WCA LOGISTICS INSIDER

MANAGING LOGISTICS AROUND THE GLOBE

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A freight transportation newsletter published by:
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In this issue…

LEGISLATIVE NEWS

Bill Reintroduced In The House of Representatives. The National Freight Mobility Infrastructure Act, H.R. 3607 has been reintroduced. This bill is to ensure federal support for the national freight mobility network and critical freight infrastructure and transportation improvements throughout the United States.

In order to provide long-term financing for critical infrastructure improvement goals, this legislation will create the Freight Mobility Infrastructure Improvement Program within the United States Department of Transportation. Through this Program, states, ports and regional transportation authorities would work In collaboration with non-governmental stakeholders and freight transportation industry entities to identify high-priority projects and apply for funds. Grants would be awarded competitively by the Secretary of Transportation based upon a project's impact on freight mobility improvement, cost effectiveness, and regional/national economic impact.

The National Freight Mobility Infrastructure Fund would be created and the funds would be generated by a freight-specific user fee. This fund would be dedicated to supporting freight mobility projects only. The fee would be determined by imposing a rate of 1% on the fair market value of multi-modal ground transportation costs. Some exceptions of the determination of the rate would be for federal, state and local government transportation and transportation within a local geographic area.

New Trade Pact Signed. President Obama and Canadian Prime Minister Stephen Harper signed an agreement they feel will create more jobs and prosperity within both the United States and Canada.

In order to ease congestion and reduce the time it takes to transport products between the United States and Canada, both nations are coordinating to introduce new technology to improve cargo security and screening at points of entry along the border. This should make it easier for businesses to export their goods.

Aiming to reduce costs for businesses, the United States and Canada will work to streamline regulations or totally eliminate them.

Focusing on a series of key sectors such as automobiles, agriculture and health care, the goal will be to align standards where possible.

TARIFF REPORTING

Rate Increase For FedEx. Effective January 2, 2012, FedEx announced a rate increase of 4.9% on its United States package and home delivery services. The actual average rate increase was 5.9% but with a 1% reduction in its fuel surcharge, the net average rate decreased to 4.9%

Despite declining shipment volume at its air package and industrial freight business in the quarter ending November 30, 2011, FedEx continued to see its profit soar on higher pricing and fuel surcharges. The company's net profit jumped 76% year-over-year to almost $500 million and its revenue rose 10% to $10.6 billion.

UPS Increases Rates. The new published rates for 2012 for UPS include a net increase of 4.9% for UPS Ground packages and a net increase of 4.9% on all UPS Air services and United States-origin international shipments.

UPS Next Day Air Freight and UPS 2nd Day Freight rates for shipments within and between the United States, Canada and Puerto Rico will increase 5.9%. The only rate unchanged is UPS 3 Day Freight rates.

UPS Ground shipment rate increase is based on a 5.9% increase in the base rate less a 1% point reduction to the index-based ground fuel surcharge. UPS Air and international service shipments rate increase is based on a 6.9% increase in the base rate less a 2% point reduction to the index-based air and international fuel surcharge.

MOTOR CARRIER NEWS

Celadon Buys Truckload Business.
YRC Worldwide is selling most of the assets of its unprofitable truckload subsidiary Glen Moore to Celadon Trucking in an effort to concentrate on its less-than-truckload (LTL) operations.

YRC acquired Glen Moore in 2005 as part of its acquisition of USF and its regional LTL trucking companies. Glen Moore is a $109.6 million carrier with about 600 trucks and more than 1,900 trailers. It has not done well and had an operating loss of $10.6 million in 2010. It has suffered cumulative losses of $36.8 million since 2007, while operating revenue dropped 9% since 2008.

RAILWAY NEWS

Port Will Gain Intermodal Capacity
The Georgia Ports Authority (GPA) announced that the Port of Savannah's intermodal capacity will be enhanced by a $6.5 million project to add 1.2 miles of rail track at a container transfer terminal.

Construction will begin in January and upon completion the ports' intermodal facilities will have nearly nine miles of rail track. The rail service is provided by CSX and Norfolk Southern. Trains will be able to pull through the facility instead of having to make a time-consuming backup move to serve it once the changes are completed.

The expansion at the port is part of the effort to improve the facility and increase efficiency. The two intermodal rail facilities allow rapid unloading and reloading and prevent the need for truck hauling from remote rail yards to the port.

August was a record month for the port in ship-rail container transfers with a total of 28,610 moves. In the last four months, 110,000 of this type of shipments were handled. The GPA expects rail to account for an increasing percentage of cargo transport at the Port of Savannah.

Rail Line Approved.
The Alaska Railroad Corporation (ARRC) has been granted final approval by the United States Surface Transportation Board to build about 35 miles of new rail line connecting Port MacKenzie in south central Alaska to a point on its main line between Wasilla and an area north of Willow, Alaska. This project will create hundreds of needed jobs for Alaskans and also help to stabilize the economy.

