WCA LOGISTICS INSIDER
MANAGING LOGISTICS AROUND THE GLOBE

August/September 2012

A freight transportation newsletter published by:
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Urbana, Ohio 43078

LEGISLATIVE NEWS

Highway Bill Signed By President. The Bill, costing $105 billion, to fund transportation for 2 years was passed by the House and Senate and then signed by President Obama on July 6, 2012.

The bill is named AP-21 for "Moving Ahead for Progress in the 21st Century". The law was praised by shippers and truckers but they were disappointed that it did not address long-term funding for the nation's highway system.

Maintaining and improving the roads and bridges to ensure goods move freely and efficiently from factories to ports and from farms to markets is how America can maintain its place as the world's leading economy.

The trucking industry was disappointed that Congress did not allow changes on truck size and weight since they feel this is crucial to future productivity. They would have liked to see included a provision that would have slowed down highway privatization and tolling.

Some of the requirements in the bill read as follows:
Required drug and alcohol clearinghouse for carriers to check driver records Testing of new entrants to the industry. Crash-worthiness standard for large trucks. The Federal Motor Carrier Safety Administration (FMCSA) will develop a rule within a year to require electronic logging devices (EOBRs) on trucks to track driver hours of service. Require a field study on the 34-hour restart regulation in the hours-of-service rule FMCSA published in December. Raise the required bond posting for freight brokers and forwarders to $75,000 from $10,000. Directs the Transportation Department to produce inventories of the available safe parking along highways for truckers. Directs DOT to develop a national freight strategic plan that Blocks publication of a rule on hazardous materials tanker "wetlines" for up to two years.
Requires a federal study that would compare the effects of trucks on highways in places with the 80,000 limit versus roads in states where trucks have been granted exceptions to run as heavy as 100,000 pounds.

TARIFF REPORTING

LTLs Raise Rates. The largest LTL carrier, FedEx Freight, announced a 6.9% rate increase to be effective July 9, 2012 which will apply to tariff rates but not contract prices. This increase will affect the continental United States, cross-border shipments with Canada and other prices such as minimum charges.

The second and third largest less-than truckload (LTL) carriers, Con-way Freight and YRC Freight, have joined FedEx Freight in increasing their rates by 6.9% both in effect July 9, 2012.

Con-Way's increase applies to shipments that don't move under contract. The rate increase will vary for individual customers and shipments based on characteristics such as geography, lane, product classification, weight and dimensions. This will affect United States shipments and freight moving between the U.S. and Canada as well as Puerto Rico.

Increases on non-contract moves have been set by Arkansas Best Corporation's ABF Freight System at the same 6.9% rate increase. Two of the 10 largest LTL carriers, Saia and Estes Express, will also be announcing rate increases.

Additional LTLs Join Rate Increase. Effective July 16, 2012 less-than-truckload (LTLs) carriers increasing their rates are UPS Freight, AAA Cooper Transportation, and Roadrunner Transportation.

UPS Freight increase of 5.9% will be for its North American non-contract shipments. Their increase applies to minimum charge, LTL rates and accessorial charges.

A 6.9% increase to non-contract LTL shipments will be applied by Roadrunner of Cudahy, WI. The rate increase is an average and that will be based on freight weight, shipment class and route. They are not changing the absolute-minimum charge and the increase applies to the RDFS 501 U.S. and RDFS Canadian base rates.

AAA Cooper of Dothan, AL will also increase by 6.9%. They are raising the minimum charge by $4 and making adjustments in other charges listed in its rules tariff.

MOTOR CARRIER

Carrier Details Expansion Plans. Bison Transport Incorporated started a less-than-truck load in Western Canada since this new service had been requested by numerous shippers.

It has purchased a terminal in Langley, British Columbia which it will share with drayage carrier Shadow Lines Transport for 12 months. It also plans to build a new terminal on 19 acres in Mississauga, Ontario. This location will serve as Bison's main hub for Ontario and Quebec when it opens in 2013.

Bison has made a large investment in new equipment replacing 515 tractors with plans to purchase 100 more tractors before the end of 2012.

Approval Sought By Mexican Carrier. Jose Guadalupe Morales Guevara, doing business as Fletes Morales, is the fifth Mexican owner-operator seeking approval from the Federal Motor Carrier Safety Administration (FMCSA) for the United States-Mexico border pilot program. He is based in Ensenada, Baja California and is seeking operating authority for himself and one truck, a 2002 Freightliner.
In the July 11, 2012 Federal Register notice, the FMCSA audited his operations and the public has 10 days from that date to file comments on the application.

Terminals Expanded By Old Dominion. The terminals in Orange, CA and Pensacola, FL are being expanded by Old Dominion Freight Line Incorporated. These two expansions are part of a $90 million to $120 million investment Old Dominion is making in a real estate purchase and expansion project this year. New service centers have already been opened in Duluth, MN and Orange, CA and Benson MN.

The Orange terminal will provide service to more than a dozen California cities, including Fullerton, Irvine, Laguna Beach and San Clemente. Since the terminal is centrally located to the primary customer base, this increases efficiency and productivity and provides an opportunity for continued growth in Orange County while helping to alleviate congestion at the locations in Los Angeles and Long Beach.

The new 24 door service center in Pensacola is closer to customers and will serve the Florida panhandle and eastern Alabama which includes the towns of Gulf Breeze, Destin and Fort Walton Beach in Florida as well as Gulf Shores in AL.

