Inside the Numbers
with Lou Smyrlis

Editorial Director,
Transportation Media

IN DEPTH ANALYSIS OF THE FACTORS AFFECTING YOUR PROFITABILITY

VOLUME 3, ISSUE 6

Should you trust shipper volume projections?

They will certainly put a smile on your face but history proves they've been rather overly optimistic

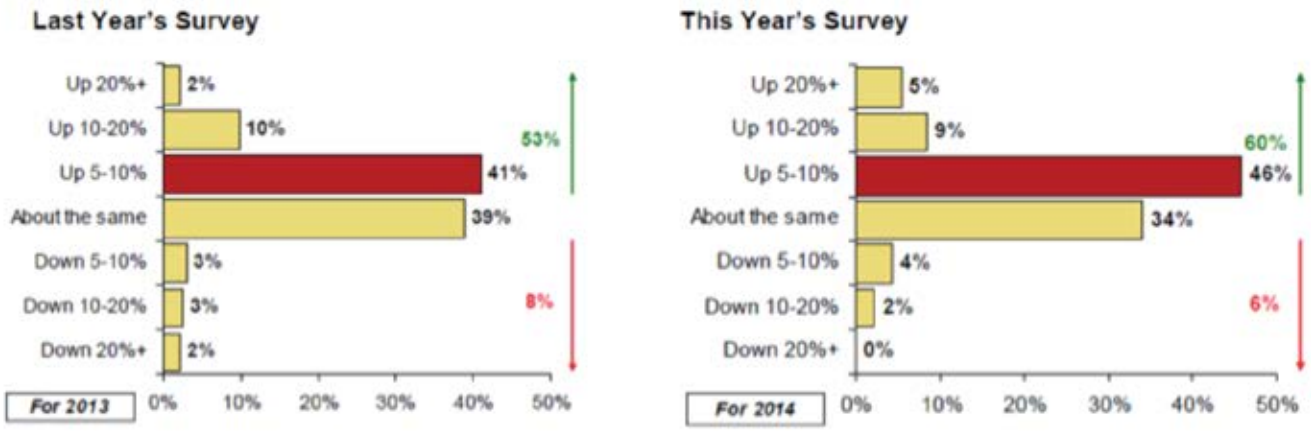
There's no sense sugarcoating it; 2013 did not turn out to be the year motor carriers had hoped it would be. Freight volumes were not quite what were expected.

In the past two issues of Inside the Numbers I've concentrated on summarizing the economic outlooks for 2014 from several transportation economists I follow, and they proved to be a pretty mixed bag of forecasts. For this year's final issue of Inside the Numbers I would like to focus on the results from our own annual Transportation Buying Trends Survey of Canadian shippers, which we have been conducting in partnership with CITA and CITT since 2004.

There are some interesting results from our survey, which we just wrapped up in November. The most positive is the fact that

Volume – Shipper Projections

Shippers – projecting about 5.7% growth for 2014 versus 4.0% last year

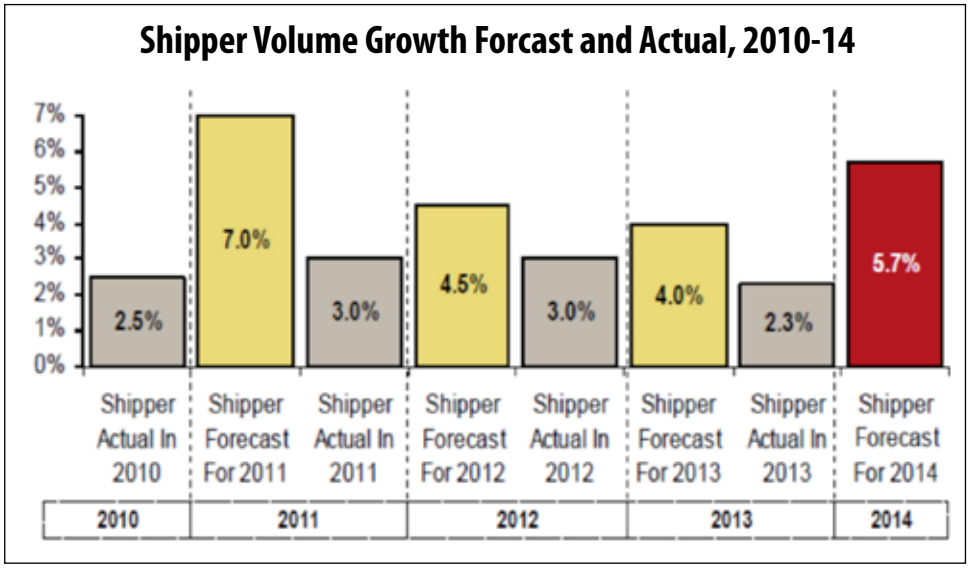


Canadian shippers are more optimistic about freight volume growth in 2014 than they were back in 2013 with 60% projecting growth over the previous year, compared to 53% forecasting likewise in 2013. Only 6% are expecting freight volume drops (compared to 8% last year), while 34% expect freight volumes to remain about the same as this year (39% said likewise last year).

The vast majority of shippers responding to our survey expect freight volume increases in the range of 5-10%. Your operation would be best off if it's doing business with the 14% of shippers who expect volume growth above 10% for 2014.

As I argued in the previous Inside the Numbers, however, an economy with GDP growing at less than 3% annually, like Canada's is expected to yet again in 2014, does not provide a tide that lifts all ships. Certain sectors and regions will do considerably better than others. For example, if we isolate shippers from Western Canada, we find they are considerably more optimistic than the survey average about freight volumes in 2014 with 76% expecting higher volumes, 8% expecting a drop and only 16% expecting to remain roughly on par with 2013.

