WCA LOGISTICS INSIDER
MANAGING LOGISTICS AROUND THE GLOBE

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LEGISLATIVE NEWS

House Proposes Highway Bill. Some members of the House of Representative are proposing a six-year transportation construction plan as a major jobs bill. They hope it can win bipartisan approval and be in place before the next extension of the old bill expires on March 31, 2012.

Providing about $285 billion over the six years, the proposed legislation will provide for more investment in roads, bridges, and transit systems though federal loans and loan guarantees.

TARIFF REPORTING

Tolls To Start Rising In 2012. Next year on Florida's state-owned toll roads, which includes portions of Interstate 75 known as Alligator Alley, tolls could rise annually advised the Florida Department of Transportation (FDOT).

A mandate from the state Legislature stated that tolls must be indexed and an initial increase must be implemented by June 30, 2012. The plan by the FDOT will comply with this mandate. Tolls can be raised every year by an amount pegged to the cost of living. They are mandated to raise tolls at least every five years to match inflation.

At least 15 roads will have the initial increase but express lanes on Interstate 95 or roads operated by the Miami-Dade Expressway Authority will not be affected.

A 5-axle truck with a SunPass will pay $11 for the 77.7-mile trip on Alligator Alley. Without the pass, the cash rate for a truck will be $12.

MOTOR CARRIER

Compliance Deadline Set For Canadian eManifest Requirements. Beginning November 1, 2012, highway carriers will be denied entry into Canada if the carrier has not complied with the eManifest requirement to electronically transmit cargo and conveyance data prior to border arrival. Carriers may also face non-monetary penalties for non-compliance. On May 12, 2013, however, the Canada Border Services Agency will begin assessing monetary penalties for non-compliance. The eManifest implementation time line began November 1, 2011.
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Plan To Add Toll On I-95. The Federal Highway Administration (FHWA) gave the state of Virginia "conditional provisional approval" to proceed with plans to place a toll on Interstate 95 near North Carolina that could raise over $50 million a year. This is part of the FHWA's Interstate Reconstruction and Rehabilitation Pilot Program which gives three states authority to toll Interstates as a means to help fund capacity expansion, operational improvements, safety improvements and pavement reconstruction.

Before tolling can begin on I-95, the conditional provisional approval requires further study by the Virginia Department of Transportation (VDOT). The Virginia legislature already passed a $4 billion, three year transportation spending plan and the toll on I-95 would help the state with that plan.

Virginia wants to widen I-95 between the I-295 beltway around Richmond and North Carolina. The state would also like to install over-height detectors on bridges, widen shoulders, install guardrails and improve the pavement of 700 lane-miles with the additional revenue.

The American Trucking Association (ATA) would prefer to see higher fuel taxes used as a means to fund improvements since tolls carry astronomically higher capital and overhead expenditures compared to fuel taxes.

Mexican Truck Finally Crosses Border. On October 21, 2011, for the first time under the North American Free Trade Agreement (NAFTA), a Mexican tractor-trailer crossed into the United States on a trip to the country's interior. This began a trucking program that has been stalled for years by concerns that it would put highway safety and American jobs at risk.

Crossing the border at Laredo, Texas, the truck was hauling a large steel drilling structure on a flatbed trailer nearly two decades after the passage of NAFTA, which was supposed to improve cargo transportation between the two countries. Transportes Olympic, a Monterrey based carrier, was the first Mexican trucking company to receive the Federal Motor Carrier Safety Administration's (FMCSA) permission to operate beyond the United Sates commercial border zone. A second carrier's approval is on hold pending a safety review.

Three United States trucking companies have been granted permits to haul international cargo in Mexico, Plastic Express of California, A&R Transport of Illinois and Stage Coach Cartage & Distribution of Texas.

The last of the $2.4 billion in retaliatory tariffs Mexico placed on United States products was suspended based on the approval of Transportes Olympic.

RAILWAY NEWS

Intermodal Service Expanded In Mexico. Pacer International Incorporated is expanding its United States-Mexico intermodal offerings to include service to and from Chihuahua, Mexico. It is targeting customers within 150 miles of Chihuahua and will offer a chassis pool to support freight movements.

The services to and from the Chihuahua market will operate five days per week. This will improve the supply chain performance and the security of the customers by eliminating the need to truck finished goods and production parts to and from the U.S.-Mexico border. Train services will be provided by Union Pacific Railroad and Ferromex. Canada-Mexico services will also be available.

Interchange OK'd But Not Anticompetitive. The latest case involving the controversy over interchange of freight between a small railroad and major carriers has been decided by the Surface Transportation Board (STB). The agreement between the railroads could go forward without violating requirements that were stated in a 2007 agency ruling.

A Michigan rail carrier's (Jackson & Lansing Railroad) lease with Norfolk Southern Corporation to operate 47 miles of track can go forward under the STB rules. The Michigan rail carrier can continue to exchange freight, such as steel and consumer goods.

