

The Connection



Special points of interest:

- Border Compliance
- Motorcoaches
- Intermodal Shipping
- Imports Down
- Cell Phone Usage

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Speed Limiters on Trucks

Speed limiters on trucks are a reality in the province of Ontario this year. The limiters place a maximum speed of 65 miles per hour on all large commercial trucks and compliance is mandatory. Let's take a look at the pros and cons of limiters.

The National Highway Traffic Safety Administration (NHTSA) is in the process of addressing the topic on Class 7 and Class 8 trucks in the U.S. Limiters have been supported by safety advocates and American Trucking Associations since 2006. Most feel that the new rule will come into effect in 2012 but the top speed has not yet been specified. Some of the questions that remain to be answered are:

- How well will drivers adapt to the change?
- How will the speed limiters affect highway safety?
- Will freight transportation fleets realize other benefits from the change?

Speed limits across the states vary considerably, usually running from 65 mph or slower to 75 mph or faster. Only seven states have different limits for cars and trucks. Safety experts, traffic engineers and trucking company executives claim that speed limits that are lower for trucks than for cars either improve safety or do not have a negative impact. The general consensus is that the NHTSA will likely limit the trucks to 68 mph, thereby allowing trucks to stay close to cars in approximately 75% of the states. These experts claim that trucks are involved in fewer accidents when travelling slower than cars. It is also obvious that slower-moving trucks can stop in less distance than can those travelling at higher speeds.

Naturally, there is an opposing opinion.

Researchers at the University of Arkansas suggested in a 2006 study that different speed limits for cars and trucks on rural interstate highways "lead to greater speed variation and a higher number of vehicles passing each other, thus compromising safety."

Naturally, highway speed limits are different than the compliance to those limits. Studies have shown that only 31% of cars comply with a 70 mph limit while trucks comply 70% of the time. Lower speed limits have higher non-compliance rates. Compliance for the proposed NHTSA speed limit will be better for commercial vehicles with limiters as the drivers will not be able to override or manipulate them. The electronic control unit on all modern trucks can be programmed to limit speeds.

Slower speeds will mean more fuel-efficient trucks. These lower speeds will mean that less diesel fuel is consumed and fewer exhaust pollutants will be emitted. The Environmental Protection Agency (EPA) claims that increasing speed by one mile per hour reduces fuel economy by about one-tenth of a mile per gallon. Slowing trucks from 74 mph to 68 mph would result in a 0.6 mile-per-gallon improvement in fuel economy.

One issue that shippers may be concerned about is a loss of productivity by trucks travelling more slowly. However, Schneider National found "no measurable change in productivity" between trucks moving at 55 mph or 65 mph. They did see increase in crash rates at the higher speeds.

It appears that there are no downsides to truck speed limiters. Safety advocates will cheer the fact that slower-moving trucks will stop in shorter distances, environmentalists will be happy as trucks produce fewer exhaust pollutants, and trucking companies will welcome fewer accidents and the use of less fuel.

Costs of Border Compliance



“...a vehicle built in Canada or the U.S will cross the border roughly six times....”

We often hear discussions about border compliance and the negative effect that it has on the North American auto industry. Every border crossing requires compliance with all regulatory and security requirements imposed by governments. With this compliance comes some additional costs in addition to the costs of border delays. In general terms, a vehicle built in Canada or the U.S. will cross the border roughly six times in various stages of production on the way to market. Here are the steps:

1. The raw aluminum to make a piston is shipped from Michigan to Ontario to be made into a piston casing.
2. In Ontario the part is pre-machined and then shipped back to Michigan for additional machining.
3. It crosses borders again to enter into Mexico where the part is finished.
4. The completed piston leaves Mexico for Wisconsin, where it is married to the connecting rod and outfitted with piston rings before it travels to the Michigan Engine Plant for final assembly.
5. The piston (now inside an engine) travels back to Ontario for assembly

into a vehicle.

6. The vehicle crosses the border one last time for delivery to a U.S. consumer.

At each of these border crossings there is paperwork to be completed and a processing fee to be implemented. The total costs of these transactions is estimated to be \$500 billion.

Looking at an international comparison of border compliance in the automotive industry, let's compare a Dodge Grand Caravan and a Hyundai Tucson. The Dodge is assembled in Windsor, Ontario, the Hyundai in South Korea. Sub-assembly of the Dodge components takes place in the U.S. and Mexico. All Hyundai sub assemblies are conducted in South Korea. The Dodge is exported 7 vehicles at a time by truck while the Hyundai is exported 4,500 vehicles at a time via ship. The final total of border crossings to get 4,500 vehicles to market is 27,000 for Dodge, one for Hyundai.

Not only is there significant increased border compliance costs for the Dodge, there is also the potential for border delays which serve to disrupt the just-in-time process used to assemble automobiles in North America. This really is not a level playing field and needs to be addressed for our global competitiveness.

The Motorcoach (Bus) Industry



We often neglect modes of transportation that we may not feel are significant. Here is an interesting statistic. In 2010, Amtrak carried 29M passengers, domestic air carriers transported 620M, and motorcoaches carried 726 million! This is a lot of passengers, consisting of commuters, airport shuttles, scheduled service, sightseeing, tours, and charters. This represents a \$55 billion industry, definitely a major cog in the North American economy. Statistics provided by the American Bus Association show that one overnight visit provides \$12,000 in economic impact to

the destination. The industry supports 200,000 direct and 800,000 indirect U.S. jobs. This is big business! Yet, the motorcoach industry is really a network of small businesses. There are 3,200 private sector companies operating about 32,000 buses. The average operator owns 7 to 10 buses, 90% of companies have fewer than 25 buses. Less than 50 companies in the country operate over 100 buses.

