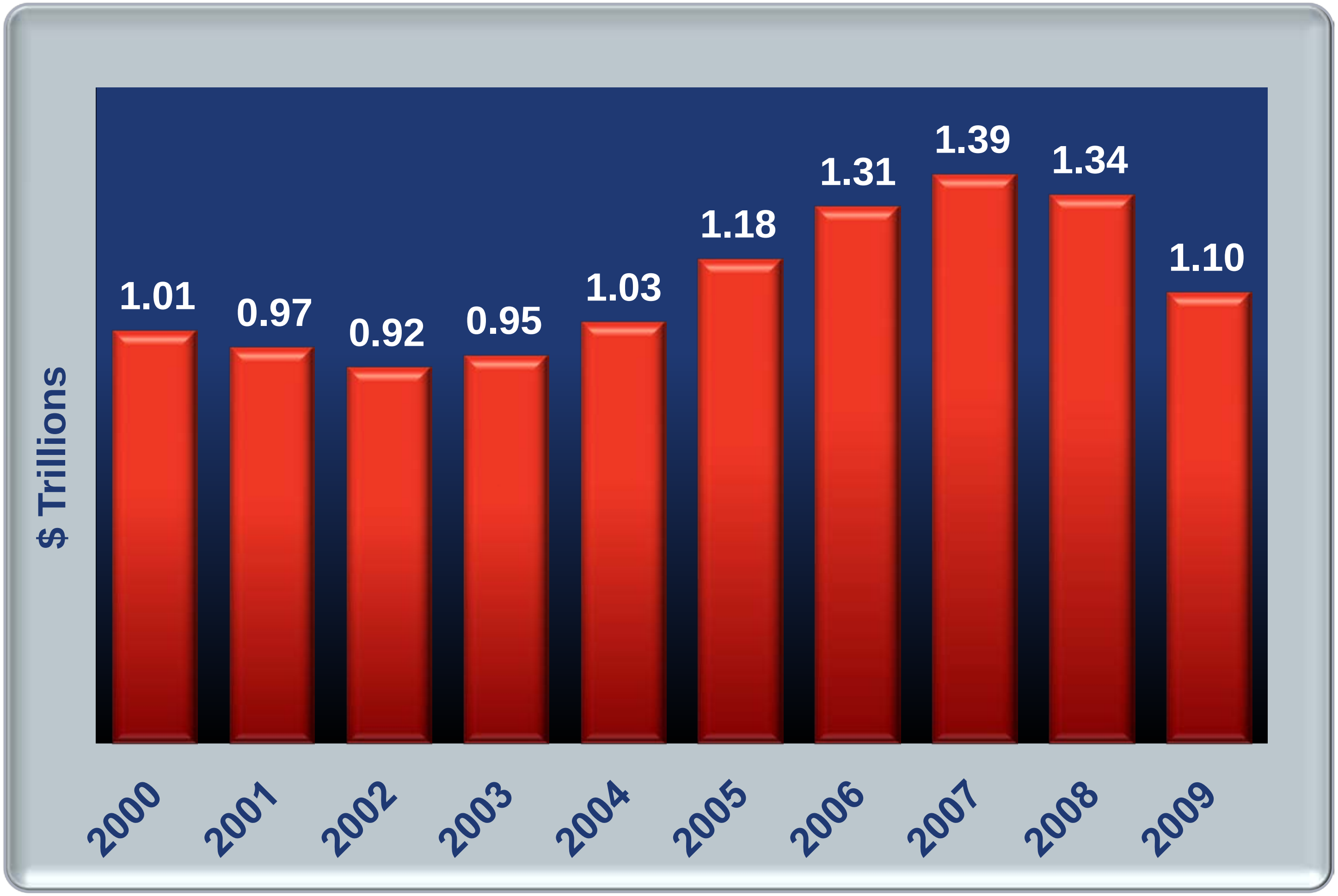
US Business Logistics Costs



The US Business Logistics System Cost is the Equivalent of 7.7 Percent of Current GDP in 2009