There are also clear winners among the modes with 40% of shippers expecting to increase their use of LTL in 2014 and 30% expecting to increase their use of TL. In comparison, only 14% expect to boost their use of rail in 2014 although 27% expect an increased use of intermodal.



Our research of motor carrier expectations for 2014 is not yet completed but traditionally it has found that carrier executives tend to be more pessimistic about freight volume growth than their own customers.

"Why has shipper sentiment remained resilient relative to carriers' less optimistic outlook? We suspect that demand and orders may be slowly improving for shippers, in line with the economy, and carriers will react in kind as the supply chain evolves and inventory continues to be restocked," says David Newman, a transportation market analyst with Cormark Securities. (I team up with David a couple of times a year on CITT webinars discussing the results from the survey and the look ahead.)

Before getting too excited about the positive shipper outlook for 2014, however, it's important to place it in historical perspective. Carrier executives are right to employ a modest amount of caution about shipper freight volume forecasts as they've proved rather optimistic the last few years.

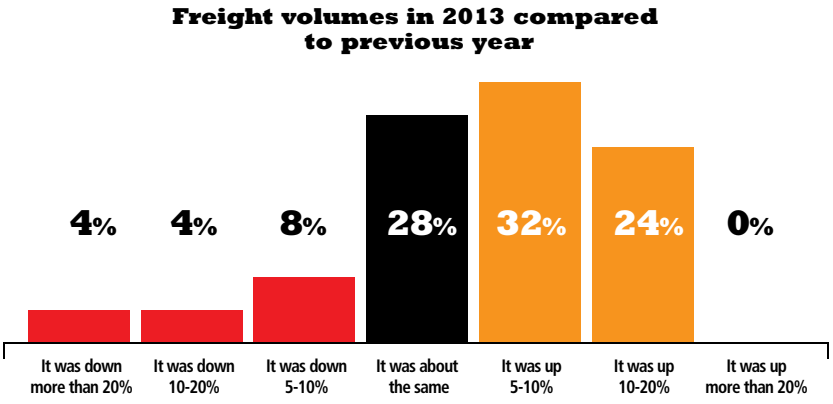
For example, the shipper forecast for 2011 called for an average growth of 7% in freight volumes. But a year later, when asked to look back on the year, they reported their volumes actually grew by only 3% in 2011. For 2012, shipper projections were more modest, forecasting an average of 4.5% growth for 2012. Growth ended up being 3%. And last year the projection was for 4% average growth. But when responding to our survey question about what growth they actually experienced in 2013, the average response was 2.3%.

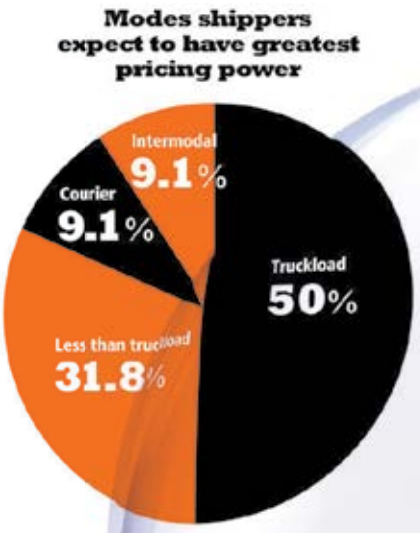
In fact, a quick look at the actual growth in freight volumes reported by our shipper respondents reveals close to a mirror image of GDP growth for the Canadian economy. Growth has been steady but not spectacular and 2013 was not the year we hoped it would be.

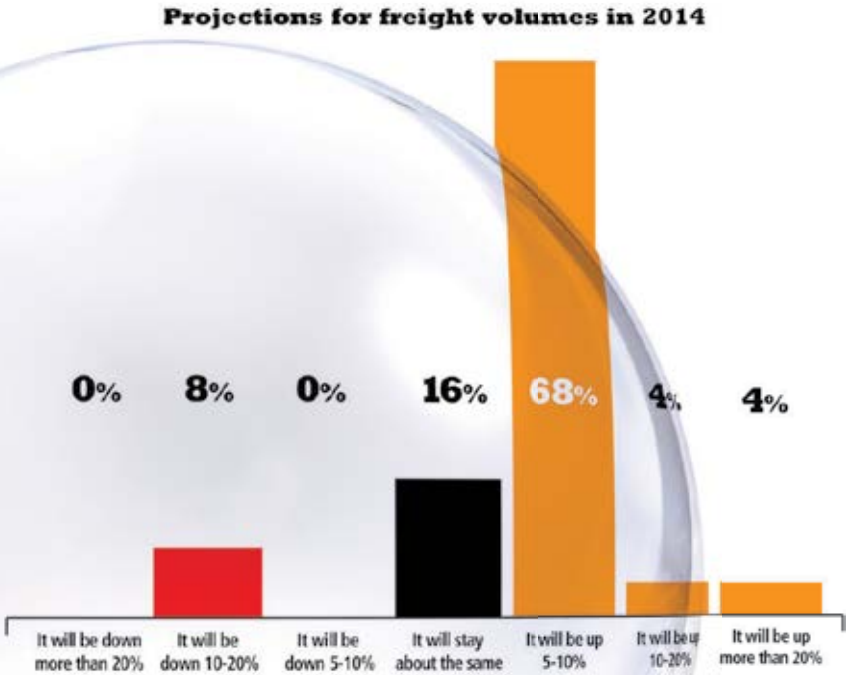
Here's hoping next year's projections are closer to the mark.

