WCA LOGISTICS INSIDER

MANAGING LOGISTICS AROUND THE GLOBE

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LEGISLATIVE NEWS

EOBR Rule Thrown Out! A ruling on August 26, 2011 by the United States Court of Appeals for the Seventh Circuit struck down the Federal Motor Carrier Safety Administration's (FMCSA) 2010 Electronic On-Board Recorder (EOBR) rule after a suit was filed by the Owner-Operator Independent Drivers Association.

The Court sent the rule back to the FMCSA for further proceedings telling them they must rewrite the rule. The Court stated that they had found several flaws including the use of EOBR data to possibly harass individual drivers.

The ruling will almost certainly delay the June 2012 EOBR mandate for about 5,700 carriers who have significant hours-of-service violations and could delay a separate rule requiring EOBR'S for all 500,000 interstate carriers.

Because of the court's ruling, the FMCSA will have to restart the rule making process and rewrite the June 2010 rule or issue a supplementary rule aimed at satisfying the court's concerns. They will also have to make sure that the broader January 31, 2011 proposed rule will also ensure that drivers will not be harassed.

How long the process takes to completely rewrite the rule is unclear. It could be as long as 18 to 24 months. It appears that the FMCSA will not be able to meet its posting of the final rule in July.

TARIFF REPORTING

FedEx Freight Rate Increase. Effective September 6, 2011 Fed EX Freight implemented the general rate increase (GRI) of 6.75%. It will apply to FedEx Freight shipments within the contiguous United States, between the contiguous United States and Canada and within Canada. Also, the rate for cross-border shipments between the United States and Mexico will increase the same percentage for only the United States portion of the shipment.

Revised Rates For ABF. The general rates and charges for ABF's freight divisions will be increased by about 6.9%. The effect on specific lanes and shipments will vary.

Increase In Rate By Old Dominion. Rather than an across-the-board rate hike, Old Dominion Freight Line Incorporated announced a price increase for it haul lengths.

The overall increase will be about 4.9% although each shipper will be affected differently since it is based on the lanes and distance the shipments move.

Old Dominion also said that similar increases will be applied to routes to and from Alaska, Hawaii, Puerto Rico, the Caribbean, Canada and Mexico.

This increase follows average rate increase of 6.9% by LTLs YRC Worldwide, UPS Freight and Con-way Freight.

Another LTL Hikes Rates. Roadrunner Transportation Systems Incorporated is raising its non-contract rates by 6.9% for its LTL (less-than-truckload). It increased on August 15, 2011 and covers all non-contract freight in the RDFS 501 US tariff and RDFS 700, the companion Canadian publication that contains base rates.

The increase amount will vary based on route, weight and the classification of the freight being moved. The minimum charge shipments and accessory fees will not be changed.

MOTOR CARRIER

The End Of The Postal Service LTL. The USPS stated in an August 19, 2011 filing to the Postal Regulatory Commission that it intends to terminate its so-called Collaborative Logistics market test. September 19, 2011 will be the end of the United States Postal Service less -than-truckload (LTL) hauling. The decision was made due to the major restructuring and closing of thousands of post offices.

The program which began in May, 2009 as a potential cost-cutting measure and to help the USPS to even out mail shipments between cities by filling out trailers. It was highly criticized by the American Trucking Associations (ATA) which claimed the mail service was barred by law from competing unfairly with private businesses.

The USPS filing termed Collaborative Logistics a success stating it had generated millions of dollars in revenue over the two-year span testing period showing continued growth. It wanted this to be a permanent product but felt it could not keep the program based on a planned reorganization and its poor financial condition.

The USPS had lost $5.7 billion for the fiscal year compared to $5.4 billion a year ago. It also advised it could be forced to default on payments due to the federal government by the end of its fiscal year in September.

In order to cut losses, the Postal Service plans to close 3,700 post offices and lay off up to 120,000 employees by 2015 if Congress gives it the right to override worker contracts. It hopes to begin union contract talks that will help lower costs.

RAILWAY NEWS

STB Cuts Filing Fee. The Surface Transportation Board (STB) made a significant cut in its filing fee (formal complaint fee) for a major challenge to freight rates. Now, rail customers can file a major rate case challenge to freight rates for $350 rather than $20,600 under the previous fee structure.

The rest of the STB's user fees have either decreased slightly or remain unchanged under the new fee schedule. While 113 other fees have not changed, a dozen of the agency's user fees have decreased. The fee list was last updated in 2010.

New Intermodal Terminal For CSX. As part of the company's plans to expand their service capabilities, railroad company CSX Corporation will build a 34-acre intermodal terminal in Louisville, KY costing $15 million.

Expecting to begin operations early next year, it will re-establish truck/rail service in the city and surrounding area. The facility is being built by CSX Intermodal Terminals and will be located between the railroad's Louisville freight yard and an industrial center near the region's airport. A total of 12 workers will be hired to operate the terminal.

