WCA LOGISTICS INSIDER

MANAGING LOGISTICS AROUND THE GLOBE

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In this issue…

LEGISLATIVE NEWS

Privatization Rejected For Turnpike - The 241 mile long Ohio Turnpike connecting the East Coast to the Midwest will not be sold to a private operator. Ohio Governor John Kaisch announced that the road's tolls will be used to raise $3 billion for future road projects in the states.

This decision was praised for avoiding an increase in freight transportation costs, avoiding the diversion of large trucks and shortening the length of time required to begin new highway repair projects. The original plan for privatization had been criticized by commercially licensed drivers and other industry executives who believed it would lead to higher tolls and job losses for toll road workers. Toll increases will be capped and frozen for the next 10 years which makes the Ohio Turnpike a great trade route for trucks.

TARIFF NEWS

Rate Hikes For Ocean Carrier Groups - The new contract negotiation season begins early this year and Transpacific Stabilization Agreement (TSA), which includes the world's largest shipping companies, is continuing its campaign to raise ocean freight rates and maintain pricing discipline. The 15 ocean carriers which compose TSA are APL, Ltd., China Shipping Container Lines, CMA-CGM, Evergreen Line, Hyundai Merchant Marine Company, Ltd., Maersk Line, Mediterranean Shipping Company, and Orient Overseas Container Line Ltd. They will discuss and propose rates which include a new increase of $600 per 40-foot container for shipments from Asia to West Coast ports. For shipments to other ports, a price of $800 per 40-foot container was also proposed.

TSA cannot afford another year in which expiring contracts and seasonally weak demand erode rate levels. The contracts are then extended for 12 months in the next year's contacts. They hope to break this cycle as a step in moving forward. Individual carriers set their rates and contract rates are negotiated between a single shipper and one carrier. May 1ST each year is the date contracts typically start but some negotiations start earlier in the year while some agreements take effect before then. TSA has also recommended an increase in rates for shipments to Asia.

Effective January 1, 2013, Matson Navigation Company, an ocean carrier based in Honolulu, HI, will raise its rates for Hawaii service by $175 per westbound container and $85 per eastbound container. The terminal handling charge will be raised by $50 per westbound container and $25 per eastbound container. The new rates will help offset rises in operating costs and support ongoing investments in the Hawaii service. The combined increase will result in shipping costs increasing an average of 5.6%.

Rate Hikes For FedEx - FedEx Ground and FedEx Home Delivery will increase shipping rates by 5.9%. These rates will be partially offset by adjusting the fuel surcharge down by one percentage point. This will result in an average increase of 4.9%. The rates for FedEx Smart Post will also change but no definite number was provided. FedEx Express will increase by an average of 3.9% for United States domestic, United States export and United States import services. A general rate increase of 6.9% was applied to FedEx Freight in July. Effective December 31, 2012, their biggest competitor, UPS Incorporated, increased rates by 4.5% for air express packages and 4.9 % for ground delivery. Again, these rate increases are a combination of higher base rates and a reduction in fuel surcharges.

MOTOR CARRIER NEWS

Another Acquisition By Roadrunner - Truckload carrier Direct Connection Transportation (DCT), Phoenix, AZ, has been acquired by Roadrunner Transportation Systems for about $1.3 million in cash. The revenue for DCT is about $8 million.

The company will enhance Roadrunner's truckload service in the southwest region due to DCT's concentration in temperature controlled products. This will be the ninth acquisition in 2012 for Roadrunner. Other companies acquired were fleets A&A Express, R&M Transportation and Sortino Transportation which expanded Roadrunner's truckload, brokerage and other services.

Revenue is expected to increase above $1 billion in 2013 due to the new addition as well as growth from existing customers. Roadrunner's investment bankers have exercised their options to purchase 525,000 common shares at $17.25 each as a 15% overallotment related to a secondary offering. Shares of 3.4 million came from the company and 100,000 from an individual shareholder. By January 4, all aspects of the offering will be complete with net proceeds at about $63.4 million. This money will be used to pay down debt and for working capital and general corporate purposes.