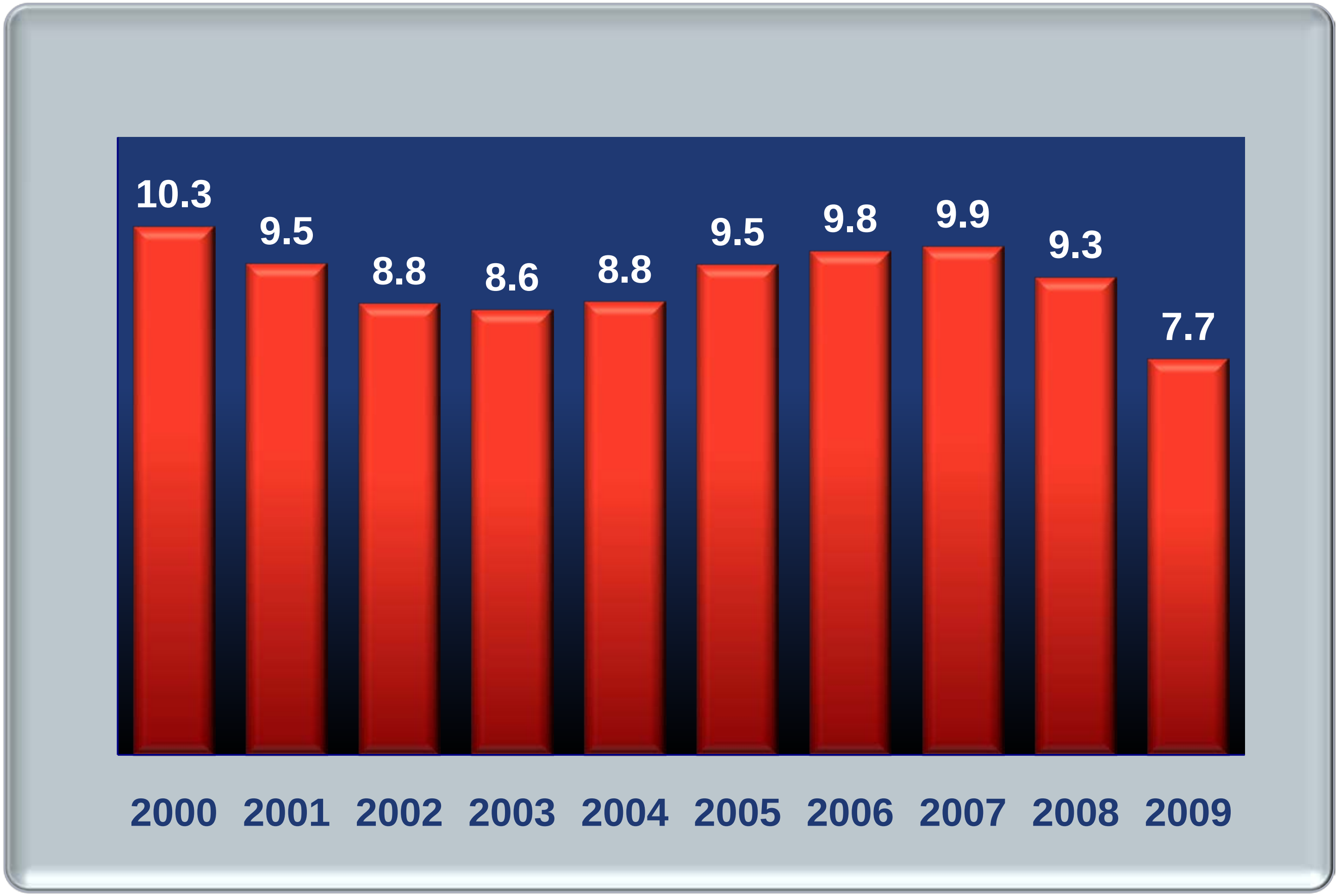
		$ Billions
Carrying Costs - $1.851 Trillion All Business Inventory		
Interest		5
Taxes, Obsolescence, Depreciation, Insurance		233
Warehousing		119
	Subtotal	**357**
Transportation Costs		
Motor Carriers		
Truck – Intercity		*368*
Truck – Local		*174*
	Subtotal	**542**
Other Carriers		
Railroads		*50*
Water	*(International 25, Domestic 4)*	*29*
Oil Pipelines		*10*
Air	*(International 14, Domestic 15)*	*29*
Forwarders		*28*
	Subtotal	**146**
Shipper Related Costs		**9**
Logistics Administration		**42**
	TOTAL LOGISTICS COST	**1,095**

