WCA LOGISTICS INSIDER

MANAGING LOGISTICS AROUND THE GLOBE

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LEGISLATIVE NEWS

A New Freight Policy Council Is Launched. As required by the new highway funding law, the United States Transportation Secretary Ray LaHood has launched the Freight Policy Council, a group tasked with generating a national freight policy.

La Hood feels that the start of the Freight Policy Council will help the United States to make our freight system and all modes of transportation stronger and better connected. The American economy depends on the moving of goods quickly and efficiently to benefit both businesses and consumers.

It was announced that Deputy Transportation Secretary John Porcari is to head the council which also will include deputy administrators from highway, rail, port and airport agencies with the Department of Transportation and also economic and policy experts from elsewhere in DOT.

Playing an advisory role will be freight and logistics industries, consumers and other stakeholders. States will also be asked to offer proposals for improving the freight system in their region. The purpose of the new policy is to improve the freight network, reduce freight congestion, improve safety and use advanced technology to increase efficiency.

Operating Authority Policy Notice. A notice was published in the Federal Register outlining the Federal Motor Carrier Safety Administration's (FMCSA) policy for operating authority registration and suspension, amendment or revocation of existing operating authority registration. It also outlines the FMCSA's policy for evaluating motor carriers', brokers' and freight forwarders' willingness and ability to comply with these requirements.
In order to obtain and maintain operating authority registration, motor carriers, brokers and freight forwarders must demonstrate a willingness and ability to comply with applicable statutes and regulations.

The Fit, Willing and Able policy guidance raises the safety bar for commercial trucks and buses. It provides the specific criteria the FMCSA considers when it grants, withholds, revokes or suspends a company's operating authority registration. It reinforces the agency's policy of not granting operating authority to companies that create new identities or affiliate relationships to avoid a negative safety history. It will scrutinize companies that have had their operating authority suspended or revoked within the past six years. This will determine their willingness to comply with federal safety laws.

OOIDA Sues FMCSA over Driver Safety Records: Submitted By Tony Palmer, Alden Law

OOIDA and four commercial truck drivers filed a lawsuit against the FMCSA on July 13, 2012, in the United States District Court for the District of Columbia. OOIDA and the plaintiff drivers allege that the FMCSA failed to remove driver violations from the MCMIS System. Three of the plaintiff drivers had citations in which a court either dismissed the charge or found the driver not guilty. Currently, the agency is not required to remove a dismissed citation. In these cases, state enforcement officials refused to remove the violations from the MCMIS System after a DataQ challenge. In the lawsuit, OOIDA claims that the continued reporting of these violations is in contravention of the Fair Credit Reporting Act, the Privacy Act, and other provisions of federal law. All drivers and motor carriers will benefit if OOIDA is successful in obtaining a court order that requires FMCSA to purge violations from the MCMIS System where there is no judicial determination of guilt, the citation was dismissed, or the driver was found not guilty by a court. As yet there is no indication of which way the court is leaning. Alden Law supports the plaintiffs' position and has long argued that the current position of the FMCSA is contrary to law.

TARIFF REPORTING

Rate Increase For Ocean Shipping Lines. As part of a new rate restoration program, Hapag-Lloyd, a German ocean carrier, will increase rates for various trade lanes. They are also implementing a general rate increase of $400 per 20-foot container on cargo shipped from South American and the Caribbean to North Europe. A rate on all cargo will increase $500 per 20-foot container on routes from East Asia to the east coast of South America. An increase of $560 per 20-foot and $800 per 40-foot container will be applied to routes from East Asia to the Caribbean and Panama. There will be an increase of $500 per 20-foot container on shipments from East Asia to Mexico, Central American and the west coast of South America. An increase of $175 per 20-foot container will be applied on traffic from the United States and Canada to Australia and New Zealand. Another shipper, Maersk Lines is planning a general rate increase of $175 per 20-foot container and $350 per 40-foot container.

Chassis Fee Imposed At Port. Effect October 1, the Port of Virginia will charge $10 per day for use of chassis used to haul containers for carriers that are not members of the HRCPII chassis pool. The new rate applies only to movement of cargo for ocean carriers in the existing chassis pool. Carriers that remain in the chassis pool will continue to be accommodated as usual.

The HRCPII will provide chassis to ship lines, motor carriers and other port users by interchanging chassis directly to those users. As to billing by HRCPII, the motor carrier, the ship line or when instructed by the ship line, a combination of billing would occur based on merchant haulage or carrier haulage.

MOTOR CARRIER

UPS Deal To Close. The purchase of Netherlands-based TNT Express for $6.5 billion by UPS Incorporated is expected to be completed in the first quarter of 2013. The two companies are committed to the offer and have been working closely to fulfill all offer conditions. A probe of the deal by European regulators was resumed after extending regulatory review through November 2012.

