



*U.S. Manufacturing Competitiveness Initiative:
Dialogue on Next Generation Supply Networks and Logistics*

Driving Economic Growth Through Transportation

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Con-way – at a glance

- \$5.3 Billion Industry Leader in Freight Transportation, Logistics
 - Con-way Freight
 - Con-way Truckload
 - Menlo Worldwide Logistics
- 28,800 employees worldwide
 - 500 operating locations, 20 countries
- 11,900 trucks, 34,300 trailers, 18 million sq ft warehouse space globally
 - 70,000 customer pickups and deliveries daily in N. America
 - Over one billion miles annually moving freight on U.S. highways



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How Freight Moves Today

- 70% of all goods (by weight) in the U.S. move by truck
 - 83% by value
 - 97% of consumer goods
- Trucking is a very diverse industry
 - Over 500,000 trucking companies in the U.S.
 - 97% have fewer than 20 trucks
- Why future modal mix is expected to stay fairly constant
 - 80% of U.S. communities are served only by truck
 - Freight movements over 500 miles are only 13.4% of the market
 - If rail intermodal doubled by 2020, market share will be only 1.8% vs. the 1.5% market share expected if capacity is constant





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Constraints on growth, productivity

- **Physical infrastructure**
 - Insufficient investment for maintenance, improvement
 - Congestion, lost productivity, increased GHG emissions
 - Bottlenecks from poorly maintained highways, bridges
 - Current network not aligned with shifts in population, manufacturing centers
- **Workforce**
 - Driver availability and retention
 - Driver pay
 - Quality of Life
 - Changing demographics
 - Stricter driver safety qualifications (CSA)



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Constraints on growth, productivity

- **Security**
 - Borders, ports, airports
 - Credentialing
 - HazMat regulations
 - Contraband, terrorist interdiction
- **Legislative/Regulatory Policy**
 - Truck size and weight
 - Hours of Service
 - CSA
 - Route restrictions / Speed limitations
 - Environmental / Air quality regulations
 - Tax Policy





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What does the future hold?

- Trends
 - Companies seek ever-increasing velocity in supply chains
 - Near-sourcing (and “re-sourcing” – bringing mfg back to U.S.) increases
 - Shifting trade flows drive new infrastructure needs (ports, highways, DC’s)
 - Shifts to multi-client warehousing
 - Supply chain flexibility, integration of Lean practices
 - Export markets grow for high-end U.S. manufactured goods
 - Maturing populations, economies overseas become new markets for U.S. manufacturers
 - Fuel, regulatory, other transportation/logistics operating expenses rising
 - As U.S. freight networks near capacity, service deteriorates

Manufacturers will increasingly require highly sophisticated, process-oriented logistics expertise to model, manage, mitigate supply chain risks and costs, respond to rapidly evolving sourcing and distribution patterns





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What does the future hold?

- Risks and Outcomes
 - Sub-optimized supply chains and distribution systems
 - Undesirable modal shifts occur to accommodate supply chain adaptations, need for speed
 - Reduced manufacturing competitiveness
 - Inability to effectively serve new and emerging markets
 - Potential safety issues from increasingly congested transportation networks
 - Higher shipping costs
 - Less competitive products with lower margins and limited revenue potential
- ***Without significant investment, an inefficient U.S. transportation infrastructure will constrict growth and competitive advantage of U.S. manufacturing vs. other world markets***





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Realities of a global economy

- There is a direct correlation between transport, population and manufacturing
 - Increased **Freight volumes** — *projected to grow 19% by 2022*
 - Increased **Truck tonnage** — *projected to increase 28% by 2020*
- Insufficient or ineffective transportation capacity = declining productivity = competitive restraints on manufacturing, economic growth.
- Solutions to capacity needs must incorporate balanced view, improvements, expansion, more efficient utilization of ALL freight transport modes



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An Unequivocal Fact

**Manufacturing competitiveness
and
economic growth
cannot be decoupled from
efficient
transportation infrastructure**





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Thank you