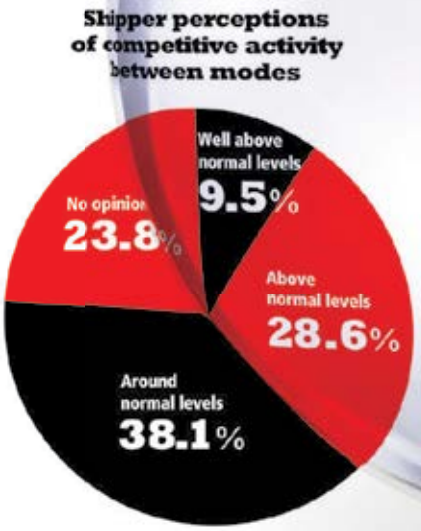
CRYSTAL BALLIN' 2014

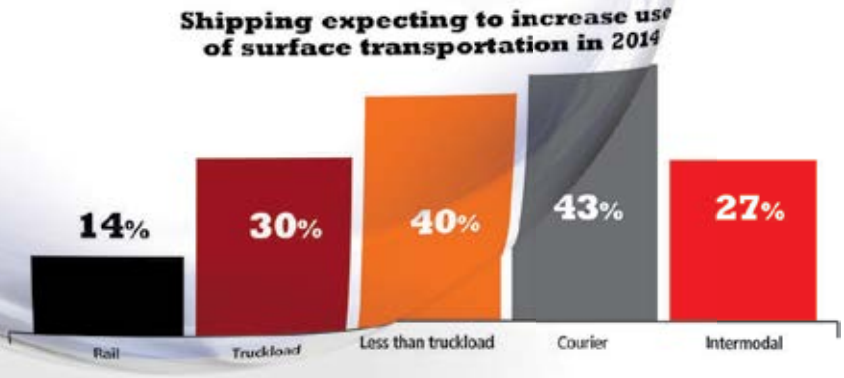
ARE WESTERN CANADIAN SHIPPERS FORECASTING SIGNIFICANT FREIGHT VOLUME INCREASES?











Western Canada-based shippers are quite optimistic about their freight volume projections with 76% forecasting growth in 2014 and only 16% expecting freight volumes to remain the same, according to our recently completed Transportation Buying Trends Survey, conducted in partnership with CITA and CITT. That is considerably better than the national average, which has 59% of shippers expecting freight volume increases in 2014 and 34% expecting volumes to remain on par with 2013. Western Canadian motor carriers stand to gain from the optimistic outlook on freight volumes with 40% of shippers expecting to increase their use of LTL transportation services and 30% expecting to increase their use of TL services over the previous year. That ranks among the top for surface transportation with only courier showing greater potential for growth. And that may also translate into a rise in freight rates. Our survey found that 50% of Western Canada shippers expect TL to have the greatest pricing power and 32% expect LTL to have the greatest pricing power among all modes.

For a detailed analysis of the trends affecting surface transportation in Western Canada be sure to take in editorial director Lou Smyrlis' address to the upcoming Manitoba Trucking Association's Annual General Meeting March 11, 2014, at the Viscount Gort Hotel.

Steady As She Goes

Expect modest increases in truck and trailer demand for 2014: FTR

BY JAMES MENZIES

Demand for Class 8 trucks in North America will increase modestly, from 241,000 units in 2013 to 261,000 units next year, according to the latest projections from industry forecaster FTR.

During a Truck and Trailer Outlook Webinar, FTR president Eric Starks said most economic indicators point towards favourable conditions for trucking, which should drive more demand for new trucks. However, most of that demand will be for replacement vehicles, Starks noted.

The ISM manufacturing index has been trending above 50 - which indicates it's in expansion mode - for the past six months, with November's reading the highest it's been since April 2011, Starks explained. The order index - a leading indicator for industrial production - has continued to climb, which is another sign of further manufacturing growth in the US.

One cause for concern, said Starks, is that the Q3 GDP data in the US showed an increase in inventory levels.

"From a manufacturing and freight standpoint, that's not a good sign," Starks said. "It creates a concern if inventories get too bloated."

FTR's Trucking Conditions Index - which considers several metrics that collectively paint a picture of the trucking industry's overall health - has been in positive territory of late.

"The high number doesn't necessarily translate into higher rates or higher revenue," Starks noted. "It only means that those who participate in the trucking sector are doing okay or are healthy."

He said the Trucking Conditions Index could weaken in coming months, but should remain in healthy territory.

Freight volumes are continuing to "move in a positive direction," Starks noted. "The freight environment is relatively healthy and in some cases, very strong."

The American Trucking Associations truck tonnage index is up 8% year-over-year, FTR loading data is up about 6% this year, and an ATA loading index is up about 5%. However the Cass Freight Index - which includes modes outside of trucking - is down about 2%.

"It's a mixed picture, but the bulk of the items are suggesting healthy tonnage," Starks said.

Truck utilization, which is an indicator of future demand for new trucks, remains in a "sweet spot" that suggests it's about right, meaning most new truck orders will be for replacement purposes.

Freight rates, according to Starks, have been trending up in the US since the new hours-of-service rules went into effect in July. He predicted rate increases will be seen throughout 2014.

However, despite all the positive indicators, Starks said November's Class 8 orders were a disappointment, coming in at 20,900 units in what is traditionally a strong month. November's orders were about 5,000 lower than October's, and "normally November is one of the strongest months of the year," Starks said. "It doesn't give me a whole lot of confidence to say there's a huge pent-up demand in the system."