Another Carriers Applies For Cross-Border Approval. Comment is being sought by the Federal Motor Carrier Safety Administration for the latest Mexican Carrier seeking to participate in the cross-border trucking program.

The FMCSA stated in the Federal Register notice that GCC Transport has passed pre-authorization safety audits. This company is one of several others who have applied under the new program.

The Owner-Operator Independent Drivers Association letter to the FMCSA questioned the carrier's safety record. It stated that the firm had numerous equipment violations and had been cited for sending drivers across the border who did not speak English.

Carrier Acquires 5th Purchase in 2012. Expedited Freight Systems Incorporated (EFS), an LTL carrier based in Kenosha, WI, has been purchased for $10 million by Roadrunner Transportation Systems, Incorporated. The acquisition complements Roadrunner and expands their Midwest regional overnight services.

EFS's outstanding reputation for quality and service has resulted in excellent customer relationships. The company has 12 terminals and generated revenue of about $19 million last year.

New Airfreight Hub For DHL. In order to enhance its international freight, package and logistics services, DHL Express opened its largest airfreight hub in Asia. The $175 million facility is at Shanghai's international airport.

DHL, based in Germany and owned by Deutsche Post, plans to spend $132 million over the next two years to add eight aircraft to be used on busy routes between the United States, Europe and the new Shanghai facility as well as elsewhere in Asia. DHL's hub in Cincinnati, OH will be used to increase the United States service. DHL was the first international express company to enter China 32 years ago.

The DHL Express North Asia Hub will now play a critical role by supporting growth, improving transit times and network reliability, and providing a foundation for later pickups and earlier deliveries for customers across North Asia.

DHL Express has Asian hubs in Hong Kong, Bangkok and Singapore. The new Shanghai operation will be able to process as many as 20,000 documents and an equal number of parcels per hour. This new facility should give the company ability to capitalize on growing commerce and reduce trade barriers in Asia.

New UPS Center In Canada. UPS Canada opened its new 50,000-square-foot logistics center in Halifax, Nova Scotia. It is part of UPS Canada's expansion across eight cities. Previously, UPS Canada had relied on Canadian express courier Purolator International Incorporated to deliver and pick up in the Canadian Maritime Provinces.

RAILWAY NEWS

Bid For Rival Railroad Waits For Approval. In order to combine North America's two largest short-line and regional rail operators, Genesee & Wyoming Incorporated has agreed to a price of $1.39 billion to purchase Rail America Incorporated, the short-line railroad owner controlled by Fortress Investment Group LLC.

When Rail America was considering a possible sale, Genesee & Wyoming of Greenwich, CT offered to pay 28% more than the stock price of Rail America or $27.50 per share. If the Surface Transportation Board approves the sale, Genesee & Wyoming will have 111 railroads, 108 of them in North American and 4,300 employees.

Crude Shipping Expanded In North Dakota. Savage Services Corporation, a terminal builder, has completed a new source for shipping crude oil by rail from Williston Basin in North Dakota. The new terminal at Trenton, North Dakota will transfer crude from trucks, local pipelines and storage tanks to BNSF Railway trains. They plan to use tracks that are capable of handling two 118-car trains at the same time in a 274-acre facility operating 24 hours a day.

The delivery by rail of crude remains small compared to other delivery modes. The addition of this terminal maximizes the option producers have to get crude to refineries. Rail also is more flexible, long-term and economical as an option to ship crude oil to destination markets in the East, West, Gulf Coasts and along the Mississippi river. SSC manages and provides transport services for the oil, coal and agricultural industries.

Rail Safety Review. The General Accountability Office has been asked by three senior senators to review both the state of railroad safety, and how the Federal Railroad Administration, state rail safety agencies and other stakeholders cooperate to ensure the safe transportation of rail freight and passengers.

The review is in response to several multiple high-profile rail accidents. One included the CSX Transportation crash outside Baltimore, MD. Another accident was a derailment of a Union Pacific train in Northbrook, IL killing two and causing a bridge collapse.

In 2008, the Rail Safety Improvement Act took important steps to address rail safety. The recent incidents in the rail system have prompted a need for a thorough review to identify gaps that may exist in the safety programs and policy and to reduce the risk of accidents.

The United States rail system is the most extensive in the world and strengthens our economy by moving goods and people across the country. Although the rail system is safe, an investigation into how railroads, the Federal Railroad Administration and state and local agencies work together to ensure safety of rail passengers and freight will help to better oversee rail safety and identify any gaps in the rail system.