Down 14.1%

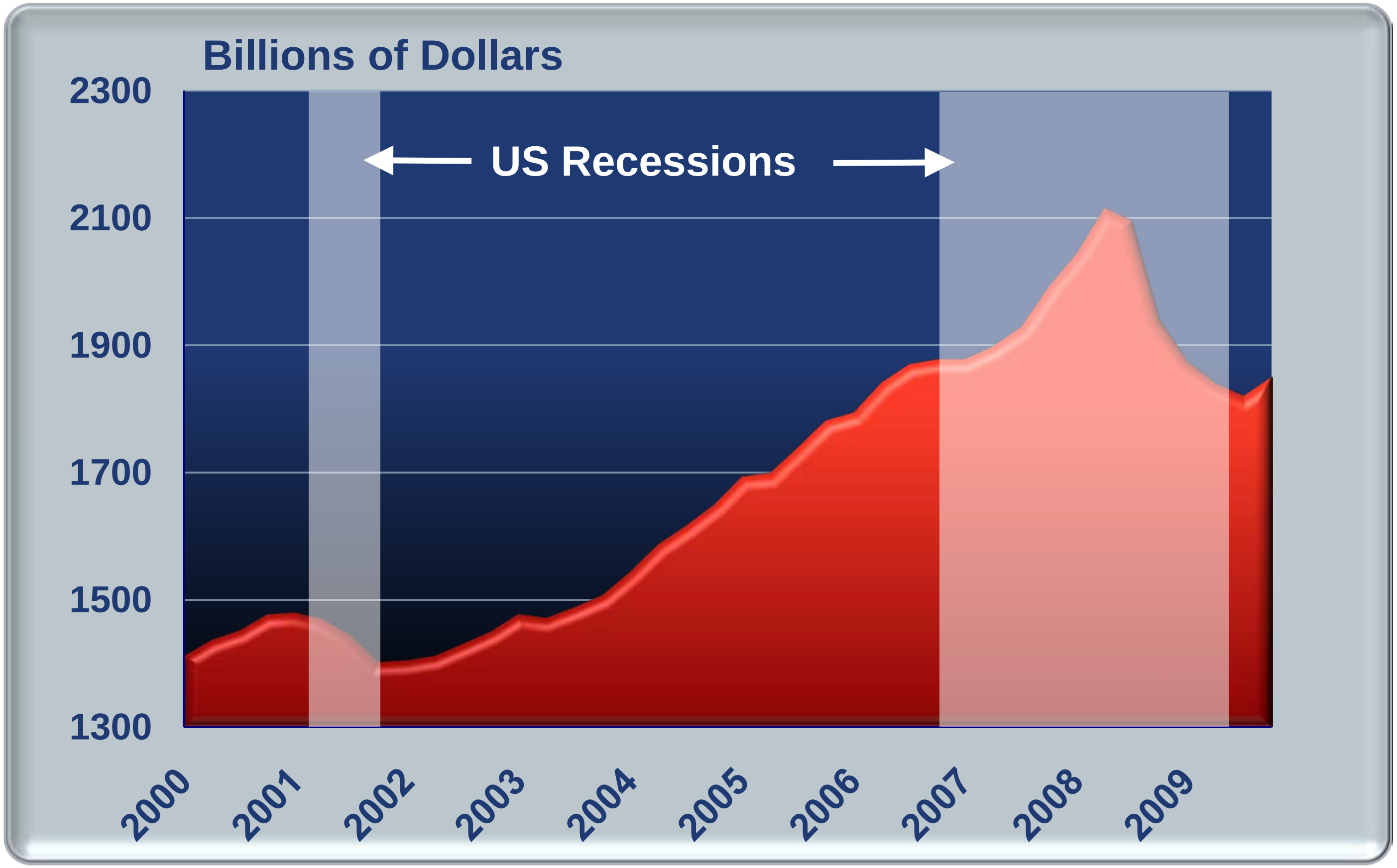
Down 20.2%

Down 18.2%

Logistics Cost As A Percent of GDP



Total US Business Inventories



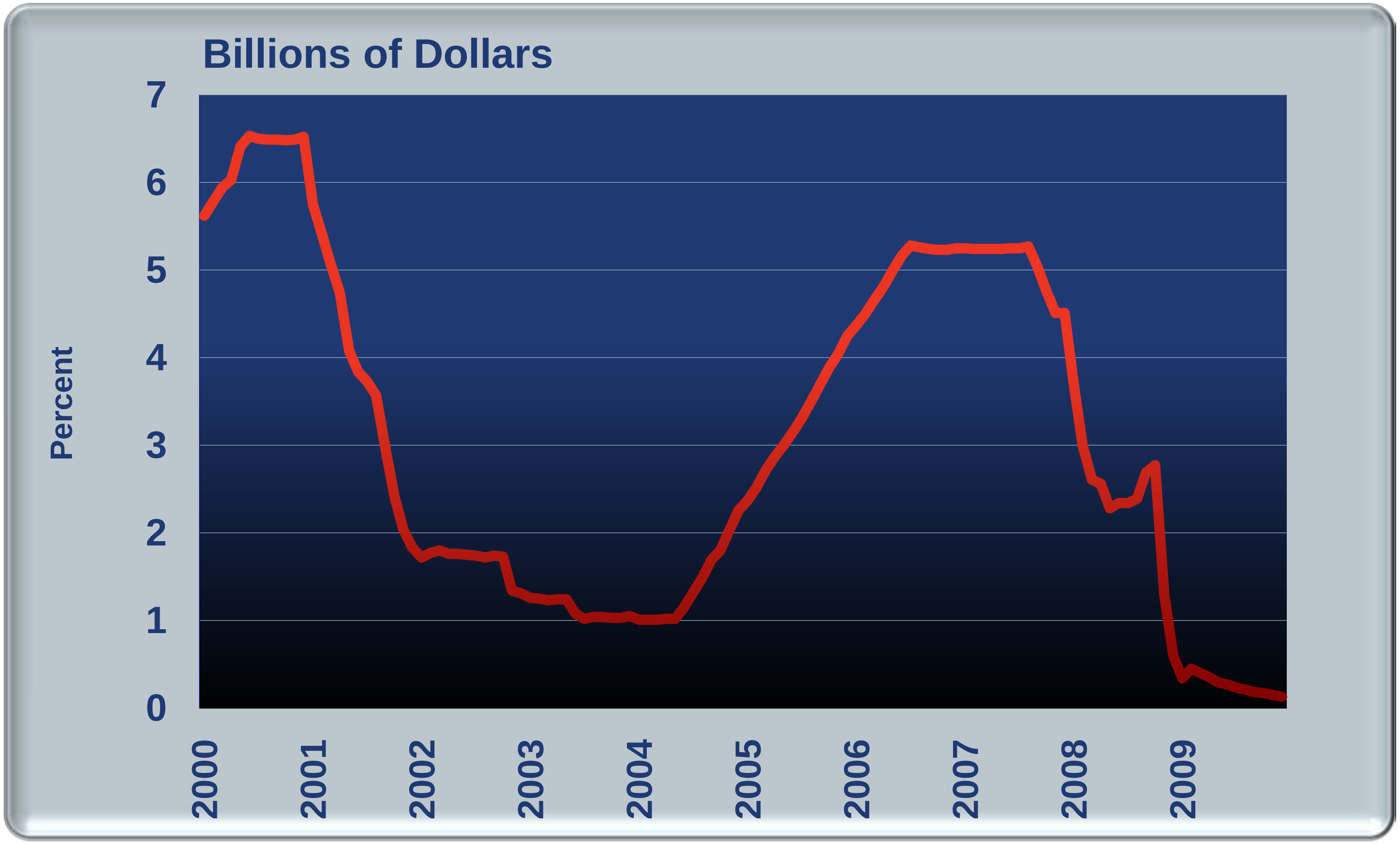
Recession Dates: 3/1/2001 to 11/1/2001 and 12/1/07 to 7/1/09