Yreka Western Railroad and two union protests were turned aside by the STB. They had argued the interchange would be anticompetitive. Yreka Western contended the Jackson and Lansing Railroad company had failed to submit the proper documents to allow the lease to go forward. United Transportation Union and the Brotherhood of Locomotive Engineers challenged the transaction stating it would reduce safety because the railroad did not have enough funds to do adequate maintenance.

Over the past four years the Senate has been debating the issue of interchange of freight between railroads. Shipper groups are seeking legislation allowing small railroads to gain access to several larger lines where those arrangements aren't in place.

The STB cleared an arrangement called a “lease credit” under which Jackson and Lansing, the lessee, will be allowed to use the line for $1,000 annually as long as it interchanged freight only with Norfolk Southern and met mutually agreeable volume commitments. STB felt the credits would assure that funds were available to make track improvements.

New $300 Million Track Project. A project to increase track capacity in Nebraska and Iowa as well as shorten the rail route for shipments of consumer goods, grain and other commodities has been announced by the Union Pacific Railroad. They plan to spend almost $300 million.

The project covers 29 miles between Fremont, Nebraska and Missouri Valley, Iowa. A second main line track is being built to cut travel time by two to four hours and bypass a longer route via Omaha, Nebraska.

As Union Pacific Railroad customers' freight transportation needs grow, the new project will help them to operate more efficiently, increase train velocity and support their ability to add capacity.

The project to support freight moving between the western United States and the Midwest is beginning this year with the addition of three miles of second main line track and three additional miles of passing track with completion slated for next year. The Omaha route is 25 miles longer than the direct route that passes through Blair, Nebraska.

The company has a $3.3 billion capital spending plan for this year including track projects as well as equipment and technology. The Iowa-Nebraska project is part of this plan.

Freight railroads in the United States are expected to spend $12 billion this year on capacity projects.

MARITIME NEWS

Late Cargo Compensation. On its Asia-North Europe trade lanes, Maersk Line has introduced a date certain delivery service. If a delivery is late, the company promises to pay compensation at an unspecified amount. A daily cut-off time for cargo to be loaded on vessels at the same time every day, seven days a week and always with the exact same transportation time is offered by the company.

In what amounts to a giant ocean conveyor belt for the world's busiest trade lane, Daily Maersk is operating 70 vessels in a daily service between four ports in Asia (Ningbo, Shanghai, Yantian and Tanjung Pelepas) and three ports in Europe (Felixstowe, Rotterdam and Bremerhaven).

On October 24, 2011 the new commercial services was launched and more customers than usual booked on Daily Maersk corridors. It was noted that 99% of all cargo was delivered on time.

Lack of on time delivery cost customers large sums of money. Companies must make up for an unreliable supply chain. Shipping companies must create a buffer in their supply chains and lose income if goods are not on time. As a general Rule, shipping lines servicing the Asia-North Europe trade are 44% late on all delivery of containers with 11% more than two days late and 8% more than eight days late.

AIR CARRIER NEWS

Deadline Delayed. The self-imposed December 31, 2011 deadline to screen all cargo on international passenger flights cannot be met. The Transportation Security Administration (TSA) had accelerated its schedule to complete a network of international agreements to scan all United States inbound cargo in response to the two attempted terrorist bombings last year. The goal proved to be too ambitious and the original goal date of 2013 has been reinstated.

The goal of 100% screening of cargo for explosives on domestic passenger flights has been meet. But the deadline for inbound international passenger flights has not been accomplished. These flights carry about 6 billion pounds of cargo a year.

TSA advised the airline and freight shipping industry that of the 197 countries with flights to the United States, only three have signed agreements with another 20 in the pipeline. Those countries represent about 80% of the air cargo to the United States. If the TSA had moved forward with the December 31, 2011 deadline, it would have resulted in shipping delays, increased costs and increased damage on shipments during inspections.

The Certified Cargo Screening Program (CCSP) certifies facilities to screen cargo before it reaches the airports and was created by the TSA. Security standards for the facilities, including physical access controls and screening of employees, was set by the TSA. Cargo not going through a CCSP facility is screened by the airlines.

MISCELLANEOUS NEWS

Distribution Company Planning Expansion. The distribution company Exel is on track to gain more clients and that could mean an additional 275 jobs for central Ohio within three years.

The company, Owned by Deutsche Post DHL of Germany, received state income-tax credits yesterday worth up to $515,000, which will help finance an expansion planned in Obetz. This places the expanded warehouse facility adjacent to the NS/Rickenbacker intermodal facility as well as the Rickenbacker air cargo field.

The company has 66 workers operating in a portion of a warehouse in Obetz now. Exel expects to pick up an unidentified online retailer as a client and it plans to take over much of the remaining portion of the warehouse to accommodate the anticipated work.
Steven Schoeny, a principal with SZD Whiteboard who has been working for Exel on the project, told members of the Ohio tax Credit Authority that the additional work looks so promising that Exel might even come back to the agency to request additional tax credits for further expansion.

