WCA LOGISTICS INSIDER
MANAGING LOGISTICS AROUND THE GLOBE

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In this issue…

LEGISLATIVE NEWS

Pledges in Writing Wanted for Ohio Turnpike

Ohio House Democrats are holding fast to public promises made by Gov. John Kasich (R) that appear to be missing from a bill authorizing the sale of $1.5 billion in Ohio Turnpike bonds to fund state highway projects. The lawmakers claim the bill excludes a guarantee to keep 90% of the bond proceeds in the northern Ohio area.

VA. Governor Signs Transportation Bill to Alter Fuel Tax, End I-95 Toll Plan

Virginia Gov. Bob McDonnell (R) has signed a transportation bill that ends the 17.5-cent-per-gallon tax on diesel and gasoline, imposes taxes on wholesale fuel sales and will prohibit tolls on Interstate 95 without legislative approval. With passage of the transportation funding measure, the governor would withdraw the application the state has before the Federal Highway Administration for permission to toll I-95.

The legislature must hold a meeting on April 3 to finalize minor amendments the governor made to the transportation funding Agreement hammered out by the Virginia legislature in late February. The bill McDonnell signed would take effect July 1 and institute a wholesale tax on fuel distributers of 6% for diesel and 3.5% for gasoline.

Oregon Low-Carbon Standard Would Cost Trucking Money & Jobs

Low-carbon fuel standard legislation being debated in the Oregon legislature would cost truckers more than $7 billion a year in extra fuel costs and eliminate 29,000 jobs according to the Oregon Trucking Associations.

Senate Bill 488 would extend beyond 2015 a law passed by the Legislature in 2009 authorizing development of a low-carbon fuel standard. Modeled after a standard developed in California, it calls for oil refiners and distributors to reduce carbon in diesel fuel by at least 10% by 2020.

OTA President Debra Dunn said the trucking industry expects refiners and distributors to pass on to consumers the cost of removing the carbon intensity from diesel if the legislation passes. Dunn said she and other opponents of the legislation paid a visit to legislators last month to inform them that passage of the bill would “force trucking companies to cut costs, defer hiring, raise rates and find other ways to offset paying more for fuel.”

U.S. Defends HOS Changes In Court

Lawyers representing the federal government told an appeals court that industry objections to the latest changes to hours-of-service rules for truck drivers are nothing more than “simple scientific disputes” and that the court should defer to the government’s judgment in solving such disputes.

In a March 15 defense of the Federal Motor Carrier Safety Administration’s HOS regulation, Jonathan Levy, a Department of Justice attorney, said it is “not the court’s duty to weigh in on that kind of dispute,” and he asked that the December 2011 regulation requiring drivers to take rest breaks after driving eight hours and limiting use of the 34-hour restart be allowed to stand.

Republican and Democratic leaders in the House Transportation and Infrastructure Committee have asked Transportation Secretary Ray LaHood to delay implementing the rule until three months after the court decides the case.

TARIFF NEWS

Lifting Supply Chain Barriers at the Border

Improving border administration and transport, and telecommunications infrastructure and services, could boost global Gross Domestic Product (GDP) by almost five percent, and world trade by 15 percent, according to a new report by the World Economic Forum in collaboration with Bain & Company and the World Bank. Completely eliminating tariffs, by contrast, would increase global GDP by less than 1%, and world trade by 10 %.

Reducing supply chain barriers delivers economic improvements that are more evenly distributed across countries versus those achieved by eliminating tariffs, says the report, *Enabling Trade: Valuing Growth Opportunities*.

Streamlining inefficient customs and administrative procedures, complex regulations, and cross-border infrastructure weaknesses is effective because it eliminates resource waste and reduces costs between trading partners as well as end consumers.

Countries in sub-Saharan Africa and Southeast Asia stand to gain the most as large increases in GDP directly impact job growth. The World Economic Forum recommends that:

Governments create a focal point to coordinate and oversee all regulation that directly impacts supply chains.

Public-private partnerships be established to undertake regular data collection, monitoring, and analysis of factors affecting supply chain performance.

Governments pursue a more holistic, supply chain-centric approach toward international trade negotiations to ensure trade agreements are more relevant to international business and more beneficial to consumers.

The report cites examples of trade barriers in the following locations:

Brazil. Managing customs paperwork for agricultural commodities exports can take 12 times longer (a full day versus a few hours) than in the European Union.

Middle East and North Africa. Local content requirements, rule-of-origin restrictions, and pilferage at the border can increase the costs of consumer technology products by as much as nine percent.

Southeast Asia. Eliminating supply chain barriers in the rubber market could reduce carried inventories by 90 days, representing a 10-percent reduction in product cost.

Russia. Product testing and licensing in the computer sector can lead to high administrative costs and delay time-to-market from 10 days to eight weeks.

India. Preferential Market Access regulation, which provides preference for locally produced high-tech products in government procurement, could increase costs by 10 percent over the cost of imports.