Looking at the medium-duty truck market, Jon Starks, director of transportation analysis with FTR, said the forecaster is making a significant reduction to its outlook for 2014-2015. The three-month moving average for medium-duty truck orders has been fairly stable since the beginning of 2011, Starks noted.

Still, the forecaster has downgraded its expectations for US Classes 4/5 trucks from 85,000 units in 2014 to 77,000 units. For Classes 6-7 trucks, it dialed down expectations from 110,000 units to 107,000.

Don Ake, vice-president of commercial vehicles for FTR, and the newest member of its team, said the trailer market will remain fairly consistent over the next year. Trailer demand has been very stable through 2012 and 2013, he noted, and that should continue into next year.

"In 2014, the trailer market should have quarterly patterns very similar to 2013, unless there is significant growth in the economy," he explained.

FTR is projecting trailer build for 2014 to come in at about 237,400 units, slightly ahead of the 235,000 units that the industry is on pace to build this year.

MOTORTRUCK FLEET EXECUTIVE, CANADIAN SHIPPER, AND DAN GOODWILL & ASSOCIATES PRESENT

SURFACE TRANSPORTATION *Summit*

October 15, 2014

MISSISSAUGA CONVENTION CENTRE

PLEASE PLAN ON JOINING THE COUNTRY'S

TOP TRANSPORTATION EXECUTIVES

FOR A DAY OF **EDUCATION & NETWORKING**

LEADERS

Michelle Arseneau, managing partner, GX Transportation Solutions and Bruce Jantzi, senior vice president, operations, Erb International, on improving the freight bid process.

Q. From the carrier's of point of view, what would you like to see improved in the bid process?

Arseneau: The first thing I would like to see, and which I think would help shippers get the best responses in the tenders they are putting out there, is before selecting the carriers you would like to quote, set aside time for each carrier you are including so you can bring them in to meet with your group. Sit down and have a general Q&A session on what is involved in the business they are quoting on, what are the requirements, what are your objectives and what you are hoping to accomplish through this process and try to make it as transparent as possible. That conversation needs to be had.

In terms of the software used in the RFP process, the shipper submits the questions and waits for the answers to come back from the carriers and you file through and read what is important to you. I understand that is saving the shippers time following that process but it really creates a disconnect between the shippers and the carriers by doing it that way. Being able to sit down and have a roundtable discussion with the people making the decision and judging the freight tender and the people who are actually submitting it – the sales people, the operations or general manager , the pricing person – is where it has to start.

Afterwards, I think the same thing applies. Is it just the carrier submitting the pricing and the package that goes forth? Sometimes I wonder if it ever gets read because there is so much information in there. To have an actual presentation of your proposal where you get to meet with the same key people you met with before and discussing the key things you have to offer provides the opportunity for the shipper to get to know your company better . Unless you have 100 companies quoting on your business you should provide the opportunity to do that.

Jantzi: I realize everyone's time is limited but we love for shippers to come and visit our facility. We are very proud of our facility. We like to introduce them to our operations folks and to give shippers a view of how we operate because not all carriers are the same. Our company has been in business for a long time and we invest a lot in technology and that's something we have to continue to do and we like to show that to our shippers.

We also invest a lot of money in safety for our vehicles, and there is a cost to that, and that cost is reflected in RFPs. It's frustrating when we submit pricing and sometimes I see a difference of $500 a lane. There is a reason for that. Are you just buying a truck with no safety attached? There are a lot of questions that sometimes are unanswered.

I also don't like doing the bid packages every year. I like to see two years with something built in for an inflation increase. The other thing I don't like is RFPs that include multiple rounds to see if we can drive the price down. I base my pricing on my costs, and where I can reduce my costs on filling in empty lanes, and usually when I submit pricing whatever my first round bid is that is usually what I go with. I don't normally drop our pricing after the first round.

Michelle Arseneau and Bruce Jantzi were part of a shipper-carrier panel debating the value of the RFP process and ways to improve it at our recent Surface Transportation Summit at the Mississauga Convention Centre. Fellow panelists included:

Grace Tomaszun, manager, North America transportation sourcing. **McCormick & Company**.
Mike Owens, vice president of physical logistics,
Nestle Canada Ltd.
Erb International.

To read more about the discussion, sponsored once again by Shaw Tracking, look for your next issue of Motortruck Fleet Executive and also upcoming episodes of TMTV.

Follow us on Twitter for BREAKING NEWS, INSIGHTS, INDUSTRY STATS

BE THE FIRST TO KNOW

Truck News @TruckNewsMag 16 Nov
BREAKING: Celadon Canada buys Yanke: SASKATOON, Sask. -- Celadon Canada has purchased Yanke, in a blockbuster ... bit.ly /1dDDIK7
Expand Reply Retweet Favorite More

James Menzies @JamesMenzies 31 Oct
Big news, Clarke sells freight transportation business to TransForce.
Expand Reply Delete Favorite More

Lou Smyrlis @LouSmyrlis 21 Oct
Bill Graves: If I was your political broker, my advice would be to sell your Republican shares and buy the Democrats. #MCE2013
Expand Reply Retweet Favorite More

Julia Kuzeljevich @JuliaKuzeljevic 12 Nov
Amazon, USPS plan Sunday deliveries in parts of US.
Expand Reply Retweet Favorite More

Lou Smyrlis @LouSmyrlis 20 Oct
ATD Dynamics "100% optimistic" Canada will allow full length trailer tails due to significant fuel savings #MCE2013
Expand Reply Retweet Favorite More

Kathy Penner @Kathypenner 14 Nov
Congratulations to our good friend Norm Sneyd, Bison Transport who won the Shaw,Service To Industry Award!