Despite the size of the industry, and the number of passengers carried, motorcoaches are the safest form of surface transportation.

The Growth of Intermodal Shipping

The continued shortage of truck drivers and the escalating fleet capacity constraints are driving strong growth in domestic intermodal hauling. Carriers and shippers alike are trying to ensure they have freight-moving options in the months ahead.

Intermodal's rising profile is spotlighted in many railroad reports of double-digit volume growth. BNSF, the country's largest intermodal carrier reports growth of 11% in the first ten months while both Norfolk Southern and CSX report similar results.

Fleet capacity is as big an issue as the driver shortage. The last time the country experienced a similar driver shortage was in 2005. Using figures provided by the Intermodal Association of North America, domestic volume over rail has increased more than 12% in the third quarter of 2011 compared to 2005. Truckload shipments have dropped about 5% during the six-year interval from September 2005 to September 2011. There is no doubt that rail is taking up the slack.

Jason Seidl, a transportation analyst commented that truckload carriers continue to have difficulty hiring drivers. Shippers who have been holding off on trying intermodal will soon be pushed into the mode. This solid demand for intermodal services will definitely be sustainable unless thousands of new truck drivers miraculously

appear.

Intermodal volume has benefitted from a number of other factors as well. Shippers' sustainability initiatives, higher fuel prices, and improved rail service quality and terminal growth have all contributed to the increased volume. Naturally, one major benefit of this intermodal growth is the removal of trucks from the highways, reducing congestion in busy freight corridors. A VP at BSNF Railway commented that his company has seen an increase of 175,000 intermodal loads through the first ten months of the year. He claims that more and more carriers are taking a hard look at intermodal. BSNF has added 25 over-the-road carriers to its intermodal service this year alone.

Shippers have avoided intermodal over the years as the transit times have not always been as quick as they would have preferred. But recent changes to trucking regulations as well as proposed changes to the hours of service rules have exacerbated the driver shortage. Shippers now must take a fresh look at intermodal. They are broadening how they think about intermodal. Shippers are now delivering more outbound freight from distribution centers to stores using intermodal methods. Scheduling changes and better inventory controls make this possible, allowing shippers to take more trucks off the road for longer distances.



"...his company has seen an increase of 175,000 intermodal loads through the first ten months of the year."

Container Cargo Drops

U.S. imports on the world's biggest trading route are dropping for the first time in two years according to Bloomberg News. Consumer confidence has only recently strengthened so it will take some time to turn the lowered trend around.

Container volumes on the Asia/U.S. route fell 3.8% in the third quarter, the first decline since the last three months of 2009. Not only are volumes declining, but the rates for 40-foot containers to the West Coast are off 24% as well. Despite this bleak news for carriers, a small expansion in trade for 2012 is expected. Low consum-

er confidence will keep growth slow for the foreseeable future according to a senior economist at Wells Fargo Securities.

Prices to move containers on the Europe/U.S. trade route have also taken a dramatic hit this year. Clarkson, the world's largest shipbroker, claims that carriers are actually operating at a loss on this route. Analysts expect improvement next year but 2012 numbers will still be lower than 2007. Fewer containers mean fewer trucks on the road for the short term.





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Cell Phones Banned

The U.S. Department of Transportation announced a final rule that will ban interstate truck and bus drivers from using hand-held cellphones while operating their vehicles.

The rule prohibits commercial drivers from using hand-held phones while driving a truck or bus, sets federal civil penalties of up to \$2,750 for each offense and disqualifies drivers from operating a commercial motor vehicle after multiple offenses.

Commercial truck and bus companies that allow drivers to use hand-held cell phones while driving will face a penalty of up to \$11,000. The rule will affect about four million commercial drivers, DOT said.

The rule was officially issued by the Federal Motor Carrier Safety Administration and the Pipeline and Hazardous Materials Safety Administration, both of which fall under the DOT umbrella.

Notes From The Director

The Holiday Season is upon us so let me first wish all our readers a happy and healthy holiday season and a prosperous New Year. And judging by the results of Black Friday and Cyber Monday, retailers should indeed have a happy holiday season! Consumer confidence has bounced back up and it appears that the job market is improving. Now if the Eurozone begins to solve their problems we could see some nice economic upturns. Naturally, a functioning federal government here in the U.S. would also be welcomed!

The first article in this issue talks about speed limiters but is silent on one issue that I have noticed in my travels. On Highway 401 in Ontario, there are often long delays as one truck painfully tries to pass another. There is no opportunity for the vehicle passing to increase speed and complete the pass more quickly. This often results in long lines behind the two trucks and a certain degree of frustration for those wishing to resume their previous cruising speeds. I would be interest-

ed in seeing statistics from the Ontario Ministry of Transport on accidents along the 401 corridor since the imposition of speed limiters.

The recent cell phone ban on commercial drivers is good news indeed. NY State and the Province of Ontario have been leading the way in getting drivers to stay off their phones. Distracted driving is a huge issue with some studies showing the frequency of accidents by those on cell phones as great as those drivers under the influence. It is positive to see greater enforcement of the laws governing cell phone use,

Since The Capital Corridor deals with issues on both sides of the border, we are anxiously awaiting the 32-point action plan that is coming from the Harper/Obama Beyond the Border initiative. It is a shame that our leaders can't seem to find an opportune time to make the announcement as the document has been ready for some time. Ah, politics!



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