



IBNews™

International Business News from the Heartland

Arkansas, Iowa, Kansas, Minnesota, Missouri, Nebraska, Oklahoma, North & South Dakota

Winter, 2011

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Container Chassis Crisis Looming
Futurallia -World's largest B2B Forum
Trade Improvement in 2011

Advertorial

Regional Freight Forwarder Gives Free Advice - Chassis Crisis



With the CSA 2010 enactment, and steamship lines pulling back on chassis availability, Held offers solutions to drays and shippers. (see IBN cover story on Pg 4).

Traditionally, the majority of import rates are quoted through to the importer's door by the SS lines, meaning that they are liable to cover the dray. It is our belief that the SS lines will start to quote just to the interior ramp, giving the local dray total responsibility of providing the chassis.

Held believes that the SS lines saw an opportunity to both limit their liability AND reduce costs by pulling their chassis.

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Rick Held



IBNews

in this issue



COVER STORY

Karen Duff operates IXT Trucking in Kansas City. Now that ocean carriers are pulling their container chassis, new sources are coming – and costs. See page 4. — Cover photo by Tom Gilland

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Container Chassis Crisis Looming Big for Heartland Shippers



As ocean carriers back down from supplying marine container chassis here in the Heartland, shipping costs are on the increase.

From back as far as 1956 steamship lines supplied them to customers here at no cost. They did so mainly because of the large rail and trucking system here in the U.S., but in Europe and other places, they did not.

Driving the effort is the Federal Motor Carrier's Comprehensive Safety Analysis (CSA 2010) enactment leveraging increased scrutiny of America's trucking highway safety. Because now ocean carriers assume liability of shipments all the way to the doors of customers, they are backing away from providing chassis to limit their own liability.

Plus, it's an added expense moving chassis around - repairs, maintenance, and not to mention labor. It is estimated that the total cost of maintaining the some 650,000 chassis here in the USA runs close to \$1 billion a year.

As the carriers discontinue the practice, it sets up a paradigm shift in the logistics business - especially as it affects importers.

According to the Journal of Commerce, as discussed in its December Webcast on this issue, a new 40 foot chassis runs between \$7,000 - 9,000. Some estimate perhaps as high as \$10,000.

Karen Duff, owner of International Express Trucking (IXT), based in Kansas City, says there are some 4700 chassis in the Kansas City area alone. Multiply that by the number of chassis in the entire Heartland region, and you're talking serious money.

"We just don't know what the steamship lines are going to do with these 4700 chassis," said Ms. Duff. Will they sell them to another company, like a chassis pool company? E.g., Trac

Lease is a national chassis lease company. Will chassis pools buy the chassis from the steamship lines?"

Another question is how the railroads want to handle the chassis? When a train comes in they need to do one of two things with containers: do they put them on a chassis, or stack them on the ground and leave.

"They really have to go on a chassis, Ms. Duff continued. "Our concern, and a concern with all the trucking companies is that we will have to buy our own chassis. This becomes a huge expense for a small or medium-sized

"There are alternatives, but time is running out. It's been reported that a few steamship lines have already pulled chassis."

trucking company, because it would be a nearly \$2m expense in chassis alone. My company works with some 40 trucks. We would need 4 times that number, or 160 chassis at a cost close to \$1.6m."

"Many smaller companies can't make this kind of capital expense. But there is a bigger issue as to why it won't work. As it is now, the trucker goes into the rail yard and pulls out the container on the chassis. If the trucker co-owns or leases the chassis, the rail is required to load the box our chassis. The rails have already advised they will not manage trucking companies assets. It also causes a capacity shortage with truck drivers. Because now truckers will need 30% more drivers because they're spending 2-3 hours compared to 1 hour trying to get a lift," she explained.

The ocean carriers are studying this issue from a business model standpoint. Because having their names on the chassis is not really helping brand the carrier, and they are not supplying

chassis in the rest of the world. If the railroads and truckers pass this expense along, the shipper is next down the food chain to take on this expense.

"We're mainly talking the shippers with large distribution centers (DCs) such as Nebraska Furniture, Duckwell-Alco, Brookstone stores, etc., who bring in the goods to retail," noted Ms. Duff. "They would have to take on the expense of these chassis, because these chassis are cutting into our already-thin margins." The additional cost to the shippers could easily increase anywhere from \$100 to \$300 per container

"Then, the question for shippers is: do I need to bring these containers to the Heartland? When they come into Long Beach should I have them taken over to a trans-load facility and have them unloaded and have them brought in on 53-foot trucks? What that means for the Heartland is you could have DCs moving out of this area. The rail hub here is the 2nd largest in the nation, and this hub serves a multi-state region including Kansas, Missouri, Iowa, Nebraska, Arkansas, Oklahoma and others."

