



**PACESETTER**  
OUR PEOPLE, YOUR ADVANTAGE

9.8.2015 Vol. 1 Issue 3

# YOUR **LOGISTICS** ADVANTAGE

OUR PEOPLE, YOUR ADVANTAGE



PACESETTER 2015



## PACESETTER Contributor Cindy Hutson, Transportation Specialist

**YOUR LOGISTICS ADVANTAGE** | 9.1.2015 - 9.7.2015

### TRANSPORTATION AND TRUCK DRIVE APPRECIATION

News of a driver shortage is not a new development in the transportation world. We've been hearing about this plague to the industry for quite some time. Reports currently estimate the industry is short as many as 20,000 drivers. This number could be over 100,000 in the next few years because of demographics, poor pay, and tough working conditions for truck drivers. Could driverless trucks be the answer to this problem and is it closer to reality than we think?

The possibility of driverless trucks is intriguing to an industry struggling to find qualified drivers. Driverless trucks wouldn't be covered by hours of service driving limits, they wouldn't abuse drugs or alcohol, they wouldn't text while driving, and they wouldn't quit in the middle of a run. Driverless demonstration units are being piloted around the country. Caterpillar has used driverless semi-autonomous mining trucks controlled from a tower for years. Peterbilt has demonstrated a prototype driverless truck where the driver is basically a spectator. Cameras and sensors take over and operate the vehicle. There are other phases of driverless test in trucking which include "platoon" formations. This would include up to five trucks guided by a single unit.

Although this sounds fantastic, we all know it's not going to happen overnight. We also know technology waits on NO ONE. Experts are predicting autos, trucks and transportation may change more in the next 20 years than they have in the past 75 years. In twenty five short years we've gone from wall phones in our homes and searching for a quarter to use a pay phone on the street to every man, woman and child having a computer in their pocket. Anything is possible with technology.

In a world where we depend on products being in the right place at the right time, we acknowledge truck drivers are the glue that holds supply chains together. September 13 – 19, 2015 is National Truck Driver Appreciation Week. This is when America takes the time to honor the 3.4 million professional men and women for their hard work and commitment to delivering our goods safely, securely and on time while keeping our roads safe. At Pacesetter, we pride ourselves on our carrier relationships. Our carriers are an extension of our family. To show our gratitude to those who make the economy move and make the deliveries we rely on, each driver passing through our service centers during next week will receive a token of our appreciation.





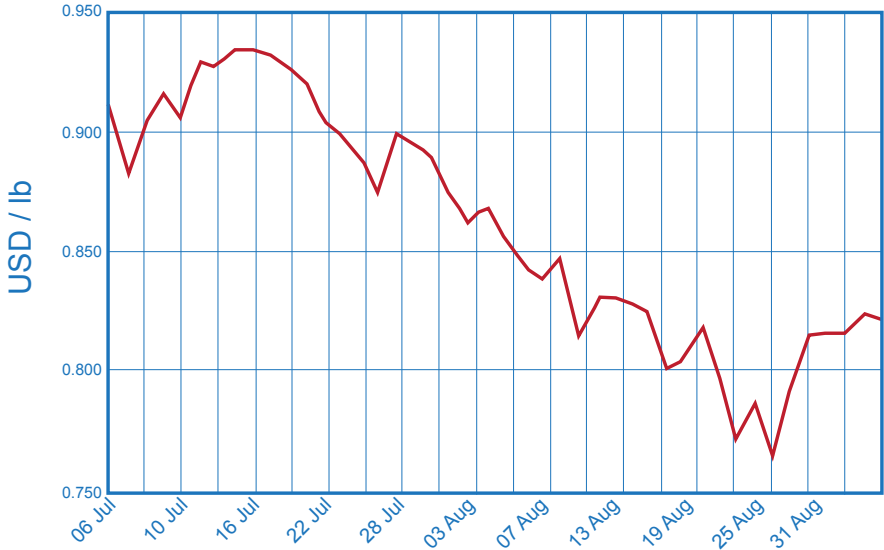
# STEEL | 9.1.2015 - 9.7.2015

- #1 heavy melt scrap is static at \$210 per ton as well as #1 busheling scrap at \$247 per ton.
- Raw steel production fell to 71.2% of capacity. A year ago our mills ran at 78% of capacity.
- Domestic mill lead times for galvanized have pulled back to under 5 weeks.
- Iron ore FOB Chinese ports remains high at \$54 per dry metric ton.

- Zinc pricing is trying to make a comeback.