The new line will provide rail service between Port MacKenzie and Alaska's interior and support the port's development into an intermodal and bulk material export-import facility.

Authorization by the STB is subject to extensive environmental conditions to minimize the new rail line's potential environmental effect. The STB'S Office of Environmental Analysis did an environmental review and analysis of public concerns before the final STB decision.

At present, trucking is used to transport freight to and from the port. Bulk shippers on Alaska Railroad Corporations' network must trans-load freight from rail to truck then transport the freight 30 miles from ARRC's main line to Port MacKenzie.

California Railroad Plan Ok'd
The California Transportation Commission has approved funding for a $336.6 million project to speed up rail shipments over Union Pacific Railroad from Southern California ports.

The approved bond funding is for a 1.4 mile trench in the city of San Gabriel. The money will pay for bridges and building of the trench to separate at-grade train and road crossings. The funding is the largest single amount for a goods movement project in California under a bond plan approved by the state's voters in 2006.

The allocation of construction funds will allow for the awarding of a main construction contract for the San Gabriel Trench project in the spring of 2012. The signed contract will also begin to create much needed construction jobs for the region. This project should take about four years and create nearly 9,000 jobs during that time.

The project is part of the extension of the Alameda Corridor East Project. It was designed to expand a rail corridor 70 miles from the port for shipments traveling through Los Angeles and Long Beach. The original Alameda Corridor Project separated Union Pacific and BNSF Railway trains from the region's road system by building a 20-mile passage that is primarily below ground level.

Presently, almost 90,000 vehicles a day cross the railroad tracks in San Gabriel which are used by an average of 15 trains daily. It is intended for the grade separation project to help reduce emissions and idling when cars or trains are stopped as well as to reduce noise levels and enhance safety.

MARITIME NEWS

New Methods To Fight Piracy
While many ships transit the Gulf of Aden and adjacent Indian Ocean without incident, those ships that come under attack find it be to a harrowing experience. This is why armed defense is becoming more of a rational choice for many countries.

British flagged ships will be allowed to carry armed guards beginning next year according to the United Kingdom. Greece is planning legislation to do the same. Only Japan and the Netherlands have banned the use of weapons.

Ship owners are to hire armed guards that are officially vetted private security firms and are limited to use on ships transiting defined high-risk areas according to the new United Kingdom rule. The U.K. is expecting around 100 flagged ships to apply for use of the armed guards.

The second approach to the situation is to use private armed escorts to protect convoys transiting these problem waters. In five months, a private company backed by the U.K. insurance and reinsurance broker Jardine Lloyd Thompson Group, is due to commence escorts. They are going to use ex-navy patrol boats and will have eight armed guards. The bullet-proof boats are to charge about US $30,000 per ship traveling in a convoy of around four vessels over three to four days.

To deploy an experienced four-man security team on a 10-12 day transit between Suez and Galle in Sri Lanka will cost around US $55,000. Some teams lacking experience charge between US $15,000 to US $20,000.

Some feel that a special security effort is really unnecessary. Approximately 35,000 ships a year voyage through the Indian Ocean and the majority of them travel unarmed and make it through. A veteran security person already working in the region said private contractors could spend months without ever seeing a pirate.

Serious Problems With Overweight Containers. The International Maritime Organization was asked by the World Shipping Council and the International Chamber of Shipping to establish an international legal requirement that all loaded containers be weighed at the marine port facility before they are stowed aboard a vessel for export. The United States already requires all export containers to be weighed.

The problem with overweight containers is widespread and can have serious implications beyond carriers not getting paid properly for their services. To properly load and stow the containers for transit, carriers need to have accurate knowledge of the container weight. Some of the things that result due to containers being overweight or having incorrectly declared weight are damage to the ship, collapsed container stacks, time lost to re-stow containers if the problem is discovered and instability of the vessel.

An example of a serious case was in June 2011 when a small container ship (M/V Deneb) tipped over at the pier in Algeciras, Spain. It was discovered by investigators that almost 1 in 10 of the vessel's containers were two to seven times over the declared weight.

AIR CARRIER NEWS

WCA Logistics Develop Same-Day Service For Company Officials. Special to the citizen.
Officials at WCA Logistics, LLC, 643 Bodey Circle, Urban, OH, report they have expanded services to their clients with a new one-day travel and shipment program.

In October, the company initiated WCA Air Services, an air charter concept that allows companies to move people to meetings in one day and get parts to a destination in time to prevent a shutdown.

"We use the same concept as truck brokering. The client calls us with a need then we contact a charter service in the origin area who quotes a fee for plane and crew. We handle all the details and paperwork for the client including ground transportation at the destination point. The client just has to arrive at the airport on time and everything else is handled by our staff and the flight crew," according to CEO William Carter.