Source: US Department of Commerce, Census Bureau

The Inventory to Sales Ratio Has Returned to Pre-Recession Levels

Source: US Department of Commerce, Census Bureau

US Average Commercial Paper Rates Continued to Fall in 2009



Source: Board of Governors of the Federal Reserve System

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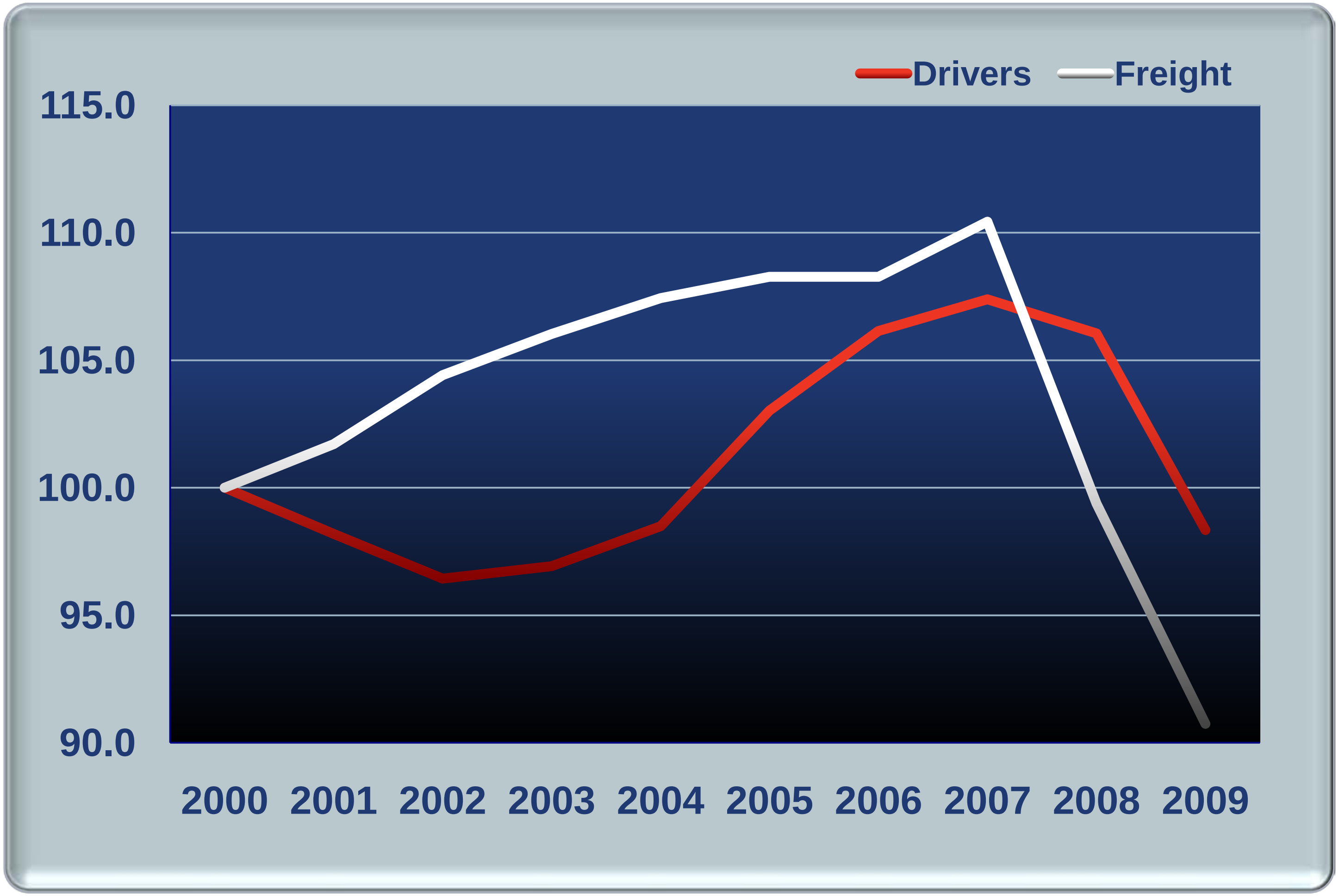
Number of Truck Drivers vs Freight Carried



