



MINUTES

JOINT OPERATIONS AND MAINTENANCE & REPAIR COMMITTEE MEETING

INTERMODAL ASSOCIATION OF NORTH AMERICA

SUNDAY, NOVEMBER 13, 2011

1:00 p.m. – 3:30 p.m.

**IMPERIAL BALLROOM B
ATLANTA MARRIOTT HOTEL
ATLANTA, GEORGIA**

The meeting was convened at 1 p.m. by IANA Operations Committee Chairman Barry Michaels of Union Pacific Railroad Co., joined by IANA Maintenance & Repair Committee Chairman David Esposito of Direct ChassisLink Inc. IANA General Counsel John Bagileo provided the antitrust guidelines. IANA staff member Tom Malloy conducted a roll call via a consolidated roster of the two participating committees and noted a quorum to the respective Chairmen. Ted Prince of T. Prince & Associates LLC moved acceptance of minutes of the Operations Committee's meeting of May 4, 2011, and the motion was seconded by James Shondel of Remprex LLC and approved unanimously. Frank Sonzala, of Pressure Systems International moved approval of minutes of the Maintenance & Repair Committee's meeting of May 4, 2011, and the motion was seconded by Joey Fredrick of Fredrick Intermodal and also approved unanimously.

Legislative/Regulatory Update

Malloy provided a legislative and regulatory update, introducing it by saying that the three major issues are roadability, hours of service and the employee-driver mandate associated with the Port of Los Angeles' clean trucks program.

Malloy began his discussion of roadability by noting that there will be a workshop session addressing this topic in greater detail on Tuesday, Nov. 15, at 10:45 a.m., on the Expo show floor. He provided a timeline of major actions, including the strike force activities conducted by the Federal Motor Carrier Safety Administration (FMCSA) this past summer at the East Coast ports of New York/New Jersey, Charleston and Hampton Roads. These activities have lead the FMCSA to further refine its roadability review process. After several voluntary educational reviews, formal roadability reviews are now being conducted. Malloy advised that the FMCSA held two separate industry stakeholder meetings during October that were related to the implementation of the regulations and a review of the violation/attribution listing that FMCSA and CVSA had developed based upon specific items that can be cited on an intermodal chassis. Malloy also noted that the no-defect DVIR exemption – supported by IANA in comments previously filed – remains in effect until June 30, 2012, and there is FMCSA movement toward a final rule, possibly by end of 2011.

Regarding hours of service, Malloy said the FMCSA stated prior to Oct. 28, 2011, that release of the final rule would not meet this deadline date. The FMCSA subsequently submitted the rule to OMB on Nov. 1, and there is speculation that it will include a reduction in driver hours to 10 from the present 11. An appellate court status review is due Nov. 28. IANA's main concerns are a reduction in driving time ; changes involving the 34-hour restart provision; definition of "on duty"; and the economic impacts of implementation should such changes be made, which are estimated at between \$80 million to \$200 million. **[Subsequent to the meeting, on November 29, 2011, FMCSA requested an additional extension of 45 days to issue a final rule and stated that they anticipate filing a final rule by December 28, 2011.]**

Regarding the Port of Los Angeles employee-mandate driver issues, Malloy again provided a timetable of recent activities, including the Sept. 26, 2011, court ruling that the use of independent contractors is preempted by federal law. On Oct. 6, the Port of Los Angeles said it would not appeal the court's independent contractor ruling, but would proceed with other aspects of the program such as off-street parking, financial capabilities of motor carriers and specific maintenance provisions. On Oct. 26, the American Trucking Associations announced it would ask for a U.S. Supreme Court review of these remaining aspects.

Malloy then briefly touched on several other items, including CSA (Compliance, Safety, Accountability), rail reregulation, surface transportation legislation reauthorization, employee/driver classification (noting a strong sense that the independent owner-operator will be under some scrutiny from many states regarding taxation issues), the electronic onboard recorder (EOBR) issue (which he said although vacated, probably will resurface), size and weight issues, and Shipping Act reform. He advised that these issues remain at the forefront of IANA's policy focus.