MOTOR CARRIER NEWS

Transports Lead Stock Rise

Trucking and transportation stock indexes have increased more rapidly over the past six months than those for the broad market, with most of the growth coming since the start of 2013.

While the Dow Jones industrial average has gained 9% in value to reach a record high in the six months ended March 11 and the Standard & Poor's 500 has grown 8.9%, the transportation average has rallied 20.6% and the S&P trucking roster surged 24.3%.

Within the transportation average, UPS Inc. and FedEx Corp. contributed to the increase, as did four freight railroads and four trucking companies.

C.H. Robinson Worldwide Inc. and Expeditors International of Washington Inc. — the two non-asset-based logistics companies on the transportation average — posted some recent declines, however, after earlier gains.

Fuel Economy Dominates Mid-America Truck Show

The theme of the show was undoubtedly improving fuel efficiency, as purveyors of goods and services looked to tap into widespread interest in maximizing dollars spent to power the trucks that move the nation's freight. Three truck makers introduced new models, and the others mostly touted improved versions of their existing ones.

While an increase such as 7 to 7.35 mpg may seem trivial to a layman, a 5% improvement in one year is a triumph for a truck maker, said David Hames, a Daimler Trucks North America general manager. OEMs also said they anticipate this year's truck sales will be flat relative to 2012, with the second half of this year largely compensating for first-half contractions.

Cummins to Reap Fuel Gains from 'Super Truck' Research

Engine maker Cummins Inc. said it will introduce some of the fruits of its 'Super Truck' research in its upcoming models that will make them more fuel-efficient. The bulk of the improvements will be included in models in 2016 and 2017, around the time the federal government is expected to tighten its standards for truck engine fuel economy.

Research that led to the improvements resulted from a $78 million matching research grant from the U.S. Department of Energy with Paccar unit Peterbilt Motors Co. Cummins Chief Technical Officer Stephen Charlton said major areas of that research include friction reduction, waste-heat recovery, air handling and diesel particulate filter regeneration.

WCA Logistics LLC, Company News - Zach Gaskin has been promoted to Operations Manager at WCA Western Regional Officer in Denver. Zach has many years of experience in dry van freight but is able to handle any type of a load including reefer and flatbed. You can reach him at 800-575-8126.

RAILWAY NEWS

When Rail Meets Road

Over the past 30 years, the rail industry has made great strides re-inventing itself within a 21st-century supply chain defined by efficiency, economy, and sustainability—all hallmarks of today's railroads. In the first quarter of 2012, domestic intermodal container volume increased 14.9 percent year-over-year, according to the Intermodal Association of North America's *Intermodal Market Trends and Statistics* report. Gains were largest in the east, where intermodal faces more competition from trucking. Intermodal solutions are gaining strength as shippers track the financial and efficiency benefits of combining truck and rail transport.

Wisconsin Invests In Rail

While some states are busy peddling cycling and pedestrian enrichment projects as roads and bridges continue to crumble, Wisconsin is steering public-private investment toward freight transportation needs. Governor Scott Walker recently announced that Fond du Lac was awarded a $600,000 Transportation Economic Assistance (TEA) grant from the Wisconsin Department of Transportation (WisDOT) to help fund improvements to a rail line serving a McNeilus Steel facility.

Under Governor Walker's helm, Wisconsin has progressively enacted freight transportation reform, including measures to increase truck weight restrictions, streamline permitting, and ease seasonal and regulatory restrictions for agriculture and dairy farmers. In 2011, the state hosted the first Freight Summit for manufacturers, shippers, growers, and carriers to come together and talk about important transportation issues within Wisconsin.

MARITIME NEWS

Federal Mediator Says Longshoremen, Ports Reach Agreement

The International Longshoremen's Union and port operators at East and Gulf coast ports have approved an agreement that clears the way for ratification of a six-year labor pact. The agreement between the ILA and the U.S. Maritime Alliance follows a previous tentative accord between the parties last month that averted a potential strike at 15 ports from Maine to Texas.

Those ports cover about 45% of U.S. waterborne trade and generate an average of 30,000 truck shipments daily.

About 40 percent of all U.S. ocean imports passed through the gates of either Los Angeles or Long Beach in 2012. The top 10 ports brought in 87 percent of U.S. imports.

Sinking in a Sea of Green Rules

Preventing pollution was one of the original aims of the International Maritime Organization (IMO), when it began in 1948. With environmental rule-making intensifying in recent years, IMO has turned attention to the gases ships belch from their funnels and the invasive foreign species they pump out of their ballast-water tanks when they call at ports.

Shipping firms are now under pressure to cut their emissions of carbon dioxide and other greenhouse gases. The IMO estimates that ships cause about 2.7% of total man-made emissions. Under a convention it has brought into force this year, ships will have to introduce fuel-economy measures with the aim of reducing their emissions by 20% by 2020 and 50% by 2050.

The shipping industry now faces the cost of complying with a deluge of new rules. The first big expense will be for cleaner fuel.