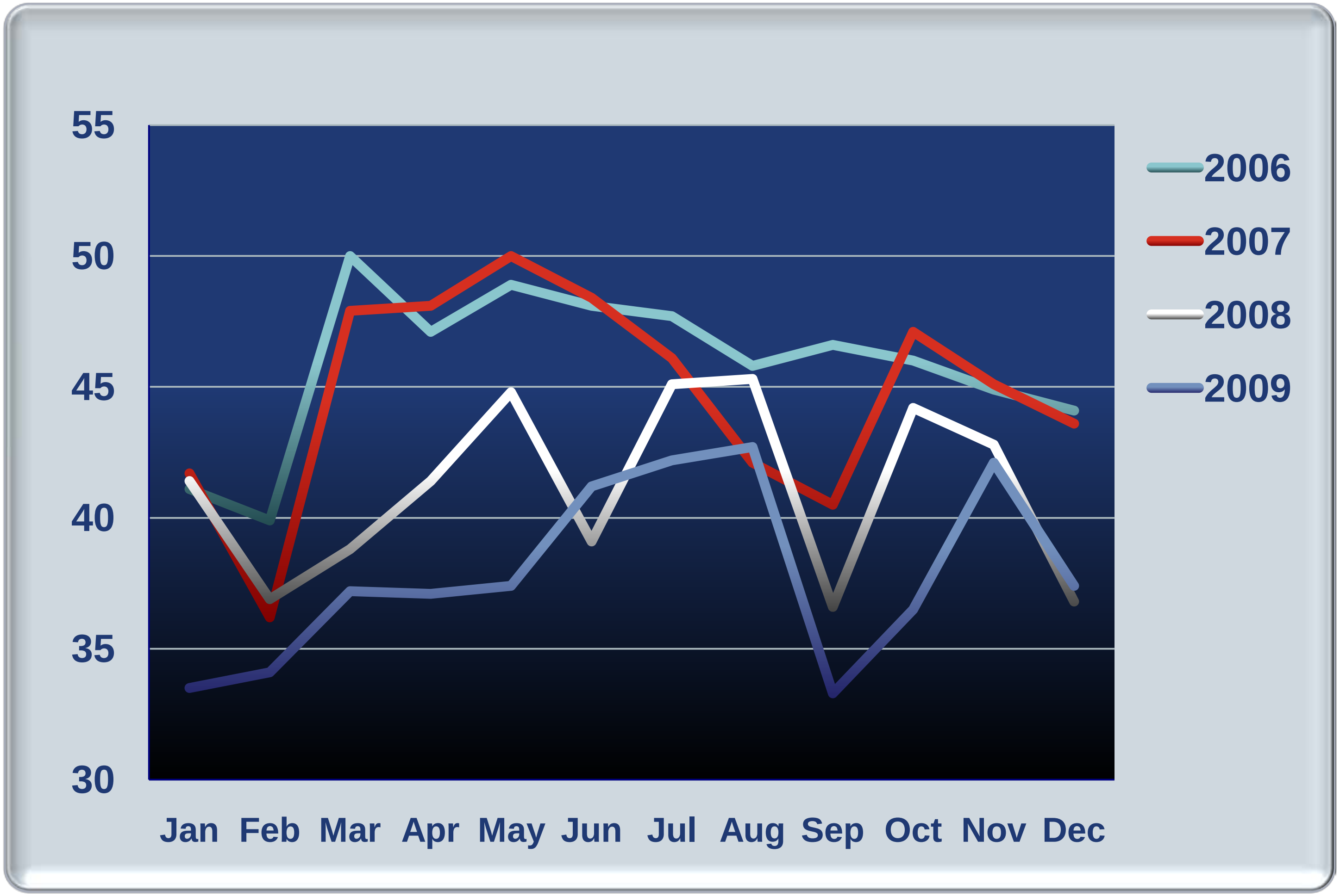
Source: Bureau of Labor Statistics, Bureau of Transportation Statistics, and author estimates

US Ports Lose Ground in 2009

Ports	2009	2008	2007	2006
Los Angeles	5,028,998	5,670,897	5,740,261	5,743,400
Long Beach	3,765,560	4,611,671	4,994,949	4,798,617
New York	3,587,740	3,992,258	3,935,262	3,678,247
Savannah	1,914,751	2,115,986	2,041,521	1,609,131
Oakland	1,398,420	1,394,684	1,451,326	1,414,782
Norfolk	1,375,632	1,591,566	1,573,273	1,424,993
Houston	1,256,049	1,370,759	1,415,657	1,295,366
Seattle	1,072,838	1,082,573	1,289,364	1,222,596
Charleston, SC	954,836	1,330,919	1,408,434	1,517,311
Tacoma	873,708	1,129,301	1,150,590	1,095,896