The new facility will be linked with CSX's newly opened Northwest Ohio intermodal terminal near Toledo as well as the rest of CSX's rail network.

The terminal in Northwest Ohio is intended to be a hub for Midwest intermodal shipments. It is part of the expansion program that includes clearance improvement in the mid-Atlantic states.

Higher Earnings For Freight Railroads. With the help of continued rate increases and higher traffic volume in intermodal and some other types of freight, second-quarter railroad earnings again topped the year-earlier results of five major railway carriers.

For at least eight years, rail earnings have risen on the strength of rate increases at a time when trucking earnings have fluctuated with the economy.

As well as earnings growth, there was also a year-over-year percentage growth of 42% at Norfolk Southern to $557 million; 10% at Union Pacific to $785 million; and 22% at CSX Corporation to $506 million. Kansas City Southern more than doubled its earnings to $70.7 million while Canadian National Railway raised its net income 4% to C$534 million ($512.6 million United States).

Intermodal seems to be the driving force in increasing revenues. CSX's strength in intermodal volume was primarily driven by the improving domestic and international markets that CSX services. New international gains were a result of its intermodal portfolios of service.

Norfolk Southern intermodal increase was tied to 70% growth in domestic freight routes.

Canadian National boosted its truck/rail revenue by 14% which was helped by the higher port traffic at Vancouver and Prince Rupert, British Columbia

Union Pacific should expect continued intermodal improvement due to the peak shipping season for Asian imports and consumer goods which usually occurs in the third quarter.

Another factor helping to increase revenue for railroads is the shipping of coal, both domestic and exported.

MARITIME NEWS

Progress On Rotterdam Rules. Sweden is the 24th signatory to the Rotterdam Rules, the new international cargo liability convention. The Rules are to update older liability regimes. They include more modern shipping practices which include containerization, door-to-door transport contracts and the use of electronic contracts. The United States still has not ratified the Rotterdam Rules.

The major liability regimes that are recognized by different countries around the world are the following: the Rotterdam Rules, the Carriage of Goods by Sea Act (COGSA), the 1936 United States law which is based on the 1924 Hague Rules, and the Hague Rules.

Attacks Are Increasing. Pirate attacks on the world's seas totaling 266 in the first six months of 2011 are up from 196 in the same period last year. This information is based on a report by the International Chamber of Commerce International

Maritime Bureau's Piracy Reporting Centre.

The majority of the attacks were in the Arabian Sea area and more than 60% of them were by Somali Pirates. These pirates were holding 20 vessels and 420 crew members and demanding ransoms of millions of dollars for their release based on the June 30, 2011 report. Even though the Somali pirates were more active, they hijacked fewer ships compared to the same period last year.

For the first time pirates were firing on ships in rough seas in the Indian Ocean during the monsoon season. Their attacks are becoming more violent and the pirates are taking higher risks, operating in rougher conditions and further from bases.

Five years ago pirates were likely to brandish a knife as a gun but ships, including oil and chemical tankers, have been increasingly attacked with automatic weapons and rocket propelled grenade launchers.

AIR CARRIER NEWS

Hazmat Fine for FedEx. The Federal Aviation Administration (FAA) proposed a $689,800 civil penalty against FedEx for alleged violations of hazardous material regulations regarding mishandling of shipments in 2009.

Between August 31 to October 1, 2009, the FAA inspections of the FedEx Express cargo handling facility at Bradley International Airport in Connecticut alleged that FedEx in 89 instances failed to provide pilots-in-command with complete and accurate information regarding the nature, quantity and weight of hazardous materials loaded on their aircraft.
The FAA also alleged that FedEx accepted four hazmat shipments for air transport when the materials were not accurately described and certified in the accompanying shipper's documents.

Pilots must know what they are carrying so they can take all necessary safety precautions. History shows that planes have come down and lives have been lost due to accidents on aircraft with hazardous materials.

FedEx has been given 30 days to respond to the enforcement letters sent by the FAA detailing the allegations.

Cargo Security Screening. The final rule (IFR) on air cargo security allowing companies other than airlines to screen cargo transported on passenger planes was announced by the Transportation Security Administration (TSA), part of the Department of Homeland Security.

Part of the new rule will allow airfreight entities to apply to become certified cargo screening facilities (CCSFs). Once designated as CCSFs, cargo companies must adhere to a stringent chain-of-custody requirements and implement a multi-layered security program. This program will include appointing security coordinators, strict access controls and vetting of key personnel.

Domestic Capacity Reduced On Airlines. As a result of fewer passengers, United States passenger airlines expect to reduce their domestic capacity (capacity is measured in available seat miles) .5% in the fourth quarter. This is expected to reverse increases in capacity that occurred in the first three quarters of the year.

The fourth quarter capacity will be at 10.1% below the fourth quarter of 2007. This reduction will have a negative effect on common carriage space in the belly of planes available for forwarders and shippers making expedited shipments.