Heartland exporters will also be affected, because they will have to spend the same money for chassis, and if they decide to trans-load on the coast, there will be few containers here. No balance. Exporters will be forced to truck them to the port in 53-footers, and load them into containers there to ship.

There are alternatives, but time is running out. It's been reported that a few steamship lines have already pulled chassis.

This situation already exists in Philadelphia, Mobile, and other ports, with a chassis pool providing chassis on a day-to-day basis. The problem is that the contract for truckers to pull out the chassis is a very one-sided contract.

(Continued on pg.9)



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Trade Improvement in 2011

Will your company plan for sales gains by exporting this year? The obstacles remain, but the rewards are out there as well.

Let's look at some of the opportunities.

1. **The dollar remains weak against foreign currencies.**
2. **Our government is in an all-out campaign to boost exports.**
3. **The Bush-era tax cuts should remain for another couple of years.**
4. **There is a renewed effort to establish long-lingering free trade agreements (FTAs).**
5. **Business optimism here in the Heartland appears to be building.**

The Dollar. According to Prof. Ernie Goss, Creighton University, the dollar will remain weak for some time. Our goods are considered a bargain to foreign buyers.

Government Push. They are all lined up - Commerce, SBA, Ex-Im, USTDA, USTR, Ag, Treasury, OPIC, and the list goes on - to support exports. The Administration's National Export Initiative (NEI) is a catalyst devised

to help exporters. The Export-Import Bank is holding a series of conferences on small business global access programs. In the Heartland, the half day event is set for Feb. 25 in Kansas City. (See www.exim.gov and click on Global Access)

Tax Cuts. While some Democrats were stalling passage in the House, it passed enabling you to keep more and invest in business development - especially exports.

Free Trade Acts. Despite lingering opposition in Congress, FTAs, including the Korean FTA, should be approved in 2011 and perhaps take effect in 2012. One to keep an eye on is the Trans Pacific Partnership (TPP) making its way around the world with 9 other countries vying for this multi-lateral FTA, including Australia, Chile, Brunei, Peru, Singapore, New Zealand, Malaysia, Thailand and Vietnam. The USTR is trying to get it negotiated with these 9 countries in 2011. (www.ustr.gov/tpp)

Business Optimism. Central to reaching out with your exports is the feeling of guarded optimism shaping up in the Heartland and the USA. Pent up customer demand - especially in the commercial and industrial sectors - should

help drive exports as we move ahead in the new year.

Certainly, plenty of obstacles remain, including the artificial valuation of the Chinese yuan, sustained labor union demands, and congressional taxophiles who despite their diminishing hordes, continue to seek big government solutions to our problems.

If you have export questions or concerns, send them our way for our panel of experts - IBNews Export Hotline -at: info@intermark3.com.

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Fred Baehner

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“This is the largest B2B forum in the world where companies can meet with up to 16 companies from all over the world in one place for less than \$100 per meeting,” said Futurallia KC 2011 Executive Director, Jody Edgerton. Interpreters provided on request.



In Dec., some 35 global delegate leaders converged on Kansas City for orientation and training. Futurallia executives detailed the sophisticated software system for matching companies. “It’s a proven match-making system which allows companies to select who they want to meet,” said Ms. Edgerton.

See www.FuturalliaKC2011.com for complete information.

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Heartland Exports Spike at Year's End with Solid Growth

December new export orders grew much faster than a year ago, recording an index of 54.1, up significantly from last December's 51.9, boosting 4th quarter exports ahead of 4th quarter 2009. (See graph at right)

December imports flattened out at 50.0, and maintained a rather flat index for the 4th quarter as a whole. (Bottom right)

The national new export order slipped slightly in December, growing slower than November's sizzling 57.0. Imports grew slower as well in December at 50.5, down from November's 53.0.

