



## Industry Thought Leaders Address Challenges and Solutions at the Seventh Annual ALK Transportation Technology Summit

Senior transportation and IT executives joined leading technology providers to share insights and solutions to the industry's most pressing challenges at the ALK Transportation Technology Summit, May 3-5. This year's Summit set a new record for attendance and partner participation.

Keynote speaker Paul Will, Vice Chairman, President and Chief Operating Officer of longhaul carrier Celadon Group, assessed the condition of the U.S. economy as "somewhat improving but weak." Inflation and high unemployment have created a drag on recovery, but real GDP is projected to grow at three percent for each of the next four years.

Strong growth in manufacturing is contributing to an uptick in jobs. Overall job growth is slow, however, and the number of jobs lost is unlikely to return to pre-recession levels for several years.

High fuel prices and the weak U.S. dollar have increased transportation and raw material costs and sent inflation rippling through supply chains. Businesses have had to pass these costs onto consumers by raising prices and adding more surcharges and fees.

Consumers are paying down debt at a higher rate than personal consumption. This is good for the long-term health of consumers, but declining home values have weakened their balance sheets.

The economy is also constrained by tightening credit and a stagnant housing market. New home constructions are flat at about 500,000 per year. New homes are listed on the market for nine months on average, far above the historic four to seven-month sales period. Meanwhile, sales of existing homes are about eight months.

On a positive note, supply and demand has passed the point of equilibrium in favor of carriers. The trend will continue for "quite some time," Will said, mainly because high equipment costs and more stringent environmental and safety regulations are shrinking truck capacity.

Truck productivity (mileage) is flat and the rate per billed mile is up by 15 percent using a 1990 baseline. Truck and trailer costs, however, are up by 200 percent. The average age of trucks on the road now is 6.7 years as fleets are not replacing older equipment due to the cost of new trucks.

Tractors are \$37,000 more expensive since 2001 and residual values have not gone up. Few carriers can afford to finance new equipment at today's profitability levels and with their working capital tied up in fuel costs, Will said.

Barry J. Glick, the recently appointed Chief Executive Officer of ALK Technologies, said that mapping and navigation technologies are about to enter a new phase of innovation, characterized by greater levels of integration and connectivity between the office and mobile worker. Glick reported that ALK's PC\*MILER routing, mileage and mapping software and CoPilot Truck navigation systems are coming together to enable transportation and logistics companies to tie strategic route planning with real-time management and control of mobile workers.

Norm Ellis, Vice President of Transportation/Logistics, Sales and Marketing for Qualcomm, emphasized the value of using scorecards and predictive tools for the Compliance, Safety, Accountability (CSA) program of the Federal Motor Carrier Safety Administration (FMCSA).

The CSA data collected on carriers is not limited to FMCSA use. Shippers and third party logistics firms used the previous SafeStat measurement system for carrier selection and they will do the same with the new Safety Measurement System put in place with CSA, he said. A proposed rulemaking process is scheduled to be finalized in September 2011, that will make public motor carrier safety ratings based on CSA safety measures.

Using CSA scorecards has become essential to focus on areas that require immediate attention. Having the right tools to remediate driver behavior is the key, Ellis said. By using scorecards and predictive tools fed with real-time driver behavior and performance data, fleet managers are able to anticipate driver behaviors and take immediate, corrective actions.

Ellis added that customers using Qualcomm's Hours of Service (QHOS) application are seeing a significant improvement in compliance and, in many cases, an extra 1.5 to 2.5 hours of driving time per driver, per week.

David McKinney, Vice President and General Manager of TMW Systems' Optimization business, provided an overview of various TMW products that continuously monitor operations to identify ways to maximize cost control and profitability. He emphasized the IDSC TripAlert and Netwise products designed for truckload carriers to balance capacity and demand in their freight networks.

Co-presenter Jack Christensen, IT Director at Hill Bros. Transportation, reported that using IDSC TripAlert has helped the fleet's load planners, customer service reps and owners to efficiently and effectively manage their duties. Everyone knows where to make adjustments each day to balance power units and loads.

"If you don't understand your network and balance, you are going to have problems," he said. "In an industry that is reactive, this is proactive."