FAA Funding Passed. The possible shutdown of the Federal Aviation Administration (FAA) by September 30, 2011 was averted when the Senate passed House Bill HR 2887. This bill extends operations of the FAA through January 31, 2012.

MISCELLANEOUS NEWS

Where Is The Plum Location For Business? A study done by Upper Arlington-based Three Scale Research ranked **Columbus** at the top of their list of prime cities for business. Four other Ohio cities where also listed in the top five nationally. Pittsburgh, PA was listed as second at 47%, Dayton and Cleveland were tied in third place at 46% and Cincinnati was fifth at 44%.

The research company looked at each of the 68 United States metropolitan areas with populations of at least 750,000 and then calculated the number of people who live within 500 miles. This distance represents a day's drive or a one-hour flight.

Businesses in Columbus are within easy reach of New York City and Washington, D.C. in the east; Atlanta and Charlotte, N.C. In the south; Chicago, Milwaukee and St. Louis in the west; and Detroit in the north.

The study stated that 48% of the nation's population live within 500 miles of Columbus, even with the growth in the Sunbelt states in the South and West of 147.5 million people.

The state's location has been praised by development leaders as a way to persuade businesses to move to or expand in Ohio, especially for the logistics and distributions industries.

It was noted by the Ohio Department of Development that the study did not take into account Ohio's proximity to markets in Canada as well. Access to markets is a key attribute in any site location and also a great advantage. *(Information for this article from The Columbus Dispatch article by Mark Williams;*
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FEATURE

KISS Method – Does it still work In The Logistics Industry? I don't like the word "stupid" so I will call it KISS; "Keep It Simple Staff".

In the forty-five odd years since I entered logistics management, then known as traffic management, a lot has happened in freight transportation.

We've gone through the eras of; re-regulation, carrier bankruptcies, undercharge claims, 3PLs, 4PLs, reverse logistics and some I am sure I've missed. But, we've never left the simplistic base of logistics (traffic) management that has been in place since re-regulation of the early 80s. In fact some of this base was in place since the 1930's when transportation first became regulated.

Now before some of you start your rebuttal letters, let me say one more thing, I'm talking about the base exercise of traffic management, and I'll refer to this term repeatedly through the rest of this article.

I want to be very clear. I am talking about the fundaments of traffic management; the platform from which all "logistics" management should be formulated. I am not talking about the computerized TMS systems, that do everything but wash the trucks, nor any of the hi-tech, leading edge logistics that we use to connect order entry, inventory management, purchasing, to name a few which make up the sophisticated process of "Logistics Management". My concern is that we are forgetting how to do the basic steps in traffic management. We have hi-tech systems, college courses, and an unlimited number of seminars and workshops on the practice of logistics management. What we seem to be lacking is how to talk to one another about the needs of the shipper and the carrier.

When we conducted our Freight Cost Control Workshop in the 80s and 90s, we billed it as the plain English workshop for the lower and middle levels of traffic management.

We wanted to teach the basics that even then appeared to be getting lost in the new age practices of logistics management. In 15- plus years, more than 7,000 attendees came to our workshops in 91 cities (several workshops were repeats in the larger cities). Corporations booked private workshops and soon after trade associations followed suit to make sure that each of our workshops were specifically tailor to their requirements or industry. So we believe we filled a niche audience.

But, what about today and all the logistics management tools we have and will have available to us in the 21st century? Do they really teach us the basic practitioner requirements of traffic management?

Here is the reason for our concern. We get calls and emails every day about how to negotiate rates, file and settle claims, conduct rate analysis, and how to talk to carriers on their level.

On the carrier side, we even get calls from some of our closer acquaintances in the carrier ranks. They want to know how to side step all the new age stuff and talk to their customers in plain English.

Carriers try to set rate levels based on load demands, popular routes, need for more freight in certain areas. They have gotten to the point where they now turn down the ugly, hard to handle freight and try to concentrate on filling their trucks with the easy to handle cubed freight that neatly maximizes a trailer.

Shippers still want the cheapest rate until there is a service failure then they will pay more for "guaranteed" service.

There are still a number of traffic managers who still believe that rate making is a give and take process. The shipper is willing to pay a little more for better service, and the carrier is willing to handle the ugly freight or go to unpopular destinations if they get a high percentage of good freight from a customer.

I don't want to put anyone or any process down, but let's face it; we need to learn to negotiate (not beat up on) with one another. Negotiation gets better rates for both sides. It resolves claims that seem to be un-resolvable (if there is such a word).

Before we implement complex programs, let's go back to school on dealing with one another.

Back in the day, we negotiated rates by sitting across the table and determining what it took to meet all party's needs.

When an OS&D issue arose, we got on the phone and talked about compromise. When we wanted to set up our budget for the coming year, we looked at trends of the last year or two and then reviewed a printout of freight activity and cost.

Once the homework was done, we made our predictions and our game plan available for the senior staff to review.

Today, shippers and carriers implement hi-tech programs with 5 to 10 modules and never look back. Are we seeing the big picture before we look at the steps that get us there….?