Two Haulers Plan Merger - An announcement was made by U. S. Xpress Enterprises Incorporated based in Chattanooga, TN, that its regional truckload affiliate, Arnold Transportation Services, will merge with LinkAmerican Corporation, another regional carrier. It will be jointly owned by U.S. Xpress and LinkAmerica's owner, Tenex Capital Management (a New York investment firm) under the Arnold name.

Arnold Transportation Services is based in Jacksonville, FL, and is a regional dry van hauler with about 850 trucks and 3,100 trailers. LinkAmerica is based in Fort Worth, TX, and provides regional truckload services in the Southeast and Southwest with a fleet of about 600 tractors and 2,400 trailers.

The new merger will allow Arnold to return to its larger fleet by expanding its capacity similar to its operation before the recession. The merger is good from the customer and driver perspective since the networks lay right on top of one another so density drastically improves and the routes run become more efficient. This will impact miles for drivers and improve capacity and service for customers. This helps to get the shipment to its destination overnight.

The merger will generate more than $220 million in annual revenue and employ more than 1,800 drivers. It is estimated that 30% of the company's freight will be in a dedicated realm. It creates a large regional carrier that will allow drivers a more predictable home time. The CEO of the combined company joined Arnold in January and also worked at LinkAmerica for 13 years. He knows LinkAmerica quite well and feels the company has quality people, drivers and customers. This makes the merger very palatable to both companies.

Delivery Service By Noon - A new less-than-truckload service is being launched by UPS Freight, a division of UPS Incorporated. The new service promises standard delivery by noon to select ZIP CODES in the contiguous United States. The service will be named UPS Freight LTL Guaranteed A.M. Rates and the request for the service can be obtained by shippers at the same time they process their daily shipments. A variety of UPS shipping systems can be used for this service including UPS WorldShip 2013, UPS Internet Shipping, UPS CampusShip and My LTL Freight on *ltl.upsfreight.com*. The service can also be selected by writing "LTL Guaranteed A.M. service" on a bill of lading. Customers often need parts, equipment and products earlier than the end of the day in today's competitive market. This service will guarantee shippers that immediate demand for their products will be met.

January Truck Tonnage Hits Record Truck tonnage surged 6.5% in January from a year earlier to an all-time high, fueled by inventory restocking in the retail and industrial sectors, American Trucking Associations reported. The seasonally adjusted index rose to 125.2 and grew at the fastest percentage pace since the record of 124.4 was set in December 2011. The sequential gain was also strong, with January rising 2.9% from December, the third straight monthly gain.

Con-way Launches New U.S.-Mexico Intermodal Service The new service will work with all major railroads and offer nationwide service for intermodal moves and will leverage Con-way Truckload's Mexico-based subsidiary, CFI Logistics.

Logistics Consolidations Expand, Driven by Trend to Outsource Logistics businesses have combined at a brisk pace so far this year, with no less than 10 reported transactions as companies scoop up rivals, extend into new markets or change their corporate strategy altogether. The deals so far include the combination of Greatwide Logistics Services' dedicated contract business with Cardinal Logistics Management Inc. to create an $850 million company. Greatwide's truckload, less-than-truckload and warehousing operations will continue operating separately from the combined company. Cardinal and Greatwide have been majority-owned by New York private equity firm Centerbridge Partners LP since mid-2012.

In another transaction, Toronto-based Vitran Inc. sold its logistics unit to Legacy Supply Chain Services, based in Portsmouth, N.H., for $97 million. That sale enabled Vitran to focus on LTL service, which accounts for 85% of its revenue.