Educational Sessions

TRB's Truck Drayage Productivity Guide

Frank Harder of The Tioga Group Inc. reported on the Transportation Research Board's (NCFRP Report 11) Truck Drayage Productivity Guide. He said the analysis of port drayage was commissioned by the Waterfront Coalition, a shippers' group, and TRB contracted with Tioga, which coordinated efforts with the University of Texas and University of South Carolina. Harder said the study found numerous correctible deficiencies, and concluded that lengthy driver turn times cost the industry an estimated \$1.4 billion a year. The project looked at New York/New Jersey, Houston and Los Angeles/Long Beach, with 2008, 2009 and 2010 data, a contrast to prior studies that relied upon anecdotal information. Harder commented while many transactions occur in a routine manner, a disproportionate amount of time is spent on exceptions and troubleshooting. In Los Angeles, there is the added concern that gates close at lunchtime. Harder noted that the drayage study is to be the subject of a Monday, Nov. 14, 11 a.m. workshop session on the Expo show floor, plus a Nov. 17 TRB webinar.

Offering detailed data, Harder said a 5 percent exception rate was found to be typical, with as low as 3 percent for experienced drivers, and as high as 9 percent or 10 percent for some others, and up to 100 percent perhaps for a "first time at the port" driver. Harder then offered several possible solutions, focusing upon collaboration and coordination. He offered as potential solutions, investment in facilities and supporting systems; ongoing and frequent trucker,

terminal, port, and customer meetings; improving the condition of chassis and selection of experienced trading partners to reduce potential delays.

Intermodal Equipment Maintenance in the U.S – Issues and Opportunities

Operations Chairman Michaels led the second educational session on the topic of “Intermodal Equipment Maintenance: Current and Future State.” Assigning accountability is the No. 1 issue, he said, adding that there are issues both inside and outside the gate. Michaels offered a problem statement that could apply not just to railroads, but also ocean carriers and any intermodal equipment provider (IEP) as well. He provided detailed lists of key drivers of performance and inadequacies in the overall process. Regarding inspections, for example, he cited quality and consistency issues. Regarding repairs, he commented that repairs are not work-order-driven and that there is a lack of appropriate and regular supervision.

On the subject of costs, he said inspections/repairs make up a very large portion of all equipment budgets. As far as facility operators and terminals, he noted that in-terminal congestion contributes to damage. On the subject of damage claim assessments, he said there still are questions concerning the understanding of owners and damage repair rules – and he cited misuse of Association of American Railroads (AAR) codes as “a major challenge.” Michaels proceeded to discuss concerns related to equipment utilization, driver productivity, roadability and equipment design. Michaels said M&R costs are \$300 million a year for U.S. railroads; of that, \$100 million is damage, and, that railroads absorb \$75 million, rebilling just \$25 million. Michaels cited complex relationships between multiple direct and indirect parties, and stated there are 164 M&R vendors in the U.S. today; there are 2,927 combination AAR codes; and the “free-flow” (not work-order-driven) scenario does not provide for an efficient system.

Regarding the subject of damage, he presented an internal assessment chart and proceeded to note that 50 percent of damage occurs over the road or at a customer’s facility, 25 percent is in-terminal damage by the motor carrier, and 25 percent is terminal damage by the contractor. Michaels discussed terminal facility impacts, from congestion to lighting, before delving into the inspection process, an area which he said is the No. 1 or 2 cause of major issues. He said adoption of new technology is expensive, but worthwhile. Regarding gate inspections, he said AGS gates provide operational benefits, with the exception being tire inspections.

Beginning his summary, he commented that the inspection process and supporting technology to determine the responsible party still needs improvement. Among future solutions, Michaels advocated that steel would be the preferred composition material for containers. He added that the industry needs to develop an antitheft device on LED lights to prevent pilferage, and under inflation of tires remains a major issue that he believes tire inflation systems could resolve. Michaels said the industry is taking M&R very seriously and suggested several processes for consideration by affected stakeholders. Michaels then introduced Val Noel of Pacer Cartage Inc. to describe a concept for a possible pilot program that could alleviate some of the gray areas of equipment maintenance, reporting and resolution..

Noel said that, since May, Michaels and others have joined with him in some “spirited” discussions regarding a potential solution to the above mentioned issues. Noel said one suggestion that emerged is to try to establish a pre-pickup equipment inspection process, with the costs for such a service to be equably shared among participating stakeholders. Noel suggested a pilot pre-trip program at selected terminals to determine if such an approach would have a

positive impact on equipment integrity and driver productivity. Michaels asked for discussion, to see if there is consensus to proceed with such a concept. In response to a question Noel said the initial conversation was that the pilot be limited to a four- to five-month duration. Russ Graef of ContainerPort Group Inc. said his belief is it is up to the facility operator to commit to a grounded philosophy as opposed to a wheeled operation, noting that, when motor carriers enter a grounded operation, they have the responsibility to enter with equipment of the motor carrier's choosing that has been pre-inspected and roadable.