The jobs that are expected to be created will pay an average of $12.50 per hour, generating a total payroll of $7 million a year. The tax credits will help retain the existing 66 jobs, preserving $1.7 million in annual payroll.

The expansion could start as soon as next month, according to state documents. Ohio has been in competition with New Jersey and Pennsylvania for the work.

Exel said it will invest at least $4 million in machinery and equipment. The tax credit starts in January and runs through 2017. The company will be required to maintain the operations in Obetz for at least nine years.

It is the second time in recent months that the company has been before the state asking for tax credits. In April, the company was approved for credits to help support 55 jobs it is adding in Columbus.

The headquarters for Exel Americas operations is in Westerville. The company has about 2,000 employees in Franklin and Delaware counties, 3,400 in Ohio and 18,500 in the United States.

The company provides an assortment of services that include managing warehouse and distribution operations for customers and order-fulfillment operations for online retailers. *(Information for this article from The Columbus Dispatch article by Mark Williams. Provided by the*
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Q & A

Q: Wichita, KS: Are we seeing any positive indicators in logistics regarding recession recovery?

A: Although the jury is still out on whether or not the United States has officially turned the corner toward economic recovery there are indications that shipments are increasing. In the past 6 quarters of reporting data the third quarter of 2011 has been the strongest in terms of both TL and LTL shipments. LTL shipment growth has steadily outpaced Intermodal and TL for the past three quarters. However, indicators suggest that Intermodal and TL each grew at a respectable 15%. Total shipments have been on a steady increase by as much as 11% just during the past quarter of 2011. Usually increases such as these are positive news and signs that manufacturing and suppliers are once again moving product. Keep these factors in mind when looking for carriers or you are rate shopping.

FEATURE:

Can your company survive a logistics disaster?

Most companies dealing with freight shipments have at one time or another encountered unplanned or sudden disruptions to the normal shipping cycle.   Unplanned events can be a catalyst that separates the amateurs from the pros when it comes to strategic logistics management. Throw in a natural disaster or a man-made one and you could be in for one of the most challenging and difficult experiences of your logistics career.

It comes as no surprise that disruptions in the supply chain can and will occur. These unplanned disruptions have the capability to wreak havoc with all sectors of a supply chain, especially if no contingency planning has been prepared in advance.

Preparing in advance, the key element in whether you can survive a logistics disaster. If you are reading this and you are not sure if your company has a plan or what the plan is, you’re already in trouble. The time to develop a contingency plan is before the problem occurs, not while you’re in the middle of a crisis.

People react in many ways to unplanned disruptive situations, the last thing you want when a disaster strikes is to be finger-pointing or passing the buck. You can help strengthen your efficiencies and better manage customer expectations in a disaster environment by taking the following simple steps.

- Be proactive instead of reactive. Make the decision today to get a plan in place.
- Designate a point person within your organization to be responsible for all actions and outcomes, including emergency shipments.
- Have a back-up person.
- Work as a team to define possible scenarios that could present emergency situations for your company.
- Outline steps to be taken for each scenario. This would include everyone involved and what their responsibility would be.
- Know where to get help in advance from mission-critical carriers and know who to contact immediately during a crisis.
- Understand all your transportation options and the cost-time related issues to be considered. Your final choice will depend on the nature of the emergency and your recovery needs.
- Be flexible with your contingency plan, you may have to explore more than one option to resolve a crisis situation.

Once you have your plan established, test your plan. It is better to test up front to address problems with the process. The cost of a test will be minimal compared to the effect on your bottom line should your plan fail during a real emergency. Correct and refine any procedure that may be a potential problem spot. Print your plan and have it included in your company policy and procedure manual. When a disruption happens, put your plan into action. Make sure everyone involved in the recovery effort maintains a high level of communication with each other. This will ensure efforts run as smoothly as possible and all bases are covered.

Because we live in a technological based environment, the type of communication used can also be outlined as part of your contingency plan if it is determined to be necessary to achieve your logistics needs.

Unfortunately, Murphy’s Law runs amuck during these types of disruptive events. Even the best laid plans can go wrong, so be prepared for last-minute glitches that may cause your plan to be altered.   Don’t be surprised if your plan A finishes as a plan D.

Stay cool, calm and focused. When the crisis is over pull the entire team together to discuss what went well and what could have gone better. Document your experience and revise your contingency plan if necessary at this time. Be sure to thank everyone for their efforts in resolving the situation. Contingency planning is an ongoing process because constantly changing factors will determine your emergency requirements. Your next disruptive event will no doubt have different challenges than your previous experiences.

So the journey continues, most days the road is smooth and we enjoy the ride, but we need to prepare ourselves when we encounter rugged highways and the unexpected twists and turns along the way. The best way to survive is to be prepared. Someday you may even brag that you survived a logistic disaster.