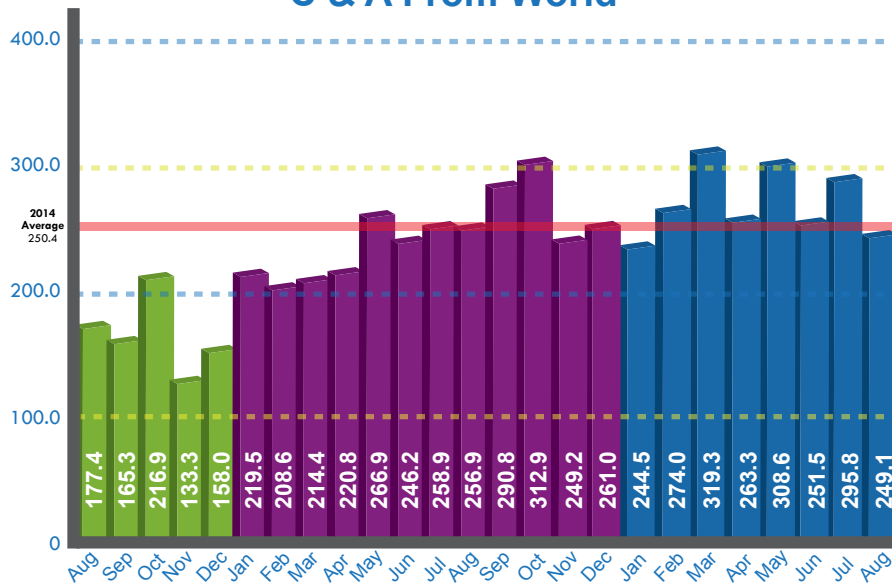
## 60 Day Zinc Spot

Source: [www.kitco.com](http://www.kitco.com)



+ August galvanized imports ended up looking pretty good.

### U.S. Imports of Sheets & Strip Galv Hot Dipped C & A From World



Source: US Department of Commerce, Enforcement and Compliance | Graph last modified on: September 1, 2015 with Licensing Data collected through September 1, 2015. Commerce license data use for the last month appears in a different color. Data extracted from the import licenses are not official Census data.

+ Posco broke ground on their #7 galvanizing line at their Gwangyang Works in Korea. The line will produce AHSS (advanced high strength steel) for automobiles. Demand for AHSS steel is rising in the automotive industry because it is around 10% lighter and more than twice as strong as current high strength steels used for cars.

+ Algoma Steel in Canada is spending \$240 million on furnace, coke oven, and finishing mill equipment. The work will be completed over the next 5 years and will add 200 jobs while the refurbishment is going on.

- Major players on global coal trade are cutting production and closing mines in reaction to slowing global demand. From China's slowing economy to tighter government air quality demands in the US, players including Rio Tinto, Glencore, Peabody and BHP are rationalizing their output. The Australian government is trying to keep workers employed but it isn't easy. One mine at Russell Vale in Australia has been producing coal since 1887 and is in peril of closing.



## AUTOMOTIVE | 9.1.2015 - 9.7.2015

+ Toyota is taking aim at the aging population in the US by planning investments of \$50 million over of the next 5 years at MIT and Stanford University to accelerate artificial intelligence in automobiles. They want to enhance mobility among the elderly (and sell a few cars).



## GENERAL | 9.1.2015 - 9.7.2015

- A record 94,031,000 Americans stayed out of the labor force last month. The labor force participation rate is 62.6%, a 38 year low, for the 3rd straight month. The advertised unemployment rate in the US is low because of this statistic. They don't count people who are unemployed and not looking for work.

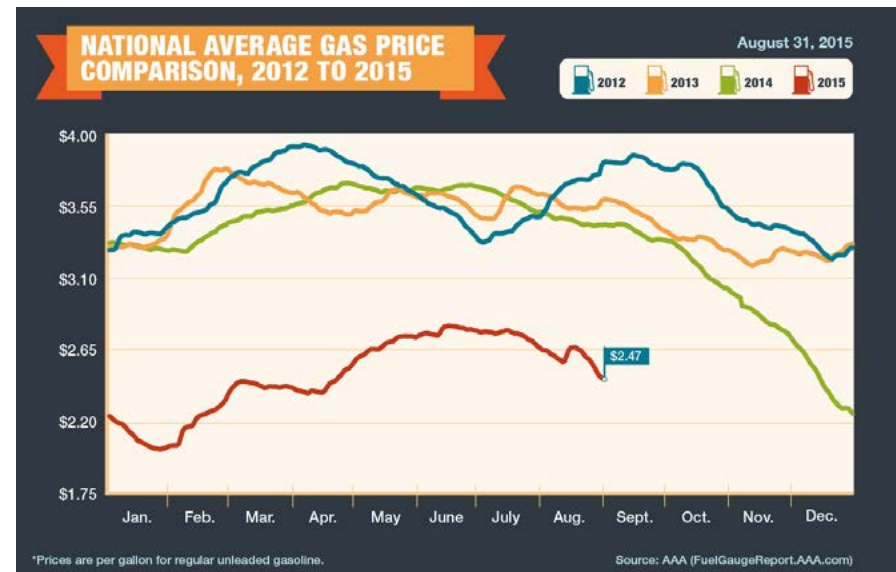
- The ISM Manufacturing Index fell to a reading of 51.1 in August, slowed by decelerating new orders and a continuing contraction of backlog orders. Employment is declining too.