@TruckNewsMag

@JamesMenzies

@LouSmyrlis

@JuliaKuzeljevic

@KathyPenner

10 emerging transportation trends you must keep your eye on.

BY DAN GOODWILL

1. The 10 Miles Per Gallon Truck

Heavy-duty trucks consume 1/5th of the fuel consumed in the United States. The world's freight transportation requirements are expected to consume 70 percent more energy in 2040 than they did in 2010. As demands for freight transportation rise in developing countries, this is also increasing the level of fuel consumption.

A recent HOS study suggests that the changes made in 2013 in the USA are having an impact on driver productivity. New measures may further erode productivity. An electronic on-board recorder (EOBR) mandate is also slated to be rolled out in the next year or two. It will likely eliminate log book falsification across the board and could easily clip another 2% to 5% of industry productivity. Mandatory speed limiters would be next and would eliminate some additional productivity. New drug testing procedures are also being considered and would eliminate those drivers who are able to pass the current urine-based test despite habitual drug use. Taken together, this influx of regulations will reduce the number of drivers in the overall pool and will reduce the productivity of those remaining in the pool.

At a time when most truckers are striving to operate their fleets at 6 miles per gallon, talk of 10 MPG may seem like science fiction. The good news is that fifteen industry manufacturers have joined together in the 21st Century Truck Partnership. Led by Daimler, Navistar and Peterbilt and a joint venture with Cummins and Peterbilt, they plan to have working prototypes within two years. The four projects that fall within this initiative are experimenting with engines and heavy duty hybrids, vehicle power demands, idle reducing technology and new lightweight materials such as carbon fibre and high strength steel. With driver recruitment being such a major challenge, improved vehicle productivity would be of major benefit to the trucking industry.

2. Omni-Channel Distribution will Transform Retail Shipping

Every 25 or 50 years there is a major change in retailing. Mass urbanization led to the creation of big box stores in downtown urban areas. As manufacturing and urban city dwellers moved to the suburbs, shopping malls became the norm a half century ago. More recently, a combination of technologies is transforming retail shipping. Smartphones, E-Commerce and mass fulfillment centres are driving major changes in retail shopping. More changes are on the way.

Major retailers are experimenting with a variety of different retail/distribution models to serve consumers today. Amazon is adding to its network of 89 distribution centres and is creating the local transportation services in large urban areas to serve these markets. It is opening Amazon Lockers in certain retail establishments so consumers can choose the option to pick up their merchandise at locations that are convenient for them. It is launching Amazon Fresh to sell produce to consumers. Most of these moves are designed to increase the volume of products, particularly its higher margin items that are purchased by consumers. This improves the economics of serving consumers (e.g. increases the contribution per delivery) and also enables Amazon to take market share from other vulnerable retailers (just as it did in books and other product lines).

Retailers are also experimenting with the size and design of local retail outlets. Some are opening stores with smaller footprints. While still offering a range of merchandise, they are also serving as local distribution centres for consumers wishing to stop by for a pick-up and as E Commerce fulfillment centres. This is the Omni-Channel approach – offering buyers a range of shopping and delivery options.

On a recent 60 Minutes program, Amazon displayed its Amazon Prime Air drone service that theoretically could deliver parcels from a DC to a home within 30 minutes. While it is questionable if such a service could ever handle a high volume of parcels, this reflects the changes being contemplated in the retail sector.

3. Shipper-Shipper and Shipper-Carrier Collaboration

This has been a popular theme for the last decade or more. The trouble has been that the theory has not matched up with reality. Over the past decade, the pendulum has swung back and forth between shippers and carriers. During the early 2000s carriers leveraged the strong economy and their ample capacity to increase freight rates from their preferred clients. The market took a major turn during the Great Recession. Shippers leveraged the failing economy and excess capacity to drive down freight rates.

We are now in a "new normal." Carriers have removed excess capacity from their fleets and terminal networks. Shippers are seeking to find adequate capacity at a fair price as the economy slowly recovers.

At the recent 2014 Surface Transportation Summit, the President of Meyers Transport made an impassioned plea for shippers and carriers to collaborate. The post-Summit survey results indicated that this message resonated with the audience and the time is ripe for a more unselfish collaborative approach. This message seems to be hitting home.

In NASSTRAC's inaugural shipper survey, 32.4 percent of respondents collaborated with their trucking partners and 3PLs. A surprising 54.9 percent said that they collaborated with other shippers.

Despite "the steady drumbeat" in the media about a looming capacity shortage, few shippers are experiencing this. There are several possible answers for this. Shippers are starting to make good use of TMS systems and brokerage networks to find the capacity they need. Through co-loading and collaborative shipping, they are able to "create capacity." In a pilot project, Kimberly-Clark and Colgate were able to achieve savings of 18 percent on line haul and fuel costs. Watch for more shipper-shipper and shipper/carrier/3PL collaboration in 2014.

4. Moving from Re-Shoring to Right-Shoring

Much has been written in recent years about the expected re-shoring (aka near shoring and insourcing) movement. Some industry observers have speculated that with the increase in worker salaries in China and the long lead times on moving goods to North American markets, the time was right to see a shift of production back to the United States or in some situations, to Mexico with its lower wage costs.

Recent research by Tompkins International seems to suggest that this somewhat simplified analysis misses some key points. First China, with its rising wages and growing middle class represents the second largest market in the world for many goods. This begs the question as to whether it makes sense to shift production back to North America in situations where large segments of the consumer market remain in China and where many vendors are located.