Further questions were raised with Michaels responding that he would support a pilot so long as it would include entities other than just railroads. Rob Thull of Milestone Equipment Corp commented that he thinks such a program is a great idea, suggesting that the motor carrier, railroad and IEP could each contribute an evenly distributed portion of the cost of the program. James Reo of Consolidated Chassis Management LLC said he would need more information to elevate the concept within his organization. Noel noted that a lot of work still needs to be done to solidify consensus. Michaels offered to work with Noel to put more details to the pilot proposal, and Noel agreed. Esposito cited potential labor issues at port facilities and said it could be difficult getting marine terminals to participate in a pre-inspection program.

Committees' Task Force Updates

Operations: Terminal Efficiencies Task Force

Ted Prince presented a data study of road service calls and observed road service calls are more likely to occur Tuesdays, Wednesdays and Thursdays, and less likely on weekends. He also said there are significant geographic areas of the U.S. that show no road calls at all. Prince commented that a driver typically is "out of commission" for one to five hours, and response times are fairly even by state. Prince said between 80 percent and 90 percent of road calls involve tires, with between 10 percent and 15 percent involving multiple tires on a single call, and almost twice as many calls involving rear tires than front tires. Interestingly, he said, 70 percent of calls involved bias tires, with 30 percent involving radials. He stated that the results of this analysis imply the need for additional and more detailed research.

Prince then discussed breakdowns by state, indicating some surprise that California and Illinois-heavy intermodal volume locations- were not as prevalent in the data as Georgia, Texas, South Carolina, Indiana and Florida. He said the top 12 states account for 70 percent of the calls. South Carolina, Tennessee, Mississippi and Oklahoma were the highest percentage states for bias tires, while California, Oregon and Washington had the lowest percentage of bias tire road calls. Prince said that being able to analyze the data is a good start, but also commented that there are rhetorical questions on specific details, such as the possibility that in-terminal roadability efforts may focus on exterior mounted tires, but inside mounted tires could be responsible for road service calls.

In concluding his findings, Prince stated possible next steps could involve looking at the bias-radial dichotomy; including tire inflation systems in the discussion; correlations of data to fleet sizes; and possibly including Canada and Mexico in the study. John Shortridge of InterStar North America Inc. asked about the inclusion of downtime in the data, particularly in the South Atlantic, and Prince offered great thanks to Emergency Breakdown Service Inc. (EBS) and InterStar for their participation in the study. Graef complimented Prince on a great presentation, adding it would be helpful to get tube vs. tubeless data, as Graef said he would almost guarantee

that tube would be the greater culprit. Esposito said a possible explanation for data trends would be that a lot of cargo is coming through Los Angeles, but it is largely for local delivery or going out by rail, while, in the South Atlantic, there are greater highway distances for heavier cargos through greater heat (temperature) periods.

Michaels noted, because the meeting is behind schedule, it will continue without scheduled break, and that since there is limited information for an update on the UMLER Task Force, it would be deferred at this time.

Operations: AAR IOC

Janice Schaub of BNSF Railway advised that the AAR Committee has established the month of June as the annual publication date for the AAR Interchange rules. She advised the AAR Tire Rules Task Force is seeking input to assist with the identification of the various tire compliance specifications so they can be considered for inclusion in the rules. Schaub said Appendix B (Tires and Tubes) is anticipated to be partially completed by the end of 2011, while the specifications for highway trailers being used in intermodal service are 99.9 percent complete and will be on the web shortly. She also stated AAR will be publishing its perspective on intermodal container weights within the next year. Also, M-943 (chassis specs) is being updated, with feedback received from various manufacturers.

Michaels thanked Janice for the update and turned the meeting over to Esposito for the M&R task force reports. Esposito said that, while it may not seem that there has been extensive progress on these efforts; there has been great dialogue recently and a reconstitution of each Task Force's efforts.

M&R: ISO/AAR Code Task Force

Cliff Creech of Norfolk Southern noted the task force charter to develop a recommended conversion between AAR and ISO repair codes for use by IANA members, then said that not all the coding translates uniformly and that this effort will always be a work in progress. He said that with the chassis portion completed, container coding will be the next challenge. Creech suggested taking off the table the idea of reverse conversion, going from ISO, with codes dating to 1997, back to AAR, as he does not see enough commonality. Regarding chassis components, he said the AAR to ISO conversion has merged 253 AAR codes and 240 ISO codes to cover 200 codes, with converted lines covering 99 percent of defects. Regarding AAR to ISO container defect conversion, he said that, of 184 AAR job codes, 98 convert cleanly, covering 97 percent of defects, but location codes continue to present a challenge.