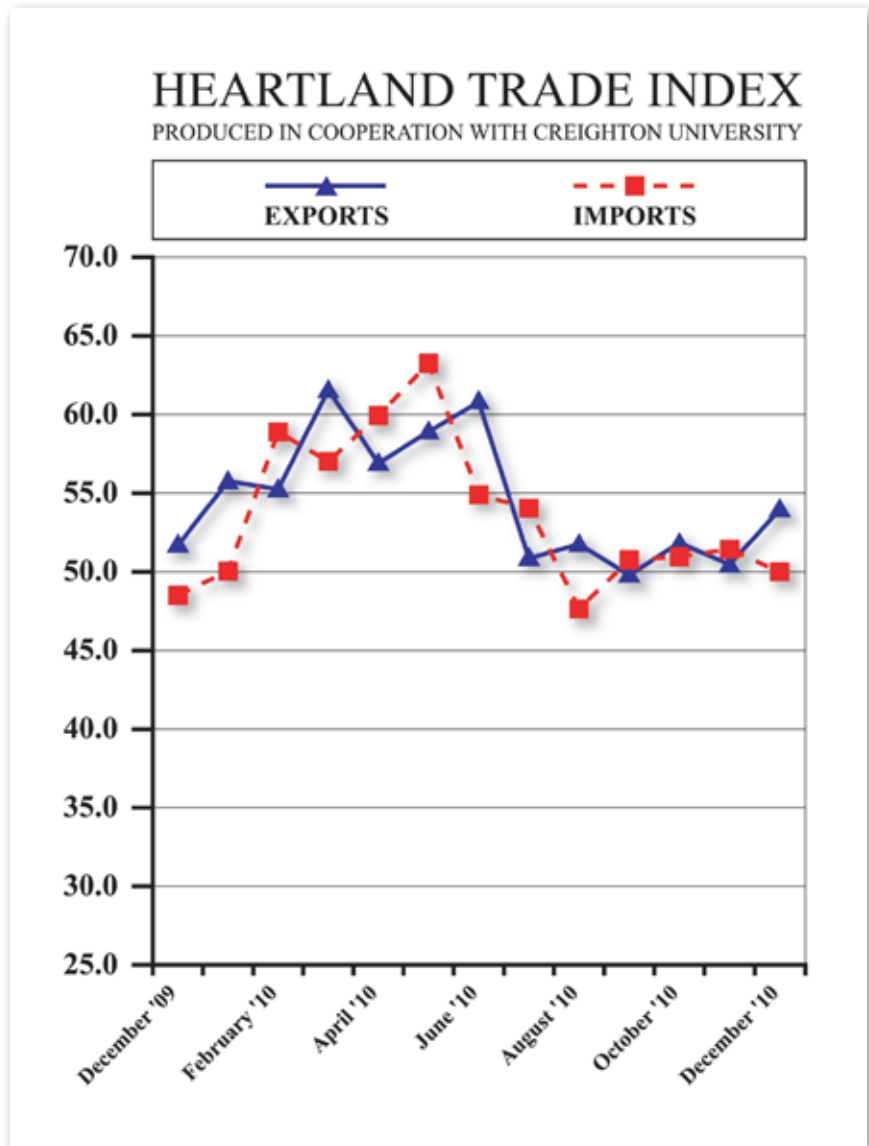


“The weaker dollar continues to strengthen exports and, by the same hand, shrink imports. I expect this trend to continue into 2011 with a global economic rebound adding to the influence of a weaker dollar.”

— Creighton University's Professor Ernie Goss

The Heartland International Trade Index is an exclusive, leading economic indicator, measuring monthly changes in new export orders and imports for the states of Arkansas, Iowa, Kansas, Minnesota, Missouri, Nebraska, Oklahoma, North & South Dakota.

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NEW EXPORT ORDERS		IMPORTS	
2010			
51.9	OCT	50.9	
50.8	NOV	51.4	
54.1	DEC	50.0	
2009			
49.3	OCT	50.7	
50.0	NOV	47.8	
51.9	DEC	48.5	

Container Chassis Crisis (cont'd from page 4)

They get no guarantee of rates. Not even a guarantee of chassis availability. Truckers pay for the repairs, and what makes it difficult for a trucker is that all of that has to be charged back to a shipping customer.

In checking with drays in Kansas City and Chicago, some ocean carriers have already pulled chassis.

Rick Held, Held Associates, a Kansas City freight forwarder said, "Except for their Chicago depot, Maersk & Safmarine pulled their empty container and chassis pools out of all inland cities in 2009. Thankfully other ocean carriers did not follow their lead. Other carriers saw it as an opportunity to capitalize on getting Maersk & Saf business, which has been working well for them". Mr. Held went on to say, "It's only recently some ocean carriers are considering taking their chassis out of inland cities or leasing them to a local chassis pool consortium.

As of February 1st, CMA-CGM no longer provided chassis. For now, CMA-CGM Line is the only line to announce its intention to pull chassis.

Schmuhl Brothers, another Heartland trucker, signaled that it might be advantageous to prepare customers for rate increases. Maersk & Saf is levying a \$55 charge to

cover the first 3 days of chassis rental, with a \$15 consecutive day charge. "At the same time," said Mr. Held, "This could actually be a good thing in that truckers will spend less time trying to find chassis when needed, and less time returning them to the right carrier." The migration, or flip cost, of these chassis as it is now, is also a time and cost issue for shippers.

Ms. Duff continued, "But, if we can't give importers a definitive answer on charges, they can't figure their landed cost and what they will have to charge to sell their product. It'll cause a very strained relationship between carriers and customers. It's time consuming and costly because I will have to allocate one full-time person auditing chassis charges as well as the shipper auditing the costs of the chassis."