Can North American factories produce low value-added goods at a lower cost than one finds in China? While one can point to certain manufacturers that have committed to move some production back to the United States (e.g. Apple), the reality is that for many low value goods, it makes economic sense to continue to produce them in China or other low cost Asian companies.

In other words, many companies are employing a "Right-Shoring" model. They are weighing the size and location of the consumer market, the location of key vendors, distribution costs, the time to ship to market, the level of manufacturing skill required, currency factors and other items and making a thoughtful determination as to the one or more locations where their factories should be located

The following scenario appears to be evolving. There is value in maintaining or locating production to China or other Asian countries, for certain low-value goods, to serve Asian markets. There is value in shifting some production to the U.S. where high-skilled, value-added manufacturing skills are required. As a result of proximity to North and South American markets and its low cow cost structure, it makes sense to move some production to Mexico and Central America for certain low value goods. In 2014, look for manufacturers to adopt a more balanced manufacturing and distribution process that is more in line with the requirements of various markets around the world.

5. Supply Chains in the Energy Sector are going through Major Change

Alberta's Energy sector growth has largely been influenced by new capital investment. One mega-project has followed the next mega-project. These expenditures have dominated the supply chain with "new" material, construction, products, people, etc. The imperative has been time. Owners commit billions to a given project and the sooner the project can begin to generate revenue, the better for shareholders.

Within the next year or two, the level of capital investment supporting new development of the Energy sector will be surpassed by MRO (maintenance, repair and operations) expenditures. This will affect supply chains and the future growth of industry in Alberta and across Canada.

Quality – not quantity, will dominate how successfully the supply chains function. There is a strong upswing of recognition in the business community that the pursuit of lowest unit cost in procurement activity is dangerous. More and more there is increasing interest in collaborative activity all through the supply chain: Owners, EPC's, Manufacturers and Logistics services.

In the next 25 years, the potential investment (new and MRO) in Oil Sands development alone, is projected at almost $1.8 trillion. Considering that only 49 of the 178 mega-projects are in operation, the imperative to develop world-class energy supply chains is dominating efforts at supporting business growth in this region. The next couple of years could be transformational for supply chains and the carriers that serve the energy sector.

Much has been written this past year about the flexibility of moving crude oil and other energy products by rail. But the Lac Megantic disaster highlighted a number of safety issues. The danger of derailments (that are apparently significantly underreported by the rails), the highly flammable nature of the product, the construction of the tanker cars, and the risk of human error as was the case in the recent NYC derailment, indicate that there needs to be a "full court press" on rail car safety with respect to the movement of energy products by rail in 2014. One can only imagine the scope of the devastation of the next rail car derailment, carrying crude oil, if it takes place in Chicago, NYC or Toronto.

6. "Designed by Me" will change Manufacturing and Freight Transportation

Since at least the early '90s, we've been hearing that Mass Customization was going to change the consumer landscape. With the exception of custom-crafted luxury goods like bespoke tailored suits, most of our purchases are still very standardized, and "customization" means picking the 256GB hard drive over the 128GB, or selecting the Sport Package for your new car.

But despite the slow progress, we may finally be on the cusp of a new era in product design, in which truly "designed by me" products will be available in a range of categories. The most successful manufacturers of the next ten years will be those that seize this opportunity before their competitors do.

This shift is being brought about by three developments. First, we've seen dramatic improvements in flexible automated fabrication, exemplified by innovations like Tesla Motors' robot-heavy car factories and Nike's revolutionary Flyknit process. Second, rising labor costs and stronger currency are reducing the appeal of high-volume Chinese manufacturing, and nudging more companies to move operations closer to their headquarters or their customers. Third, the demand for more personalized experiences, nurtured by our highly customizable digital devices, is on the rise. Combine these three, and you have a future in which companies offer customers fine-grained control over their manufacturing output, and earn loyalty and competitive advantage in return.

Tesla Motors is building entire electric cars — from sheet metal to finished product — in just four days. This young company only produc-

es one vehicle at the moment, the Model S, but in a way that defies traditional inventory-based manufacturing.

By populating the factory with over 160 robots, programmed to perform tasks from welding and painting to seat installation, Tesla has fit its entire operation into a fraction of the plant's total space, and reduced its dependence on outside vendors. This makes it possible to replicate the factory in other parts of the world, closer to customer demand – something Tesla has already begun doing. It also lets the company modify its manufacturing line in a matter of days, not months. So far, Tesla has used this flexibility to improve efficiency and engineer its own electric-specific car designs, but an easy next step would be to give customers a level of control over their purchases that competitors cannot touch.

The tools to do this on a bigger scale are already here. Besides the highly visible example above, other technologies are evolving to make fabrication more nimble, including low-cost, high-accuracy 3D printing, CNC milling, and laser cutting. Once written off because they didn't fit into the high-volume world of offshore manufacturing, these processes are increasingly suited to a more automated future that prizes the flexibility of shorter runs over rock-bottom labor costs. These changes would have significant impacts on freight transportation and need to be watched in the years ahead.

7. Digitization, Miniaturization and Packaging Improvements will be Game Changers

We have all witnessed the digitization of music, books and movies. We are seeing other products shrink in size as we move from desktop computers to laptops to tablets. Some products are merging together as a smartphone now becomes our camera, calculator, GPS device and sound system. While this movement is taking place, there is a push to reduce the size of the packaging through less corrugated and less water.