MARITIME NEWS

Bridge Construction Accelerated. An announcement was made by the Port Authority of New York and New Jersey (PANYNJ) that the construction schedule to complete raising of the roadway on the Bayonne Bridge will be accelerated. The new elevated roadway will be 64 feet above the existing deck. Expecting it to be completed by the fall of 2015, it will coincide with the completion of the widening of the Panama Canal allowing the passage of the larger ships.

Shippers Pay For Use Of Low Sulfur Fuel. Effective October 1, 2012, in order to recover higher costs of low-sulfur fuel used in the North American Emissions Control Area (within 200 miles of the United States and Canadian coasts), the ocean carrier members of the Trans-Pacific Stabilization Agreement (TSA) will adjust their bunker charges.

The adjustment will be approximately in the amount of $17 per 40-foot container to the United States West Coast and $21 per FEU to the United States East and Gulf Coasts. The adjustment is based upon weekly price differentials between low-sulfur and standard marine bunker fuels. It is used to calculate an average per container fuel cost differential and applied to the existing TSA bunker charge.

LCL Service Expanded. Crowley Maritime Corporation of Miami, FL is looking to boost its service into the Eastern Caribbean. It is expanding its less-than-container-load services to Cartagena, Colombia from Miami, Florida, San Juan, Puerto Rico and Colon, Panama.

Crowley's freight forwarding and export-packing subsidiary, Jarvis International Freight, serves Colombia from Houston, TX. Its local Colombia representative is Transtainer. They arrange trucking of cargo arriving in Cartagena to Medellin, Cali and Bogata, Colombia.

This is Crowley's first step in its expansion of logistics services within South America. Since there is ample cargo moving between Colombia, Panama, the United States and the Caribbean, Crowley Maritime is now entering the market with a suite of services and a reputation on which shippers have relied.

AIR CARRIER NEWS

Impact Of Sequestration. As a result of "sequestration", budget cuts to the Federal Aviation Administration (FAA) operations could cost up to 132,000 aviation jobs, reduce the nation's gross domestic product by $80 billion a year and eliminate almost two billion pounds of freight capacity out of the air cargo system. This information was developed from a study by the Aerospace Industries Associations and research firm Econsult Corporation.

The president signed the "Sequestration Transparency Act" which requires the administration to submit a detailed report within 30 days of enactment what effect these budget cuts will have on the federal government including reduction at the program, project and activity levels.

Since the super-committee failed to reach a compromise and if Congress does not agree on a deficit-reduction plan before the end of the year, the administration will have to lay out specifics about the $1.2 trillion in cuts to domestic and defense programs at the start of 2013.

Based on the study, annual economic losses could be $80 billion annually by the year 2035 which amounts to a decrease annually of 37 to 73 million passenger enplanements and an annual reduction of 1 to 2 billion pounds of transported air freight. The United States economy's loss of output could be between $9.2 to $18.4 billion and the wages and salaries loss could be $2.7 to $5.4 billion. This act could put at risk the FAA which is the safety organization that regulates our national air transportation system.

FEATURE: THE PRELUDE TO THE COMING CAPACITY CRUNCH

The transportation industry is no stranger to capacity issues. Since deregulation, the industry could probably compare itself to the T.V. show 'Let's Make A Deal'. Shippers used brokerage whenever the economy slowed, allowing them to obtain rates well below the contracted price they held with fleets. The shipper created their own paradigm in regard to the way they previously bought freight.

Today as the economy seems to be moving sideways, the industry is preparing itself for the next wave of capacity challenges. This may well be a monumental task as the driver shortage is eminent considering the lack of trained and eligible drivers is at an all time low. In addition the industry will no doubt feel a tightening of available drivers when the new regulations on the hours-of-service become effective during the second half of 2013. Add to this the financial constraints being triggered by rising fuel prices, truck prices and drivers' wages and you soon understand that the ability of many carriers, especially smaller fleets will be experiencing major concerns.

As the supply of vehicles and the driver pool dwindles, shippers and carriers are considering placing more of their freight directly with asset-based carriers. Currently dedicated shipments and asset-based brokerage are the two largest growing segments of the freight industry. It is becoming very apparent that shippers are cementing relationships with these asset-based carriers in the event of constrained capacity. They do not wish to be caught shopping around when times get tough.

So where does this capacity issue leave the non-asset based company? It's not all bad the fact is that 82% of Fortune 500 companies use at least one 3PL, good news for the fast-growing, non-asset based logistics operators. These contractors will continue to play a vital role in providing additional capacity options. Begin building strong business relationships now with those you may need and save yourself the pain of added stress when the capacity crunch arrives.