Christensen shared how the Omaha, Nebraska-based company uses the IDSC Netwise system to evaluate the profitability of each load within its network. "We want to make sure we get the right price on the right lanes for our freight mix."

Hill Bros. also uses IDSC Trip Alert to look for opportunities to remove slack time from its network by changing delivery windows, dropping and/or swapping loads, or to schedule preventive maintenance or safety meetings for drivers.

In the past six months, Hill Bros. has reduced its empty miles by 1.8 percent across a 350-truck fleet. The company also has increased yield — an all-encompassing measure of profitability — by 12 points and load volume by 1.95 loads/month per truck.

Jeff Sibio, Director of Industry Marketing, Transportation and Logistics, for rugged mobile device manufacturer Intermec, discussed how mobile technologies can improve the quality and richness of information provided to customers, such as SKU-level shipment details and real-time, electronic proof-of-delivery.

Sibio mentioned new enhancements in data collection capabilities of mobile handheld computers that go beyond the realm of barcoding. For instance, drivers can capture a full page document image with a simple point-and-click. Mobile applications can also use new workflow tools that coach workers through complex data capture processes and lessen the impact of change on the worker, he said. "It changes your world and the way you do business."

More truckload carriers are using handheld devices for dedicated delivery services. And less-than-truckload carriers are leveraging new mobile technology for home delivery and distribution services, he added.

Cindy Nelson, Vice President of Marketing and Business Development at EBE Technologies, said that CSA has turned fleets' attention to using technology to speed the process of recruiting and hiring qualified drivers. With drivers becoming much more technology savvy, carriers are able to take advantage of online application processes to reduce labor costs and to qualify and hire drivers more quickly.

Co-presenter Brad Vaughn, Director of Recruiting at Maverick Transportation, a 1,200-truck truckload carrier out of Little Rock, Arkansas, shared how EBE's SHIPS recruiting software module has sped the process of hiring qualified drivers while reducing processing costs.

Since going live with EBE software in November 2009, Maverick has doubled its ratio of recruiters to processors by using an electronic, automated system. "We have been able to hire more quality drivers with a quicker turnaround time," Vaughn said.

Christian Schenk, Vice President of Product Marketing for XATA, spoke of a coming paradigm shift in using technology for CSA compliance. Electronic onboard recorders (EOBRs), navigation, performance management/evaluation, and real-time driver feedback all make a driver's life easier and safer. XATA offers all of these tools, but its next move will further shift the focus of using these tools for company compliance to the driver.

XATA plans to release a new social media tool within a year. Drivers will be able to use this new platform to track personal performance in mpg, safety, compliance and other elements and even create a personal resume, he says. "By providing drivers those tools, it will empower them to take control of where they are going to work and stay connected with other drivers and peers," Schenk says.

Mark Cubine, Vice President of Marketing for McLeod Software, shared the success story of P & S Transportation, a McLeod customer that has experienced rapid growth during the recession. Co-presenter Houston Vaughn, Chief Operating Officer of the 500-truck flatbed carrier in Birmingham, Alabama, said the automation tools from McLeod have helped the company expand from 20 trucks in 2004 to its present size.

"You've got to be able to depend on automation," Vaughn said. "You've got to stay focused and manage by exceptions or you can't run that size of fleet." The company is continually honing its use of reporting tools — both scheduled and real-time alerts — and dashboard-style screen views within the McLeod system to focus on problem areas.

Vaughn mentioned that driver scorecards from McLeod have proved to be useful for determining driver-load assignments. The scorecards incorporate CSA, hours-of-service and many other performance areas. Drivers that score below average in a month cannot be assigned to the best-paying loads.

Fleet managers are running between 50 and 60 trucks each at P & S Transportation with an administrative staff of five people to manage all billing, payroll and other functions for the company's asset and non-asset brokerage and third-party logistics businesses.

Travis Sutton, Director of Managed Services for TMW Systems, explained why outsourcing IT services makes sense for businesses, particularly those in transportation. System uptime requirements are very high. The internal costs for producing IT services continue to rise.