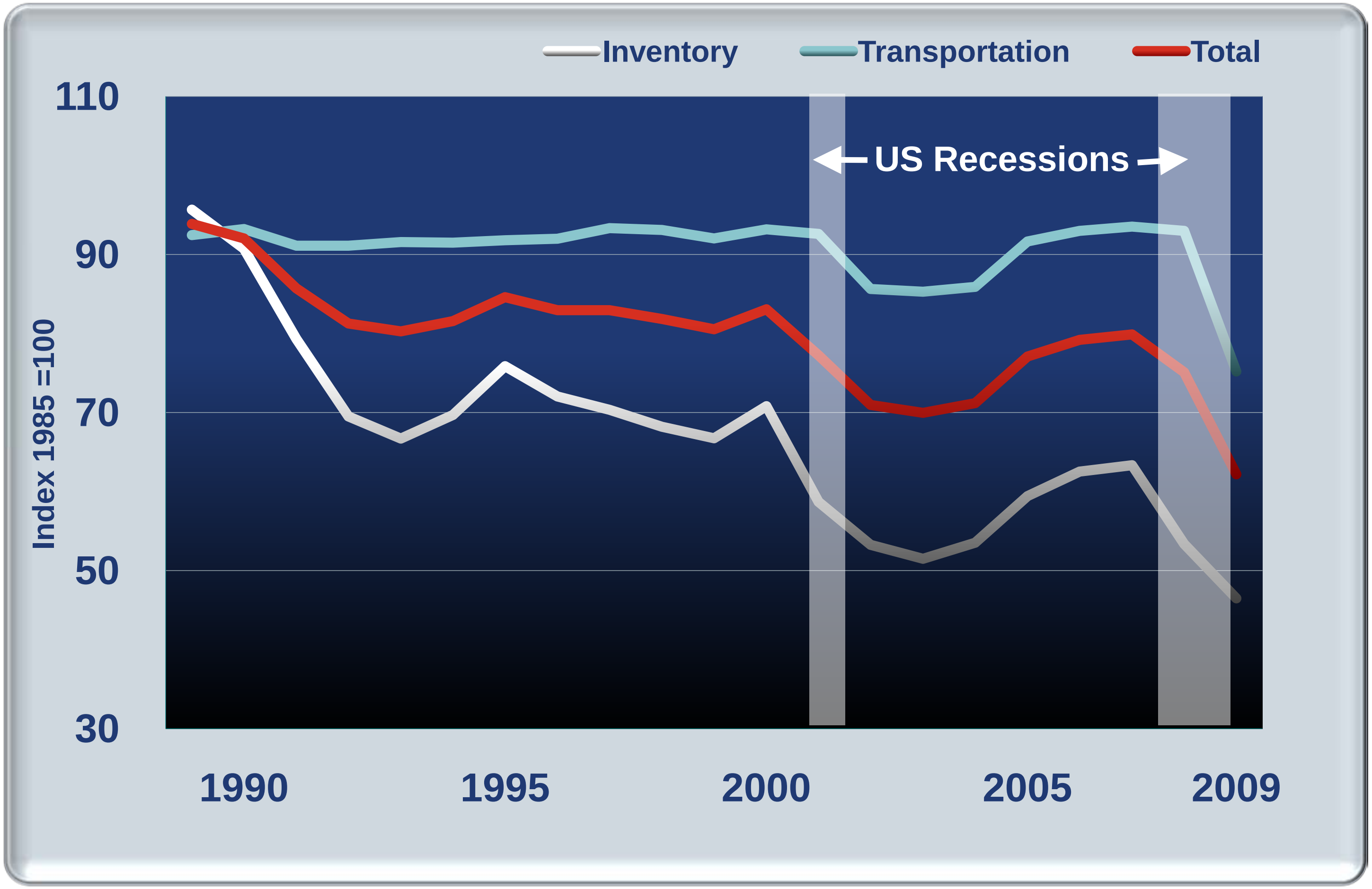
Source: Journal of Commerce PIERS Database, measured in TEUs

Monthly Tonnage Indicator for Internal Waterways



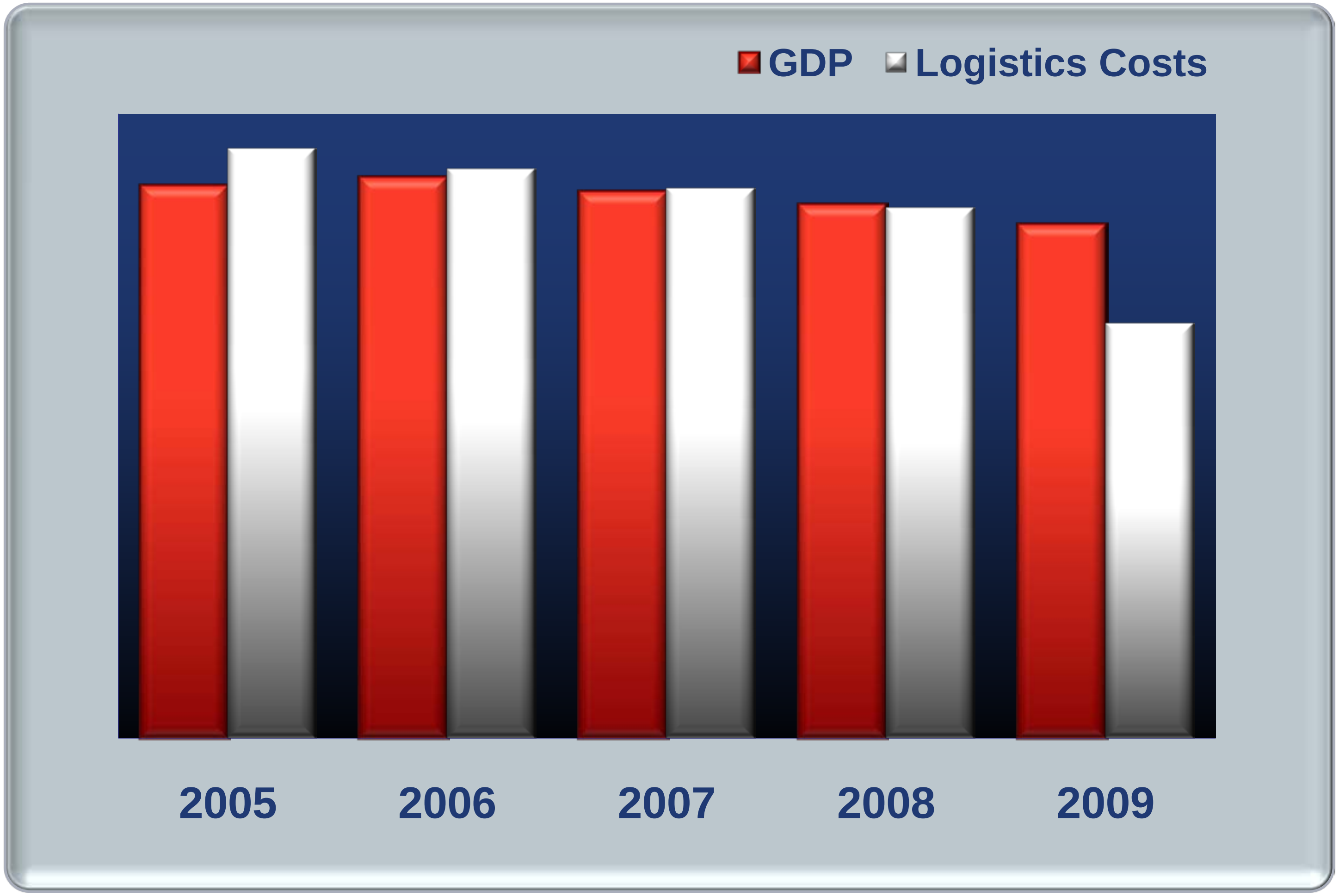
Source: US Army Corps of Engineers, Navigation Data Center