M&R: Roadability Compliance Training Working Group

Gary Danback of IICL advised that he has assumed the leadership of the group's efforts and has had detailed discussions with Dave Esposito and Tom Malloy regarding viable options for updating the intermodal equipment inspection video/DVD that was produced almost ten years ago. He advised that as IANA has recently engaged in online education and webinar programs, this project would be most effective if delivered in a webinar format with recognized experts providing the outline, curriculum and oratory of the information as it pertains to the inspection of intermodal equipment. He also advised that discussions with the Commercial Vehicle Safety

Alliance (CVSA) and obtaining their participation and support would enhance the development efforts. He commented that IICL has also been active in the FCMSA stakeholder meetings regarding the FMCSR pre-trip inspection/violation/attribution process and once that list is formalized by FMCSA it would assist with the compliance portion of the curriculum. Danback said he is interested in having the appropriate stakeholders involved and that he would like to have a small working group of six or so individuals, equally representing affected interests including IEPs, railroad terminal operators, marine terminal operators, railroads, trucking, etc. He asked those interested to contact him or Tom Malloy.

Michaels inquired as to the purpose of this working group, and Danback replied that a training video had been done a decade or so ago, and the original idea was to see if there was any interest to do another such video that would be more applicable to the roadability regulations as they applied to the pre-trip process. Esposito thanked Danback for coming aboard. Esposito commented, in May, the group was looking at coming up with possible funding or sponsoring options to produce a training mechanism, but now the idea of a webinar is being investigated. Esposito said the webinar has broad appeal and could be used by a broad array of individuals as part of an ongoing training program. For example, equipment managers could download the webinar and use the information to conduct a training session for mechanics who could register via the web and be recognized as completing a portion of their training. Esposito said he would like to see the effort going forward, pending IANA staff discussions with CVSA.

M&R: Chassis Stacking Task Force

Esposito introduced this as another area experiencing a change in leadership. Kevin Harrington of H & M International is the new task force leader and said he would like to add rail and steamship line representatives to the present mix of task force members. Harrington reiterated the group's purpose and goals and said he would like to see the effort focused on chassis utilized at rail facilities. Harrington asked the M&R Committee to approve the task force's purpose and goals as presented. Prince asked why marine terminals are being excluded. Esposito said balanced representation is being sought and that he does not think it is geared only for rail terminals and, especially where the bundling of equipment for highway movement is involved, it applies to marine terminals. Prince then suggested that a marine terminal operator rather than a steamship line be a participant. Michaels asked for some additional clarification of the objective, as each U.S. railroad has similar stacking practices and policies, which should become the recommended practice. Harrington responded that consistency is a paramount objective and that the group would come back with a draft recommended practice no later than May.

Esposito said the charter for the original group was never voted upon, noting that Harrington has a charter to submit for vote. Graef asked to see the charter again, and Harrington returned to the slide that outlined the objective stating: Identify recommended practices to reduce damage associated with the safe stacking of intermodal chassis within facilities for ground storage and transportation from one facility to another. Esposito underscored the importance of a disclaimer to avert liability exposure and added he may wish to see inclusion of over-the-road chassis. Graef noted that different parties are involved and suggested that the effort be done in phases, with over-the-road movements considered at a later date; Esposito concurred. In response to questions from Dan Drella of Schneider National Inc. and Dave Howland of APL Logistics, Harrington said he does not have a specific dollar savings figure associated with the effort. Prince interjected that he also sees trucker turn time as a relevant issue. Esposito asked for a motion to approve the

proposed charter. Schaub so moved, seconded by Jim Reo of CCM. The M&R Committee members present approved, by show of hands, the Task Force charter with no abstentions.

M&R: Wheel End Maintenance Task Force

Drella said this Task Force brings together a variety of viewpoints from a wide cross-section of representation. He said a productive meeting was held in the spring, but, unfortunately, the group has been unable to get together since, so he is seeking to set up January and March 2012 meetings so that progress from those meetings may be presented in May. Esposito reiterated the goal is to wrap up by May. Esposito said he does not believe there is a high incidence of wheel-off incidents, but, when they do occur, they can be catastrophic, so it is an important issue.