"There is no airport security to deal with, no lost luggage, and everyone can work together in the smaller cabin on the day's project. It's a conference room in the sky," he said.

Carter said, "We can take a four-or five-member team to client meetings as far as 600 miles away and get everyone home in one day. This puts everyone back in the office the next morning ready to go."

Carter said for trips where weather might be a factor, WCA will contract with crews and aircraft that are capable of operating under such conditions. For shorter, less demanding charters, the company may opt for single engine or small twin engine aircraft, which is less expensive.

The company was established in 1983 by Carter. Until recently, the primary services have been freight bill audits, payment and third-party logistics management.

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Chapter 11 Filed.
AMR Corporation, the parent company of American Airlines and American Eagle, and certain U.S.-based subsidiaries (including American and American Eagle) filed voluntary petitions for Chapter 11 reorganization in the United States Bankruptcy Court for the Southern District of New York on November 29, 2011. The nation's third-largest airline, American Airlines, is the last of the major airlines to file for bankruptcy since 9/11. It has posted losses in 14 of the past 16 quarters.

AMR will continue normal flight operations at American and American Eagle. It will also overhaul its management, seek new labor agreements and make other operational changes to reduce costs.

What do you think?
The mail has been a little lean since the holidays, so we would like to offer our readers a question and have you respond. Your responses will be shared in the April/May edition of the Insider.

Q: What is the largest logistic challenge you are currently experiencing?

E-mail your response to ccarpenter@wcalogistics.com.

Interested readers please respond prior to 3-18-12

Feature:

Committed to Improvement
I have always been amazed at how people react to difficult and trying circumstances. It seems almost an American tradition to be at our best when times are at their worst. It has been a difficult and challenging past few years, not only in America but globally as well. We as a nation, experienced both natural and man-made disasters, many of which were of monumental proportion. Every facet of our society felt the ramifications of these events.

The recession had some very profound effects on the transportation industry and on the trucking sector as a whole. Some of these effects are likely to be long lasting and have no doubt changed the mindset and discipline of many fleet operations.

Unfortunately, the transportation industry was not immune to the sting of bankruptcy. Like many Americans, our industry experienced bankruptcies at every level and on an unprecedented scale. Those companies that prevailed have done so with a clearer vision and determination to find viable solutions to complex and challenging logistic problems. As an industry we learned that we can achieve more when we work together.

When things got difficult, industry leaders pulled together and committed to making improvements that would benefit many sectors of the transportation industry.

There is a continuing increase in collaboration among contract carriers and shippers, especially in the area of backhauls. A tactic that once was an exception has now become standard practice to increase productivity and reduce costs for both parties. As capacity is expected to remain tight through this year, these carrier/shipper relationships will continue to develop and improve.

The capacity shortage also taught many carriers to re-evaluate the way they did business. Companies once eager to expand service areas and add additional lanes prior to the recession are now scrutinizing existing lane demands with available capacity requirements.

Many dedicated carriers finished strong in 2011 and are beginning 2012 with increased demands for special service needs. Companies with forethought of preparing themselves with specifically designed equipment and improved technology will begin to see the benefits of their efforts.

All indications are that the dedicated carrier industry will be a very lucrative logistic sector with projected growth estimated at 10 percent as companies begin to rebuild capacity. Although the dedicated market doesn't always face the same challenges as the overall truckload sector, the largest issue in 2012 – drivers and capacity- will be the same.

The shortage of qualified drivers will put pressure on carriers across the industry, but dedicated fleet operators, with shorter predictable routes that allow drivers to be home at night, should no doubt have an easier time attracting and retaining drivers.

The new Hours of Service rules will probably have less of an impact on dedicated fleets where shorter distance hauls and the number of hours a driver spends behind the wheel is generally not an issue. The commitment to improvement in the trucking sector will be to find solutions to attract prospective drivers to fill the positions that are being created by drivers reaching retirement age.

The technology industry is no stranger to the commitment to improvement. They live in an atmosphere and a philosophy to continually improve or be eaten alive by the competition. This industry, both at home and abroad have shown us huge advances in the past year. GPS systems continue to improve with the latest versions being capable of customized attributes such as speed violation, aggressive driving warnings, excessive idling, imminent collision warning and even notification when motorcycles or bicyclists are on the road. Additional improvements were also evident in hand held scanners, processing equipment and electronic onboard recording devices.

While the improvements to having real time data available to every sector of the logistics process have been hugely beneficial, there have been growing pains in regards to maintaining privacy issues. A federal advisory committee just recently provided recommendations on how to protect the privacy of data transmitted to and from several of these devises.

It has been a somewhat painful process but organizations and companies alike have come to realize that they must show a growing commitment to changing and improving their operations. As we encounter challenges in our logistics careers and various professions, lets us do so with a renewed sense of determination to be committed to improving the industry for everyone involved.