Index of Logistics Costs as a Percent of GDP 1989 - 2009



Recession Dates: 3/1/2001 to 11/1/2001 and 12/1/07 to 7/1/09

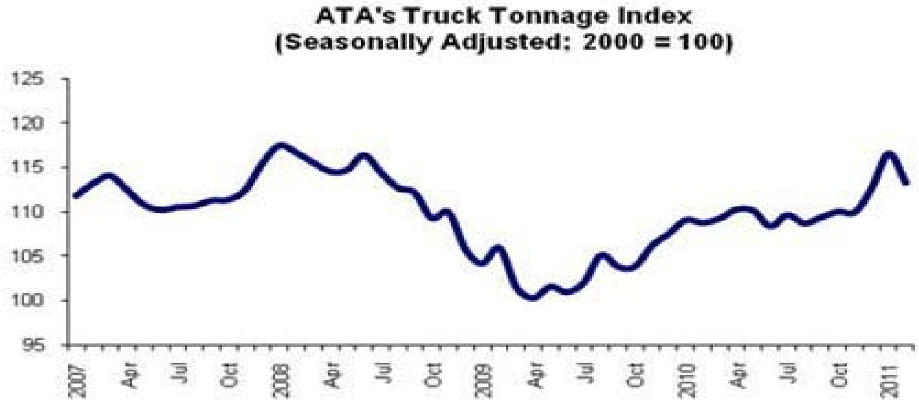
GDP Growth and Logistics Cost Growth

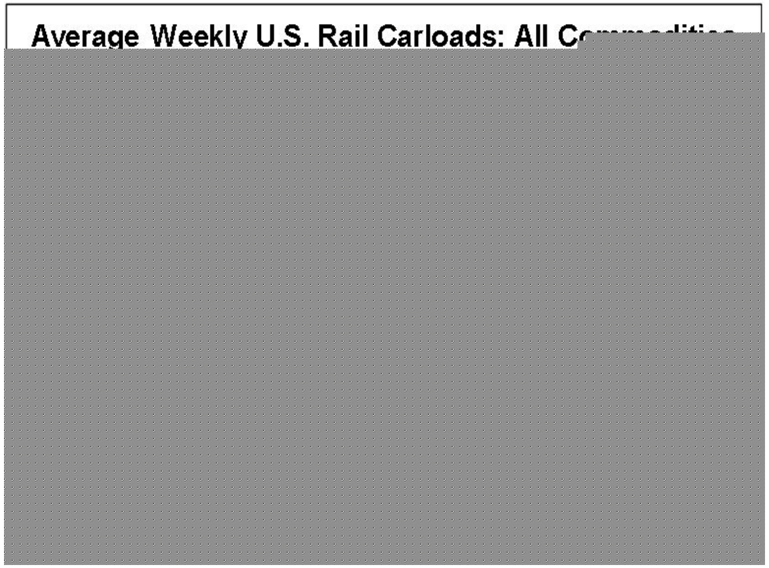


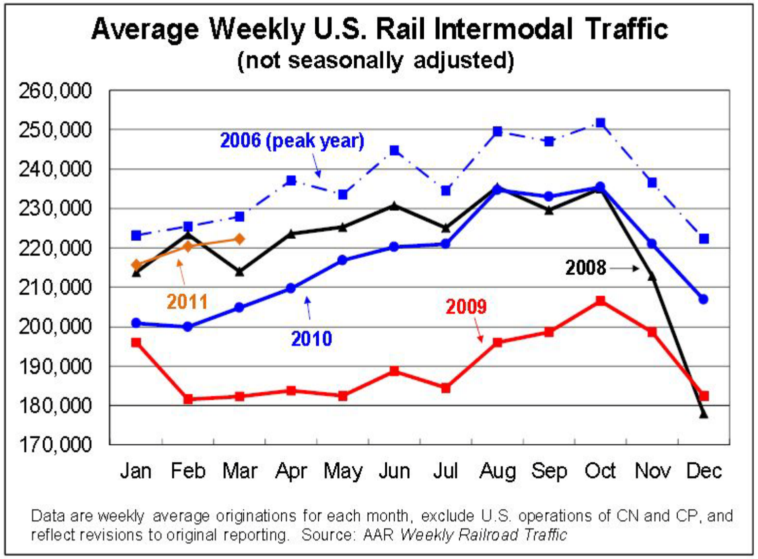
How Did 2010 Look?

- Better than 2009, but not really a stellar year – growth was very uneven
- During 2010 real GDP increased 2.8 percent, after rising only 0.2 percent during 2009.
- Private inventories rose 10.7 percent, but interest fell again in 2010
- Employment at 10 percent, and slow job creation still dragging down the economy
- Housing values still falling, mortgage bankruptcies climb again – consumer confidence slightly positive now
- Consumer spending and retail sales growing modestly
- Industrial production and manufacturing for businesses is up, while consumer goods production is almost flat

How Did 2010 Look?