Besides these two expansions, Old Dominion is also expanding in Corpus Christi, TX and Erie, PA. It added new container drayage capabilities in Oakland, CA and Seattle, WA

RAILWAY NEWS

Railroad Plans Upgrades. An investment of $22 million is being planned by Union Pacific Corporations to upgrade its western Nebraska rail lines between O'Fallons, NE, just west of North Platte, and the Wyoming border this year. This is part of Union Pacific's overall $3.6 billion capital spending plan.
The project will upgrade about 150 miles of track which includes renewing the surface at 93 rail crossings, replacing 93,400 ties and spreading 44,000 tons of rack ballast. They also plan to install 16 miles of new rail on the line connecting to Wyoming's coal country.

Expansion Planned By Norfolk Southern. By breaking ground in Charlotte, NC for a $92 million terminal to increase rail/truck freight-handling capacity in the region, Norfolk Southern Corporation took the first step toward expanding its intermodal capacity.

Federal and state funds contributed to the project are $15.7 million and will help Norfolk Southern to complete the facility by late 2013. The new terminal will be able to handle 200,000 lifts of container or trailer cargo annually.

This facility is the latest expansion along Norfolk Southern's route between the Southeast and the Northeast called the Crescent Corridor. The Corridor stretches from New Orleans to the Boston area and includes a link connecting Memphis with New York and Boston.
Norfolk Southern is also building new terminals in conjunction with government funds in Birmingham, AL and Memphis, TN to expand intermodal handling capacity in those cities.

Rail Accidents and Volatile Cargo. Although total railroad accidents and incidents decreased to 270 last year, hazmat car involvement continued a 10 year climb. The Federal Railroad Administration advised that last year 49 of 326 cars carrying hazardous material were damaged or derailed in accidents.

In Ohio, the number of railroad cars carrying hazardous materials involved in accidents increased by 152% in the past 10 years. Railroad safety was again brought to the attention of the public by two incidents during the second week of July 2012. In Columbus, a train derailed causing three tanker cars to explode and burn. The next day, two empty trains collided in downtown Akron.

The railroad industry works hard to keep things safe and shippers rely on rail service. Ohio rail operation is safe but accidents do happen. Ohio ranks in the top 10 in the rail industry ranking fourth in rail miles, fifth in employment and sixth in freight railroads in operation. Shipping material via railroads is fast, efficient and more environmentally friendly than trucking.

The Ohio Rail Development Commission was created in 1994 to foster a relationship with railroad companies and aid rail's efforts to drive economic development. There has been a very steady increase in demand to move freight by rail. Last year 276.4 million tons of material was shipped on Ohio's railways.

According to the Association of American Railroads, freight railroads are involved in $265 billion in economic activity annually. Railroad shipping is extremely significant and a huge economic driver in Ohio. The use of the railroad will help decrease the trucking activity on the nation's highway. One freight train can transports material that would require more than 280 trucks. Also, railroad companies invest in their own infrastructure, while trucking companies operate on publicly financed highways and roads.

PUCO advised that about 10% of trains traveling through Ohio have some form of chemical or other HAZMAT on board. They have investigators out constantly to make sure things are as safe as they can be since safety is their biggest priority.

MARITIME NEWS

Dispute With Container Weighing. The issue for the dispute is whether the International Maritime Organization (IMO) will require the weighing of laden containers prior to loading on ships rather than just accepting the exporters' declared weight. It would require terminal operators and ship operators to share in the responsibility for accurate container weights.

Those in support of the proposal are the container line, labor and terminal operator groups and the Danish, Dutch and United States Government, the only country requiring containers to be weighed prior to loading. These groups claim technology exists to quickly and efficiently weigh containers without an adverse impact on the supply chain. They feel that knowledge of the correct weight can lead to safer transport on ships, docks and roadways.

The opposition consists of the European Shippers' Council asserting this proposal is “a false remedy for an ill-defined disease”.

This industry proposal was submitted by BIMCO, the International Association of Ports and Harbors, the International Chamber of Shipping, The International Transport Workers Federation, the World Shipping Council and the governments of Denmark, the Netherlands and the United States. The proposal will be considered at the next meeting of the IMO's Subcommittee on Dangerous Goods, Solid Cargoes and Containers.

Toll Increase Proposed. Toll increases have been proposed by the Panama Canal Authority and would come in stages over the next two summers. These increases will help to finance the $5.25 billion construction on the third set of much larger locks to be completed by 2015.

The number of segments would increase from eight to eleven by Panama Canal vessel type. Other changes to be included are: tanker segments will be broken down into three distinct segments, a new segment for container/breakbulk will be established and the roll-on/roll-off vessels will be incorporated into the vehicle carrier segment.

The market segmentation scheme for the Panama Canal will include full container, reefer, dry bulk, passenger, vehicle carrier and ro-ro, tanker, chemical tanker, LPG, general cargo and others.

The proposed increase will be effective July 1, 2012 and will apply to the following segments: general cargo, container/break bulk (new segment), dry bulk, tanker (redefined segment), chemical tanker (new segment), LPG (new segment), vehicle carrier and ro-ro (merged segment), and the segment known as “others”. To incorporate adjustments not previously considered, there will be changes to tolls applicable to small vessels based on vessel length.

AIR CARRIER NEWS

A Downward Trend In International Air Cargo. According to the International Air Transport Association (IATA), global air freight fell 4.2% in April from April 2011. The comparison of air freight markets from a year ago is misleading as they fell sharply in the first half of 2011 and bottomed out near the end of the year. The industry performance has been marked by month-to-month volatility and various distortions beginning in 2012.

April 2012 cargo levels are about 2% higher than in November 2011. Middle Eastern airlines has 80% of this improvement number. There is continued weakness in air freight for the Asia-Pacific, European and North American carriers.

It will be difficult to be optimistic in the near future due to the economic uncertainty in Europe. Signs do show that cargo has bottomed out and it may be a start of a growth trend in cargo in some parts of the world.