The strategy of outsourcing IT services to a professional third party is often called cloud computing. The term "cloud" refers to the ability to access IT services "on demand." The varieties of on-demand, cloud computing include Software-as-a-Service (SaaS) and Infrastructure-as-a-Service (IaaS). Managed IT services is an add-on to cloud computing where IT management is bundled into the service for managing specific customer needs, Sutton explained.

Outsourcing can enable companies to increase system uptime and reduce cost through agility and serviceability, he said.

The ALK Summit featured three roundtable discussions. The Truckload roundtable, led by Anthony DeCanti, CIO of Werner Enterprises, focused on strategies for improving driver productivity/recruiting. Toll cost management, including customer billing and reconciliation was also discussed. The LTL roundtable was led by John Moscatelli, Director, Industry Solutions – AT&T Mobility. The Shipper, Private Fleet & 3PL roundtable was moderated by Drew McElroy, President, Priority Distribution & President, CSCMP NJ Roundtable.

Mike Bodden, CTO of ALK Technologies provided map data and product roadmap updates on the PC\*MILER and CoPilot navigation applications. The upcoming release of PC\*MILER 25 will include time-based features and enhancements, including the ability to calculate truck-specific toll costs based on time of day.

Bodden also announced that ALK has partnered with INRIX to add real-time traffic and historical road speeds to PC\*MILER 25 to calculate even more accurate transit and arrival times. This valuable data will be included free of charge in PC\*MILER 25 until the release of PC\*MILER 26.

Bodden said that CoPilot 9 includes Active Traffic — an optional feature that estimates travel time delays and suggests alternate routes using real-time speed information from INRIX. The consumer version of CoPilot will be released in the second quarter, 2011. CoPilot Professional and CoPilot Truck are scheduled for release in the fourth quarter.

The new version of CoPilot Truck will include an out-of-route setting. Through integration with PC\*MILER in the back office, all stops, trip options, and lat/long sequences can be sent to CoPilot Truck in the cab. Instant notifications will be sent back to the office when a truck exceeds the off-route threshold, Bodden said.

Michael Kornhauser, Vice President and Managing Director of CoPilot Solutions for ALK Technologies, added that integration between the PC\*MILER and CoPilot Truck navigation products reduces driver interaction and brings consistency in driver pay, rating and billing.

“At the end of the day, we see integrated navigation as being the differentiator as to why a fleet chooses to implement navigation in the cab,” he said.

Ryan Glancy, Vice President of Business Development for INRIX, a leading provider of traffic information, spoke about the evolution of traffic data and the benefits of using traffic data in fleet operations.

Five years ago, traffic data collection was limited to about 25 major metropolitan areas in the United States. Data collection has since shifted from using road sensors to capture traffic speeds to using real-time, GPS probe information from cars and trucks. This change has resulted in a very robust set of traffic speed information for all types of transportation.

“A lot of things are happening that are helping us improve the coverage and quality of traffic information,” he said. Today, INRIX covers about one million miles of historic traffic lanes and 300,000 miles of real-time information.

Fleets can use INRIX historical and real-time traffic data in their route planning applications and in-cab navigation. From a route planning perspective, shifting a route by one hour can result in significant cost savings, he said.

This year’s Summit featured an expanded global perspective with presentations from Blue Tree Systems, an Ireland-based company that provides fleet management systems in Europe and the U.S., and BT Openreach, the largest telecom provider in the United Kingdom.

Charlie Cahill, CEO of Blue Tree Systems and Tony Masters, Director of IT for TransAm Trucking — one of the top refrigerated carriers in the U.S. — talked on the advantages of using Blue Tree’s R:COM system

for managing refrigerated trailers, tractors and drivers. Masters highlighted the benefits of TransAm's integrated CoPilot Truck GPS navigation in their 1,200 trucks. John Skelt, Senior Project Manager for BT Openreach, said the company is in the process of deploying ALK's CoPilot Live Professional navigation on 3,000 iPhone 4 devices for its mobile workforce.

ALK's Dan Popkin, Vice President of CoPilot Sales, led a mobile communications panel that consisted of representatives from Qualcomm, XATA, Cadec Global and Renault Trucks. Each member said they plan to evolve and embrace applications for smartphones, tablets and personal devices to provide drivers with a better lifestyle and to speed implementation and training.