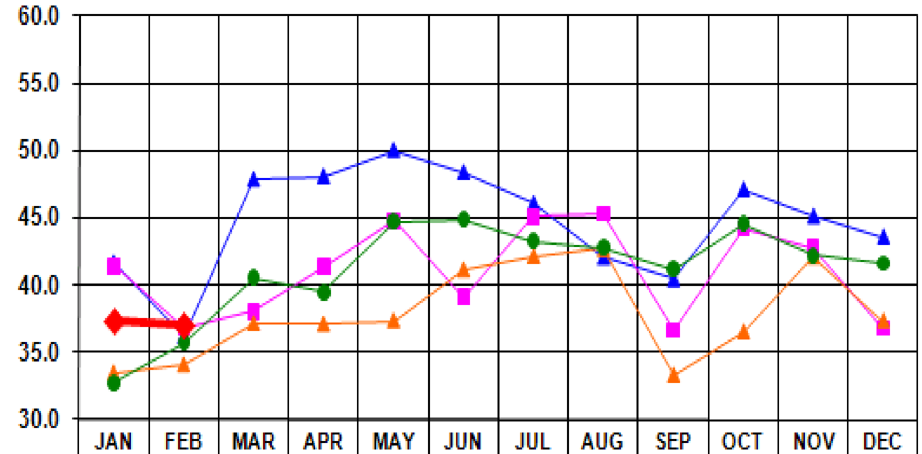


How Did 2010 Look?

Port	2010 TEU	2009 TEU	TEU Change
#1 Los Angeles, CA	4,073,108	3,604,343	13.01%
#2 Long Beach, CA	3,142,726	2,565,891	22.48%
#3 Newark, NJ/New York, NY	2,677,604	2,327,280	15.05%
#4 Savannah, GA	1,087,446	907,683	19.80%
#5 Seattle, WA	949,773	646,544	46.90%
#6 Oakland, CA	779,424	668,324	16.62%
#7 Norfolk, VA	739,520	667,645	10.77%
#8 Houston, TX	580,472	502,431	15.53%
#9 Charleston, SC	567,847	506,622	12.08%
#10 Tacoma, WA	483,231	475,807	1.56%
#11 Miami, FL	337,867	306,829	10.12%
#12 Port Everglades, FL	283,681	289,956	-2.16%
#13 Baltimore, MD	282,224	232,552	21.36%
#14 San Juan, PR	156,975	152,748	2.77%
#15 Philadelphia, PA	148,054	147,499	0.38%
#16 Wilmington, DE	133,927	132,116	1.37%
#17 Wilmington, NC	120,280	100,590	19.57%
#18 Gulfport, MS	105,964	102,525	3.35%
#19 Jacksonville, FL	99,221	85,352	16.25%
#20 Boston, MA	85,060	87,478	-2.76%
#21 New Orleans, LA	79,520	76,695	3.68%
#22 Portland, OR	71,758	70,386	1.95%
#23 Chester, PA	50,118	39,529	26.79%
#24 San Diego, CA	50,105	48,090	4.19%
#25 Mobile, AL	36,651	35,721	2.60%

All Commodities

Monthly Tonnage Indicator for Internal U.S. Waterways



	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC
2007	41.7	36.2	47.9	48.1	50.0	48.4	46.1	42.1	40.5	47.1	45.1	43.6
2008	41.4	36.9	38.0	41.4	44.8	39.1	45.1	45.3	36.6	44.2	42.8	36.8
2009	33.5	34.1	37.2	37.1	37.4	41.2	42.2	42.7	33.3	36.5	42.1	37.4
2010	32.8	35.7	40.6	39.5	44.7	44.9	43.3	42.8	41.2	44.6	42.2	41.7
2011	37.3	37.0										

Looking Ahead

- Truck capacity is tightening and pricing control is shifting – by end of 2Q to mid 2011 we will start to see some very significant rate hikes
- The truck driver shortage is coming
  - Companies have stepped up recruiting; still looking for experienced drivers and still able to be choosy because of the high unemployment rate

- Sales of medium and heavy duty trucks are gaining strength, but still have not reached replacement levels; used truck prices have soared and the supply is dwindling
- Diesel prices are on the rise once again with fuel surcharges growing

Looking Ahead

- Rail carloadings got off to a slow start because of the bad weather, but have posted good growth in 2011 and intermodal is soaring
- Expect more growth in intermodal as railroads increasing become the mode of choice for long hauls; favorite mode now because fuel surcharges are about 50 percent of those for trucks; rates are often 10 to 20 percent lower than truckload rates
- Rates have been robust

- The railroads are ready for expansion, but it will come gradually; they could handle another 10 to 15 percent of volume before there are any worries about capacity issues in select corridors

Looking Ahead

- CSA BASICs
  - Unsafe Driving
  - Fatigued Driving (Hours-of-Service)
  - Driver
  - Controlled Substances/Alcohol
  - Vehicle Maintenance
  - Cargo-Related
  - Crash Indicator
- A carrier’s measurement for each BASIC depends on:
  - The number of adverse safety events (violations related to that BASIC or crashes)
  - The severity of violations or crashes
  - When the adverse safety events occurred (more recent events are weighted more heavily)

Report is available on the CSCMP website

CSCMP.ORG