



# **Torpedoes** **That Can Sink Your** **Supply Chain Battleship**

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# Can We Talk?

- What we're going to cover is going to impact your business in the next 12 to 24 months.
- A couple of you will listen and choose to act.
- Some of you will be somewhere else while this presentation is going on.
  - ❖ Nothing will happen as a result of what you have heard.
  - ❖ Whether you listen or not, this stuff will affect the success of your business.



## On The Transportation Front, Things Have Been Relatively Calm

### ➤ Recent Developments include:

- ❖ The Court overturning portions of the Clean Air Act at the Ports in Southern California.
- ❖ Renewed Challenge to the Hours of Service Ruling.
- ❖ The implementation of the 10+2 initiatives.



## So We Can Relax, right?

- Individually, none of these developments warrant concern.
- **Collectively, we do have some concerns about what the future looks like for shippers.**



# Smart People Are Asking...

➤ **Is this the calm  
before the storm?**



# We Are Watching 3 Things That Can Affect Your Supply Chain

- Security Initiatives
- Runaway Legislation
- The next Highway Bill



# Security Initiatives

- January 26, 2009, the Importer Security Filings, ('10+2 Initiative') went into effect.
- C-TPAT (now a voluntary program) may eventually become mandatory.
- Upcoming 'Scan All' requirements call for 100% screening of:
  - ❖ Air Cargo by 2010
  - ❖ Ocean Cargo by 2012



# Runaway Legislation and Federal Rules Affecting Transportation

- Employee Free Choice Act (or Card Check)
- SHIPA, TRUCC, and Hours of Service
- Cap and Trade Legislation, or at a State level, things like the Clean Air Act (California) and the potential for carbon taxes
- The aforementioned security issues



# How Will This Impact Your Business?

- **Increased inventory carrying costs**
- **Increased cost of moving goods through your supply chain**
- **Decreased profitability**



# The Next Highway Bill

- The current Highway Bill, SAFETEA-LU, expires 9/30/09
- Proposed New Bill is estimated at \$500 Billion to over \$1 Trillion.
- The current highway bill is \$286 Billion



# How will it be Funded?

- Consumption based pricing
- Increased fuel tax
- Increased cost to use highways
  - ❖ New tolls
  - ❖ Higher tolls
  - ❖ Vehicle mileage tax



## How Will This Impact Your Business?

- **Funding for this highway bill could increase shippers costs by 3% to 5%.**
- Carrier pricing will change to incorporate additional accessorial charges.



# Consider How These Factors Could Affect Your Supply Chain

- **The impact of consumption based pricing arrives.**
- **Most companies will find that they are woefully unprepared for capturing and managing the data to manage in this environment .**
- **Decreased profitability as companies fail to pass these costs along.**



# Add It All Up and Look At How These Factors Could Affect Your Supply Chain...

- With no safety stocks and very lean inventory levels, the impact of any supply chain disruption will be magnified.
- Risk assessment and scenario planning become increasingly important.
  - ❖ How many of you use scenario planning to understand your current and future supply chain activities?



# What Are We Really Trying to Say?

- **Do you understand how your supply chain will be impacted?**



# What can you do?

## ➤ Be Educated

- ❖ Designate responsible parties within your organization, or trusted outside partners, to research the terms of these initiatives, and how they apply to your business.

## ➤ Be Prepared

- ❖ Construct plans that mitigate the risks applicable to you. (e.g. Fuel0



# What can you do?

## ➤ Be Involved

- ❖ Help fight the battles. Consider getting involved with industry associations such as ASPA, or in the transportation arena, NASSTRAC, the NIT League, CSCMP, or AST&L,
- ❖ Ask for help....



# And Never Forget To Say....

- Thanks....
- And most importantly....