+ The ISM Non-Manufacturing Index fell slightly to 59 in August, supported by new orders and a growing backlog. Employment fell slightly.

+ Factory Orders rose .4% in July, much slower than the 2.2% forecast.

+ Construction Spending rose .7% in July, driven mostly by private residential spending.

+ Consumers in the US paid the cheapest Labor Day gasoline prices since 2004.



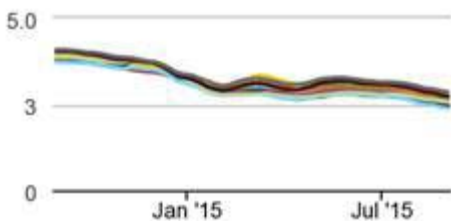


**GENERAL | 9.1.2015 - 9.7.2015**

+ U.S. Energy Information Administration (EIA) reported on 8/31/2015 that the US On-Highway Diesel Fuel Price was at \$2.514. That's a \$.047 decrease from a week ago and a \$1.30 decrease from a year ago.

**On-Highway Diesel Fuel Prices**

(dollars per gallon)



- U.S.
- East Coast
- New England
- Central Atlantic
- Lower Atlantic
- Midwest
- Gulf Coast
- Rocky Mountain
- West Coast
- California

eia Source: Energy Information Administration

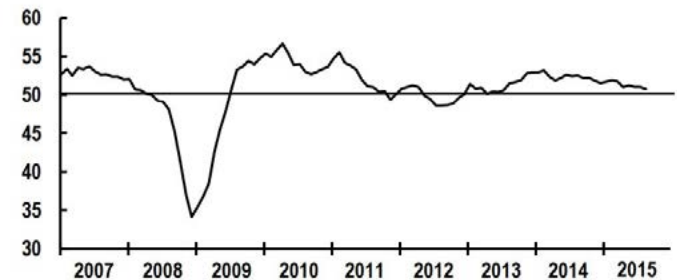
- The Petroleum Status report shows refinery output slowed to 92.8% of capacity and imports surged to create a 4.7 million barrel build. Gasoline inventory fell .3 million barrels and distillates rose .1 million barrels. Oil futures rose to \$44.50 per barrel.

+ China's government is getting cranky. The recent losses in their stock market are being blamed on bloggers and stock market officials that warned of the slowdown. The government is punishing 200 of them with jail time. Can you imagine if we did that to our stock brokers or weathermen? Fear not. China is not the powerhouse you might think. Their GDP per capita is \$8,000 versus the USA with \$54,000.

- Global manufacturing decelerated to a reading of 50.7 in August. China, France, S. Korea, Indonesia, Malaysia, Greece, and Brazil are all going under water and dragging the manufacturing index with them.

**JPMorgan Global Manufacturing PMI**

DI, sa





## SHORT AND SWEET WITH BILL | 9.1.2015 - 9.7.2015

“Labor force participation is at a 38 year lows and our manufacturing base is slowing. In spite of that, the USA remains the bright spot in the global economy. Construction spending is gaining slowly. Gasoline prices are coming down. Raw steel production is slowing and lead times are getting shorter. Imports are still arriving in large numbers and raw material producers are cutting back, trying to shore up prices.”

### **PARTING SHOT:**

“Humor is mankind's greatest blessing.”

– Mark Twain (1835 to 1910)



**Bill Feier**, World Sourcing Manager





TILL NEXT TIME | 9.15.2015



[www.teampacesetter.com](http://www.teampacesetter.com)

## SEND US FEEDBACK

Help us deliver what helps you thrive

Was Your Advantage forwarded to you? Make it permanent

# SUBSCRIBE

This newsletter and the content and opinions contained herein are for information purposes only. Pacesetter Steel Service, Inc. makes no representations as to accuracy, completeness, currentness, suitability or validity of any information, data, opinions or forecasts in this newsletter and will not be liable for any errors or omissions in this information or any losses or damages arising from its use. All information is provided on an as-is basis.

©PACESETTER STEEL SERVICE, INC. 2015