These are all game changers for freight transportation. Trucks are now hauling loads of tablets rather than PCs, sound systems and cameras. Better packing means better cube utilization and fewer trucks. For those folks trying to figure out where the freight is while the economy recovers, don't look much further than your smartphone and tablet to better understand the shrinking volume of freight.

8. Asset Light Companies, Networks and Partnerships to Increase in Importance

In my Top Transportation Trends in 2013, I highlighted the evolution of asset light companies. I expect this evolution to grow in several directions. First, the asset light LTL carriers (e.g. Roadrunner) offer a flexibility and nimbleness that the large asset based carriers don't have. Carrier partnerships in all sectors are likely to increase as asset based companies seek to open new markets without adding assets. Whether on a local, regional, or national/international basis (e.g. Reliance Network, Landstar), this model should grow in prominence. It is also easier now to share "Best of Breed" technologies with partners than ever before.

In addition, the asset light model works well for 3PLs and freight brokers. Once of the big trends of the past year has been the increase in LTL and intermodal revenue that we are seeing within the freight broker industry. The opportunity to remain non-asset based but offer a diverse services portfolio should make this a trend to watch in 2014.

9. Data Mining comes to Freight Transportation

Supply chain data is often stored in disparate systems that don't interface with one another (e.g. financial systems and shipping systems). As TMS systems, whether owned by the shipper or 3PL, gain widespread use, they are affording shippers the opportunity to manage their freight much more effectively. We are living in the era of Big Data.

Shippers are starting to better understand the impacts of density, product description, packaging, weight per shipment, lane balances, seasonality, loading and unloading times on their freight rates. They are gaining an understanding of shipment consolidations, pooling, collaboration and other tools to control freight costs. Good freight data is the key to taking advantage of cost saving opportunities, of maximizing cubic capacity and of optimizing modes and carriers.

Leading companies are successfully segmenting their products and customers and developing tailored supply chain solutions for each segment. Firms are changing the game by sharing and linking together masses of information from multiple sources and interpreting the data using business analytics expertise.

10. Last Mile Deliveries to become the New Battleground for Freight

Omni-channel marketing and same day deliveries are pushing warehouses and retail outlets closer to customers. Miniaturization, product customization and improved packaging are resulting in smaller products, manufactured and distributed closer to the end consumer.

This all adds up to a very attractive scenario for last mile, small package delivery services. This may or may not include FedEx and UPS that may not be nimble enough to adapt to the local needs of each market throughout North America. These developments should create great opportunities for local entrepreneurs who create partnerships and alliances with local retailers and are able to bring customized last mile and same day delivery, when required, to their core markets.

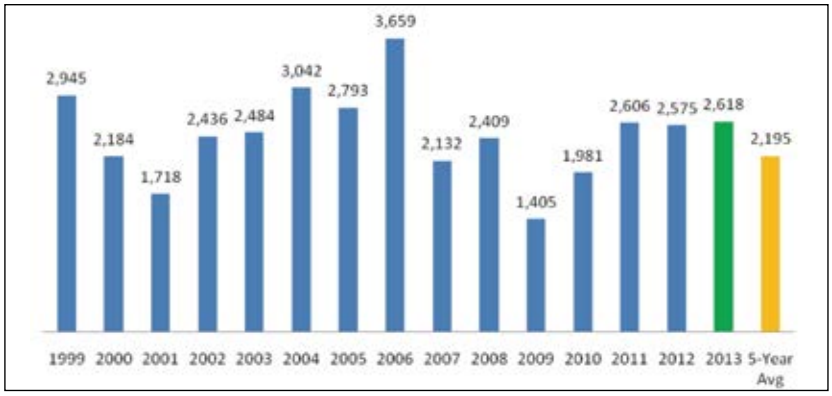
In 2014, we will have more compact products that perform more functions but are more customized (e.g. though selection of the apps and features of most interest to each of us) and we will now able to acquire these products through more outlets and delivery systems than ever before. Asset-light transport companies, particularly those specializing in last mile deliveries from local fulfillment centres, will rise in importance. Watch for the rise of a new group of Same Day Delivery Carriers and 3PLs. There is so much to look forward to in 2014.

CLASS 8
Truck Sales Trends

Monthly Class 8 Sales – Oct 13

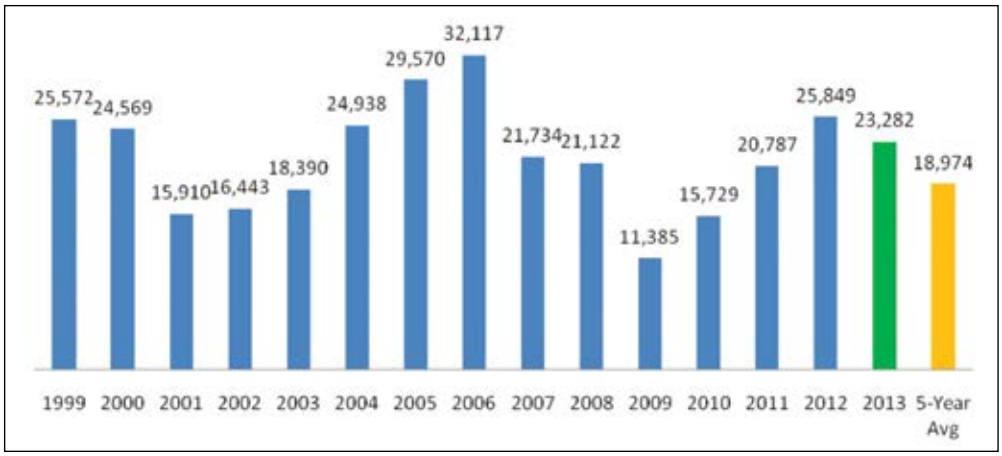
OEM	This Month	Last Year
Freightliner	554	617
International	489	377
Kenworth	455	454
Mack	150	163
Peterbilt	342	334
Volvo	395	383
Western Star	233	247
TOTALS	2618	2575

Historical Comparison – Oct 13 Sales



The 2,618 trucks sold in October provided a pleasant surprise, being above last year's total as well as the total for 2011. This flies against the trend we've seen with Class 8 sales for the first three quarters, which have been good, but not as good as the previous year. It made for the fifth best October going back to 1999. International, Kenworth, Peterbilt, Volvo and Western Star posted slightly higher figures than the previous year. The sales total for the month is also more than 400 above the five-year average.