RAILWAY NEWS

Intermodal Services Expanded - As part of Norfolk Southern Corporation's $2.5 billion plan to expand East Coast truck/rail service, the company plans to begin domestic and international intermodal services at new terminals developed in the plan. The new facilities where service is being added will at Greencastle, PA near regional distribution facilities in the Harrisburg and Carlisle, PA areas and one near Birmingham, AL.
The Greencastle service points will include Dallas, TX, Birmingham, AL, and Memphis, TN, areas in addition to the same three facilities in Mexico. The Birmingham service will reach the New York, New Jersey and Philadelphia, PA areas as well as the Greencastle location in the East. They will also offer service to and from Dallas, TX and three locations in Mexico, including Monterrey. A new planned joint service known as TMX (which includes international operations) has been formed between Norfolk Southern and Kansas City Southern, a railway with operations in the United States and Mexico.

Bid To Delay Rate Cases Rejected Decisions on rate cases brought against Norfolk Southern Corporation by chemical manufacturers E. I. du Pont de Nemours and Company and Sunbelt Chlor Alkali Partnership will not be delayed by the Surface Transportation Board (STB). The board rejected the railroad's contention that the cases should be delayed while the agency considers the broader issue of whether to modify the way it determines whether rates are reasonable. The shippers argued that a delay would be highly prejudicial and financially costly.

STB has no established practice of holding cases in abeyance pending the resolution of ongoing rulemakings. This notice of proposed rulemaking covering the rate calculation process was announced in July. The DuPont rate case covers 27 commodities moving between 139 origin and destination pairs. The Sunbelt Chlor Alkali Partnership case challenges the rates for shipments from Alabama to Texas, which used both Norfolk Southern and Union Pacific Railroads.

MARITIME NEWS

Strike Ends - After eight days the strike that shut down the Ports of Los Angeles and Long Beach ended. Terminal operators worked night and weekend hours to move much of the cargo that had backed up during the time period. The January to November cargo volume was up 3% from the same period last year but November 2012 was down significantly from 2011.

Strike Averted At East And Gulf Coast Ports Labor and management agreed to another contract extension that kept international cargo flowing. A potential work stoppage at fifteen ports along the East and Gulf coasts affecting ports from Maine to Texas has been pushed backed to February 6, 2013. The lockout would have stopped at least 60,000 daily truck shipments. The United States Maritime Alliance and the International Longshoremen's Association agreed to the extension in which a contentious issue regarding payments for container shipments was resolved.

A meeting was called in December, 2012, to discuss container royalties which have been paid to dockworkers for more than 40 years as containerization took over international cargo moves. The management group known as USMX, based in Iselin, NJ, wanted to cap the payments at current levels. They state that payments can account for as much as 17% of a union worker's pay. The payments were described by the labor group as a way to protect union members from job losses. The terms of the container royalty issue's resolution were not released. Although some significant issues remain in contention, the Federal Mediation and Conciliation Service feel optimistic that they can be resolved in the upcoming 30-day extension period. For about nine months, the two sides had been negotiating and had resolved previous issues such as chassis maintenance.

Two other situations that remain unresolved involve the Mississippi River and the International Longshore and Warehouse Union, representing West Coast dockworkers. Because of concern over low water levels that could soon prevent navigation, the United States Army Corps of Engineers has been blasting rocks out of the river near Thebes, IL to keep barge shipping lanes open. Due to the prolonged drought, river levels have been dropping since the summer. The second situation involving the dockworkers is a rejection by the members of this union of a contract from export grain operators at Pacific Northwest ports.

Shipping Assets Bought - Reef Shipping, based in Auckland, New Zealand, agreed to sell four vessels and about 1,500 containers to Matson Incorporated of Honolulu, HI for an undisclosed amount. This purchase will extend Matson's shipping business from its base in the Hawaiian Islands, Guam, Northern Marianas Islands, Palau and Marshall Islands to new markets in the South Pacific.