Other Business

Gate/Hold Release:

Creech said he has been working with Dennis Monts of IANA staff for a while on this item. Monts said that IANA currently does DVIR processing on an individual basis and that excess capacity exists in the system. Monts noted that IANA has received numerous requests to expand the DVIR system to allow Facility Operators, IEPs and M&R Vendors to exchange chassis defect information and chassis hold and release notices for all equipment, beyond that of just DVIR reported RCDs. Creech, noting an earlier statement by Michaels on the incidence of DVIRs showing defects, said such a system seems to be a natural. Creech said every equipment provider, under 49 CFR §390.40, is responsible for ensuring that intermodal equipment intended for interchange with motor carriers is in safe and proper operating condition. Creech also cited a definite issue with training of personnel, which, he said, also plays a critical role. He highlighted the seriousness of the situation by providing an overview NS ingate experience over the past 12 months. The gate data showed 0.25% of ingated equipment with DVIRs reported RCDs as compared to 14.5% with actual damage reported within the NS terminal operating system at the time of ingate. Monts stressed that for IANA to move forward with development, an industry consensus must exist with regard to the best solution. He further noted that IEPs, as well as facility operators, must commit in advance to utilize the system and that an acceptable cost recovery method must be identified.

New Business

Michaels asked if there was any new Operations Committee business, and no one stated any. Esposito asked if there was any new M&R Committee business, and Drella responded that (as it pertains to roadability regulations, section 396.17) IANA has created certain tools that disseminate information between the IEP, terminal and others, but he sees, with the case of an expired FHWA periodic inspection, a problem and potential IANA solution related to identification, segregation and release of the equipment for further use. Michaels noted a recent Roadability Review experience at Union Pacific and said many IEPs use GIER and other resources in connection with their own solutions, with each entity having its own FHWA periodic inspection policy and procedures. Michaels said the question is whether IANA should offer a full maintenance administration program, as he believes each IEP may want to handle things differently. Schaub noted the value in sharing certain data. Esposito said that perhaps the DVIR system could be used if a unit comes through with an expired FHWA, and he concurred with Michaels that most fleets have a way of addressing this, noting that his firm has a formalized process for identifying and correcting expired FHWA decals.

IANA staff member Jim Morrow advised the M&R Committee's Technology & Maintenance Council (TMC) Task Force had voted affirmatively on the intermodal equipment M&R section of the TMC recommended practice CD.. IANA and TMC staffs have attempted to finalize the co-marketing agreement between the two groups. TMC staff has requested that the Bias Tire conditions Analysis & Repair Guide manual be included in the agreement. Morrow noted that IANA, in conjunction with the M&R Committee had not formally adopted the manual. To do so, the M&R Committee should form a Task Force to review the manual, and then make their recommendations to the full Committee. Esposito said he had spoken with Al Cohn of Pressure Systems international inc., who has agreed to the lead the Task Force review. The Task Force should include at least one representative from rail, marine, supplier and motor carrier divisions. Morrow, Cohn and the M&R Committee leadership will work out the details of establishing the review group.

Bob Thull, noting an earlier statement by Michaels in his presentation that railroads assume the majority of damage-related costs but are responsible for only one-fourth of it, asked about consideration of a "no-fault" system on damage, putting focus on effective inspection processes and work-order-driven repairs, as well as giving the driver a unit with properly inflated tires. Michaels said that is why he is in agreement with Noel on a possible pilot project, as presented earlier. Michaels said that what Thull suggested would involve a huge shift in costs. Michaels asked a few people if they would have a problem with participating in a pilot. Huffman said he would not. Jeff Grahovec of APL Ltd. responded that most steamship lines are trying to get out of providing chassis, but the time might be right due to impending inspection requirements. But also there would be labor concerns. Michaels asked Noel to take the lead from the Operations side to develop a scope and specifics and develop a "white paper" with suggested recommendations.

Michaels said he plans to send out a ballot to Operations Committee members regarding whether they like this type of joint meeting format or whether they prefer to return to having separate meetings. Esposito said he will similarly poll the M&R Committee members on the subject. **[A link to the survey has been embedded in the cover email to these minutes and has been furnished to both Committee rosters].**

Malloy noted that the next meeting(s) for the Committees is scheduled for early May 2012, in Oak Brook, Ill. In conjunction with the 2012 Operations and Maintenance Seminar. On a motion by Huffman, seconded by Prince, the meeting was adjourned at 3:40 p.m.

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