AIR CARRIER NEWS

Forward Air Buys Total Quality Inc.

Forward Air Corp. has acquired Total Quality Inc., Grand Haven, Mich for about $66 million. Founded in 1992, TQI primarily serves the pharmaceutical industry, utilizing temperature-controlled equipment, 24-hour monitoring and tracking technology and layered security features. TQI had 2012 revenue of about $54.8 million. The transaction will be funded by Forward Air's cash reserves and is expected to be accretive to its 2013 earnings.

UPS, FedEx Seek Postal Service Air Contract

As package giants UPS Inc. and FedEx Corp. jockey for a new billion-dollar U.S. Postal Service airmail contract, other carriers said they do not expect major changes if the agency's plan to cut Saturday mail deliveries becomes reality. The contract, which made FedEx the largest postal contractor with $1.6 billion in annual revenue, replaces one that expires in September.

Lowering air costs could help the struggling Postal Service cut its $15.9 billion annual loss, and dropping Saturday mail delivery could save $2 billion.

FEATURE:

AG LOGISTICS GROWING PAINS:

Agriculture is a diverse industry comprising a number of different product categories ranging from grains to livestock. It's energy, It's food, it feeds today what the consumer will buy tomorrow. While U.S. manufacturing has laid dormant over the past two decades following an exodus of jobs to cheaper offshore locations, an agrarian sensibility remains firmly planted across the United States. In an age where consumption defines U.S. livelihood and commerce, farmers represent a manufacturing ethic that afforded consumers that luxury to begin with.

Agriculture constituents aren't dwelling in the past; instead this complex and diverse industry has become an export strength in an inbound-centric economy. In 2010, drought and wildfires in Russia and flooding in Pakistan shook up world-wide grain production, U.S. exports spiked as grain producers in America rallied to fill the global deficit.

A short two years later, the 2012 dry spell demonstrated just how vulnerable global crop cycles are here in the U.S. The drought that swallowed much of the Midwest during the summer of 2012 had a marked impact on U.S. agriculture production. Most crops experienced well-below-average yields that reverberated across global markets. From a domestic consumption perspective, nothing speaks louder than the impact of corn production. Corn is significant because it is used as a source for livestock feed as well as for human consumption. Any change in supply has a direct impact on food prices. Corn is also the grain commodity used for ethanol production further adding demand to a strained supply.

While rising food prices have captured the attention of consumers, receding waters along U.S. navigable rivers raise a more troubling concern —one that is unlikely to reverse course without intervention. While U.S. waterway interests need to grow collaboration, transportation and logistics partnership within the agriculture industry at large has always been a key factor to its success. The agriculture supply chain is unique in that it touches all modes of territorial transport, spanning continents as well as import and export markets.

The agriculture industry serves as an important prism for understanding U.S. infrastructure needs. Transportation and logistics excellence makes American-grown product competitive on the global market. Investing in and maintaining a multi-modal network that can deliver quickly and efficiently is critical to sustained growth. Currently, that poses both a challenge and an opportunity.

The United States has always held a competitive advantage over other agriculture regions around the world in terms of infrastructure, however we have failed to make the necessary investments to maintain this advantage, and cracks are beginning to show.

In September 2012, Lock 27 on the Mississippi River north of St. Louis closed for five days due to emergency repairs, delaying river movements and incurring millions of dollars in extra costs. More than half of the locks in existence today are at least 50 years old, and the cost of replacement is estimated at about $125 billion, according to Washington, D.C.-based lobby Waterways Council.

Rail transport is another critical piece that dovetails with inland water barge to create an economical and sustainable intermodal transportation chain. Growers in rural areas depend on rail service and economy of scale to keep costs in check. As railroads focus more attention and capital on hinterland networks to support the emerging growth of natural gas, shale oil exploration and mining, any investment in rural railroad connectivity and infrastructure is a win for captive grain shippers.

On the trucking side, agriculture growers and service providers are paying close attention to regulatory policies —both good and bad —that impacts infrastructure spending and investment, and transportation performance. The sobering reality is that many state and local budgets are tapped out.

Following the 2012 election cycle, various public sector authorities introduced a flood of new funding proposals —from raising fuel taxes, to pay-per-mileage schemes, to selling transportation naming rights. Some states have responded to budget shortfalls by lowering weight limits on rural bridges, thereby postponing necessary upgrades.

Regulations are a moving target, and are the main concern for agriculture shippers, especially as they try to manage costs in a commodity-priced business that is highly vulnerable to begin with. As such, it forces growers and their supply chain partners to take a more holistic look at how policy and planning in both the transportation and agriculture sectors impact one another. This is certainly the case with regulatory measures aimed at greening the supply chain.

The challenges facing the agriculture industry demonstrate just how important transportation and logistics infrastructure is to U.S. competitiveness. As the United States looks to encourage and grow more manufacturing activity at home, the means to move product to market will be an important consideration as companies evaluate total landed costs. Agriculture with its vast networking will continue to play an intricate part in making U.S. transportation industry milestones.