AIR CARRIER NEWS

Another New Service For UPS - Worldwide Express Freight is a new airfreight service started by UPS Incorporated. It will target time-sensitive international shipments heavier than 150 pounds. Customers will be able to ship pallets over that weight from 37 origins to 41 destination countries and territories in UPS' air network in guaranteed, day-definite service. The service has overnight shipping from the Asia Pacific region, Europe and the Americas to the United States. It will have two-day shipping to Europe from

Asia Pacific, the United States and the Americas. Many of the same features, including online tracking will be included since the new service is an extension of the company's UPS Worldwide Express package service. Other customers asking for the same features for their urgent freight shipments are those in the fields of industrial manufacturing, automotive, high-tech, retail and health care.

Forecast Has Improved - The industry financial outlook for 2012 has been revised by the International Air Transport Association (IATA) from a profit of $4.1 billion to a profit of $6.1 billion. For 2013, the profit is expected to improve to $8.1 billion up from the October forecast of $7.5 billion. The industry net post-tax margin will remain weak at 1.0% for 2012 and 1.3% in 2013. These numbers are well below the 7 to 8 percent which is needed to recover the industry's cost of capital. Despite high fuel prices and a slow world economy, this improved financial outlook is being driven by a strong airline performance in the second and third quarters.

ID Theft Takes a Toll on Drivers, Carriers : Exerts from the article by James LaPiedra *President ID Theft Solutions USA*

Research shows it can take as long as 33 hours for a victim to come to a satisfactory ID-theft resolution. Some reports suggest it can take up to 600 hours for truly serious breaches to be rectified, and sometimes the problem is never resolved. The victim spends an enormous amount of time e-mailing, copying documents, running to the post office and, of course, talking on the phone.

That takes a lot of direct telephone interaction during business hours — one of many reasons the situation isn't going to help victims' job performance. In fact, any time a person's identity is stolen, there's also an innocent bystander about to become collateral damage — the employer.

The problem of employee ID theft is particularly complicated for trucking and other transportation-related companies. They have office workers, dispatchers, trainers, etc., at home base and possibly working that traditional 9-to-5 day. But they also have commercial drivers in a very bad situation by virtue of their jobs to cope with ID theft.

Identity theft is bad enough for a person who goes home from work every night and can get extra time off from a sympathetic boss. In the case of a long-haul driver, the ID-theft situation is much more complicated. Jumping out of the truck cab and running into the post office in a strange town along his route, finding the nearest copying center or dealing with stacks of paperwork is just not going to happen with an over-the-road driver fighting to pull his life back together — and still comply with the hours-of-service rules.

Industry research has found conclusive evidence that any kind of legal issues cause workplace distraction, absenteeism and lost productivity. According to Corporate Wellness magazine, 48% of a company's employees will experience some business or personal legal issues — including ID theft — throughout the year and will be away from their jobs at least 51 hours per year to solve them.

Even with an ordinary 9-to-5 worker, time spent away from work dealing with any legal issue ends up costing employers thousands of dollars in overtime, absenteeism, higher insurance and compensation premium claims, administrative costs and lost employee production.

ID theft is a major problem, and just handing out a pamphlet telling employees to be careful won't help. Employers need to be supportive of what the employee is going through and make every effort to make the process as stress-free as possible both for the sake of the employee and for the company's bottom line.

Companies need to train their human resources staff on how to deal with ID theft in a way that boosts employee morale and does everything possible to alleviate the situation. For example, many businesses now offer identity theft services as a coveted voluntary benefit. They are discovering that the nominal cost per employee for coverage — depending on company size and participation — is a small price to pay in lieu of reductions in productivity, revenue and even safety.

Some ID theft services have procedures in place where case managers significantly reduce time spent by employees on the phone during working hours trying to cancel stolen credit cards simply by making the calls for them. That alone would be a tremendous help in the case of employees like truck drivers who don't work the traditional 9-to-5.

Employers never will be able to completely protect employees from ID theft. But with the right mechanisms in place, they can ease the pain, reduce the stress and keep the company's bottom line from hitting bedrock.