Historical Comparison – YTD Oct 13



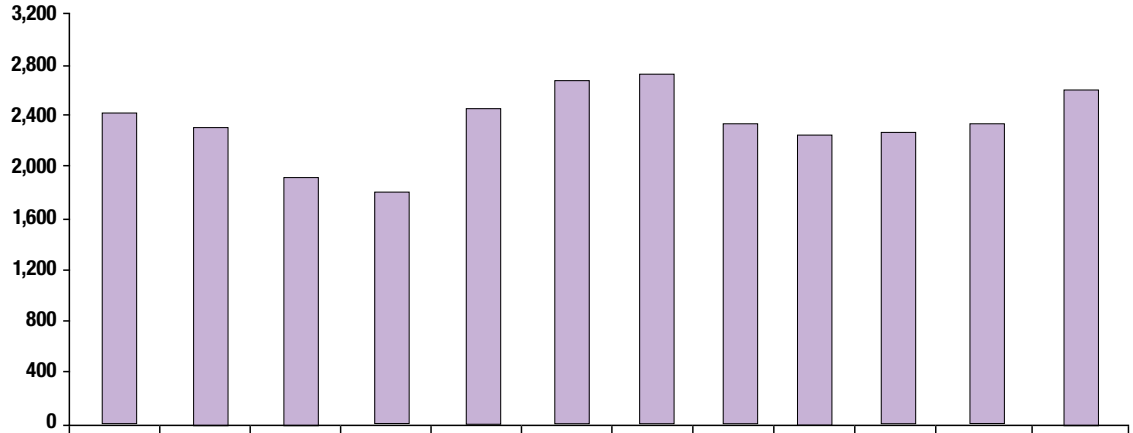
Class 8 Sales (YTD Oct 13) by Province and OEM

OEM	BC	ALTA	SASK	MAN	ONT	QUE	NB	NS	PEI	NF	CDA
Freightliner	494	686	186	317	2,592	991	312	107	21	38	5,744
Kenworth	667	1,509	419	104	700	742	95	0	0	0	4,236
Mack	142	280	165	55	681	327	67	65	0	14	1,796
International	140	578	70	164	1,538	670	108	45	33	31	3,377
Peterbilt	456	1,082	268	208	531	452	146	53	0	0	3,196
Volvo	314	239	114	191	1,222	647	121	50	0	8	2,906
Western Star	304	652	71	68	390	390	47	82	4	19	2,027
TOTALS	2,517	5,026	1,293	1,107	7,654	4,219	896	402	58	110	23,282

YTD Class 8 sales of 23,282 units places 2013 more than 2,500 trucks behind last year's pace but also more than 4,200 above the five-year average. So far this is the 7th best year in sales going back to 1999 and the slippage we were expecting for the final quarter did not surface in October. Our revised estimate is for Class 8 sales to come in around 28,500 vehicles in 2013.

CLASS 8
Truck Sales Trends

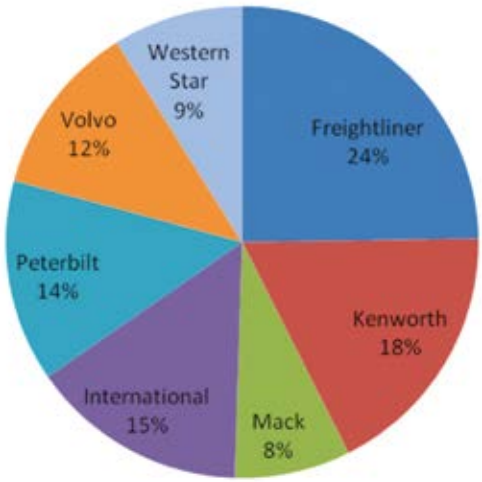
12-Month Sales Trends



	November	December	January	February	March	April	May	June	July	August	September	October
SALES	2,411	2,326	1,916	1,808	2,442	2,669	2,721	2,346	2.239	2,252	2,347	2,618

Class 8 sales have come in above 2,000, reminiscent of the industry's capacity boom years of 2005 to 2007, for seven straight months now. The three-month trend towards increased sales figures month over month came to an end in July but August showed improvement again as did September. The big question was whether sales would hold up over the summer months and they have. Next question now is how they will hold up the final quarter of 2013.

Market Share Class 8 – Oct 13 YTD



Freightliner, last year's Canadian market leader, is solidly in control of the market share lead with about a quarter of Canadian Class 8 truck sales. Kenworth finished 2012 in the number two spot for market share and there it still sits with an 18% market share. Navistar International finished the year with 15% market share and remains in a close race with Peterbilt which has a 14% share of the Canadian Class 8 market. Volvo is the only other OE with a market share above 10%.

Source: Canadian Motor Vehicle Manufacturers Association