"We're trying to get more chassis-leasing companies in to create some competition and do what is best for everybody," she added. "But it has to be a win-win for all three: the trucking company, the chassis company and the shipper. If they create a chassis pool, they'll have the chassis at the rail as they do now. When the train comes in, unload and you're on your way. So time delay is not so much of an issue. But, retail customers need to know that there's going to be an added cost per container."

Retail customers may be waking up to this looming problem, although in this area, Duckwell seems to be the best educated on the situa-

tion. Many know about it, but may not know its impact on them. "For me as a business owner," said Ms. Duff, "I want my customers to be educated, in order to avoid issues. But our problem right now is that we have no commitment from the chassis company – the Midwest Chassis Pool here in KC has no information for us. We're dealing with a local rep. We don't have any communication with the national office people.

With February right around the corner, CMA-CGM has advised the market that they will not provide chassis on the first. Mrs. Duff has been advised by one forwarder who signs large contracts with CMA-CGM that they will honor their contract through April providing chassis. She knows one shipper has advised their forwarder not to utilize CMA-CGM services.

On the other hand, Schmull Brothers, a regional drayage company, has made a commitment to the Heartland intermodal market by agreeing to acquire and offer a large private chassis fleet, eliminating many of the barriers and working to improve customer relations.

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International Business News From the Heartland

Express Deliveries

Wash. DC -

Former U.S. Department of Commerce reports claimed that Small to Medium-Sized companies' (SMEs) exports represented 28 percent of America's total export sales. According to recent calculations, if the value of intermediate inputs that SMEs supplied to exporting firms is taken into account, SMEs' total contribution to exports in 2007 would increase to \$480 billion, or 41 percent of the total value of U.S. exports of goods and services.



Kansas City -

The International Trade Council (ITC) has agreed to a strategic partnership with The Chamber's World Trade Center, SmartPort and Area Development Council (KCADC), and will move to new facilities in Kansas City's historic Union Station.



Greece -

Greek unions grounded flights, kept ferries docked at ports and shut down public services in December to protest wage cuts as the government sticks to conditions of an international bailout.



UK -

Beginning in April, the price of First and Second class stamps for standard items weighing up to 100g will rise by 5p to 46p and 4p to 36p respectively, The cost of a Large Letter stamp will rise by 9p to 75p for First Class items and 7p to 58p for Second Class mail There will also be an increase in prices for franked mail by 3p to 39p for standard First Class items and by 3p to 28p for Second Class Mail. Royal Mail said this would be the first increase for two years on franked mail following a price freeze in 2009.

Asian outbreaks of Foot-and-Mouth disease



Seoul -

ATI Express reports that South Korea has confirmed two more foot-and-mouth disease (FMD) outbreaks, despite nationwide quarantine efforts to contain the spread of the highly contagious animal disease.

Malaysia also reported a recent outbreak.



Korea's Ministry for Food, Agriculture, Forestry and Fisheries said a cattle farm in Gangneung, 240 km. east of Seoul, on the east coast, and a pig farm in Hwaseong, south of the capital city in the Gyeonggi region, tested positive for FMD. All 15 head of cattle and 5,900 pigs on the farms have been ordered culled and buried to prevent the spread of FMD, the Ministry said, with livestock within a 500-metre radius of the outbreaks to be destroyed as a precautionary measure.

The Ministry said that it has ordered the destruction of 1.07 million animals in 3,096 farms, with all 85 livestock farms in South Korea closed to limit the risk of the disease spreading. It added that 1.21 million cattle and pigs are to be vaccinated to contain the outbreak, that has spread to five provinces and the port city of Incheon since the first outbreak was confirmed on November 29.

The **Malaysian** outbreak has infected 95 cows in the main town of Bahau, in the central part of the west coast of Peninsula Malaysia. As many as 300 cows and goats are feared to be affected (Asia Pulse).

In Other World Headlines:



China - supports the euro - Asia Today International is reporting that China will continue to purchase European bonds to support the euro, says Prof. Chang Siwei, a former Vice Chairman of China's National People's Congress, who has often reflected China's official view on currency and economic issues. China fears that a collapse of the euro would be a major drawback to the global monetary system for a decade.

MORE HEADLINES :

NORTH KOREA ALSO STRUGGLING TO CURB FOOT AND MOUTH DISEASE

BANK OF KOREA RAISES INTEREST RATE

CHINA'S MOBILE PHONE USERS TOP 850 MILLION IN 2010

INDIA TO REPLACE US AS 2ND LARGEST ECONOMY BY 2050

CHINA TO OVERTAKE US AS WORLD'S LARGEST ECONOMY BY 2018

TAIWAN'S ASUSTEK TO EXPAND TO CLOUD COMPUTING BUSINESS

INDIA SEEKS TRADE PACTS WITH JAPAN, MALAYSIA, ASEAN

OPEC RAISES 2011 WORLD OIL DEMAND FORECAST TO 1.2MLN BPD

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