Andrew Ronfeldt, Director of Solution Services for SMC<sup>3</sup>, a provider of transportation pricing data and technology, spoke about the benefits of converting its products to a Software-as-a-Service deployment model.

"SaaS allows us to provide exceptional customer support," he said. By using a Web Services interface, customers — which include shippers and less-than-truckload carriers — are able to integrate SMC<sup>3</sup> data into their back-end systems for rating, invoicing, bidding, freight payment, analysis, etc.

Any differences in hardware and software platforms between SMC<sup>3</sup> and its customers have become irrelevant. Customers are now able to pay for use of SMC<sup>3</sup> data based on their actual consumption rather than an estimate, he said.

Duff Swain, President of transportation consulting firm Trincon Group, talked about the importance of using activity-based cost modeling to measure: profit and cost of trips, specific customers, equipment combinations, and varying degrees of productivity.

"This is not an industry that has been financially managed well," he said. The projected increase in new equipment, fuel and other costs is going to be far more than the ability of carriers to raise rates. The only way to offset increased costs, therefore, is by improving productivity.

Swain recommends slipseating drivers in multi-shift operations. Based on studies he has run in a dry van truckload environment, Swain says that slipseating 10 percent of a fleet can increase margins by 2 percent.

"You are going to have to think about how to offset costs," he said. Swain acknowledged that the industry has a shortage of drivers and that slipseating will increase the number of drivers needed.

Over the past year Trincon has converted a product it originally developed with Microsoft Excel into a Web-based system called TruCosting. The new software draws files directly from a fleet's operating system. TruCosting provides tools for costing, pricing and profitability analysis on both a macro and micro level for each load, lane, truck and customer, Swain said.

The first step in using TruCosting is to define the different cost centers — owner-operators, dedicated, longhaul, etc. — where trucks are committed to a specific type of service. The next step is to separate variable cost from fixed expenses, by cost center. Fixed costs are then allocated to each cost center. The end result is to have a variable cost per mile and a daily burden rate for each cost center.

Swain said that TruCosting uses an interface with ALK's PC\*MILER to autopopulate fields in the software with accurate mileages, road speeds and toll costs for detailed trip analysis.

Paul Johnson, Vice President of Fleet Solutions for Descartes, and Sandy Hu, Analysis Manager for United States Infrastructure Corporation (USIC), presented a case study about how GPS technology has transformed a mobile workforce.

USIC is the largest contract utility locating company in the United States with 3,800 technicians in 20 states. The company pays technicians hourly starting from the time they arrive at the location of their first work order, or ticket, to the time they leave from the location of their last ticket. Technicians carry laptops with them.

USIC chose Descartes on-demand fleet management service to monitor technicians' work schedules to ensure accurate time accounting. The Descartes service sends location updates and ignition on/off events from its vehicles every minute.

USIC created an integrated report that compares the start time as recorded by the technician in a work ticket to the actual GPS-reported start time. The company also uses the service to monitor for unplanned stops and excess fuel consumption from engine idling. USIC has also created various exception reports to help supervisors monitor technician productivity. Supervisors receive daily reports that show clocking discrepancies in excess of 10 minutes, drive time that was not job-related, and engine idle time.

Jeff Brandt, Director of Transportation at Roseburg Forest Products in Oregon — one of the largest manufacturers of wood products in North America — shared a success story on implementing the Oracle transportation management system for its multi-modal transportation network.

The project began in 2009 and went live in November 2010. As part of the implementation, Roseburg was able to seamlessly integrate PC\*MILER mileage (truck and rail) and routes into its Oracle system for rate inquiries and to optimize cost and service in its network. This integration would not have been possible without ALK responding quickly to some technical challenges that arose during the project, Brandt said.

“I found the presentations at the 2011 ALK Technology Summit to be both timely and informative, the discussions lively and stimulating, and the hospitality by the ALK folks outstanding,” said Bill Prevost, President and CEO of Quickway Distribution Services, Inc. “There were also adequate opportunities to network and meet one on one with vendors. I came away with several new strategies for improvement, and made many new friends. I am definitely planning to attend next year.”