



Cross Border Trade; No Swine

CROSS BORDER TRADE; NO SYMPTONS OF SWINE FLUE REPORTED

The recent hysteria surrounding the swine flu outbreak that originated in Mexico, but has since spread across the globe, has not infected cross-border trade at this point in time. Due to the significant amount of trade that moves by truck across the U.S.-Mexican border, which has so far been unaffected by swine flu crisis, it appears to be immune to the hysteria. As of now there are no specific restrictions at any ports of entry across the border and Customs has reported that it is business as usual. This appears to be a crisis averted at this point as there is a significant amount of cross border trucking which, if affected by the public health crisis, could result in a significant lag time in the movement of trade and subsequently result in a spike in prices and decline in carrier volume.

Considering that Mexico is the second largest trading partner with the United States, it is clear that if the situation in Mexico worsens, various industries and their supply chains will be affected. This would not only impact those directly involved in the trucking industry, but would also impact the general public through inflated consumer prices as the supply of goods would dwindle as delays at the border increase and fall behind demand. Fortunately, it appears that the outbreak of swine flu has subsided, however there is now speculation that the virus will return with a vengeance come this fall.

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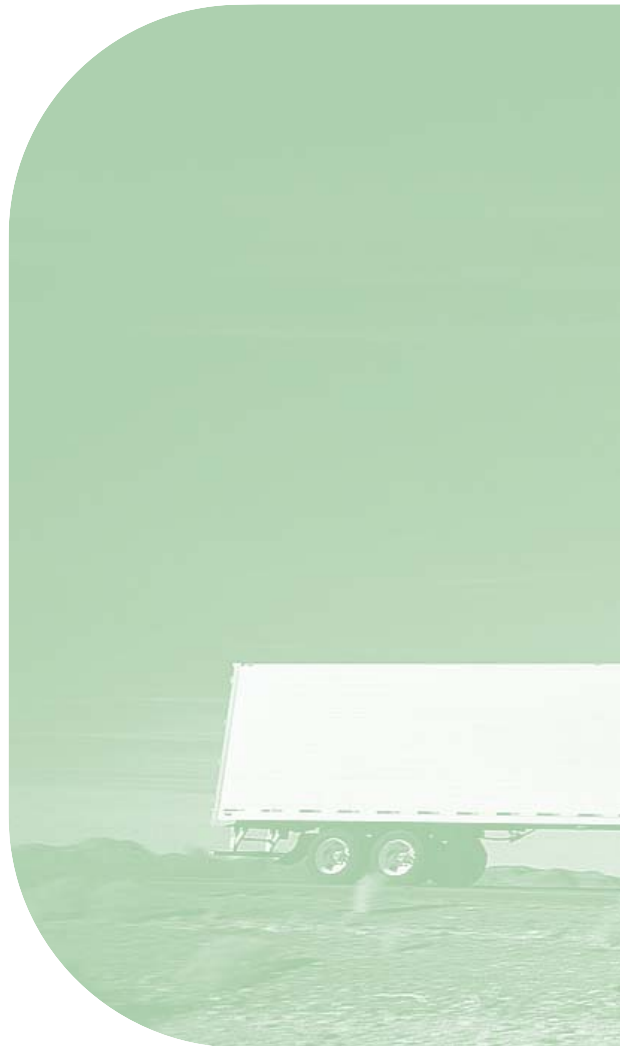
Veterinary Law

THE TRUCKING INDUSTRY REMAINS IN THE CROSSHAIRS OF THE EPA

The previous edition of Chamblee & Ryan, P.C.'s Trucking Law Newsletter featured an article discussing the two proposed solutions to the perceived global warming crisis. With the election of the new administration it appears that the cap and trade policy is moving forward and may have devastating impacts on the transportation industry for various reasons. The Environmental Protection Agency ("EPA") recently announced that greenhouse gases could pose a danger to the public health and contribute to the perceived climate change crisis which will enable the agency to set forth new regulations to restrict carbon dioxide emissions, such as those constantly emitted by the transportation industry responsible for carrying the American economy.

It is the belief of the EPA that greenhouse gas pollution is a serious problem now and is also hazardous to future generations. The EPA believes that those carbon dioxide emissions pose a threat to public health and may have catastrophic consequences if not immediately reigned in. As speculated in this newsletter's prior issues, it now appears that the cap and trade program is what will be implemented by the current administration. Congress is currently debating a cap and trade bill with hopes of passing the legislation by year's end.

This measure would simply require industrial polluters, including those in the transportation industry, to receive government issued permits for allowable emissions and then buy and sell those allowances on the open market. Specifically, should a particular company require additional emissions, they could purchase additional credits on the open market and, if they use fewer emissions than allotted they may sell the remainder on the open market. As is always the case, the government is there to take its share of any buying and selling and will tax the sale of credits; thus simply creating a significant revenue stream for itself that will ultimately rest on the shoulders of the consumer. As is the nature in any industry, an increase in costs, taxes or other expenses are typically passed on to the consumer. In this case, those increased costs of doing business will undoubtedly result in increased energy prices, increased prices on consumer goods, automobiles, and all other goods that are purchased on the consumer level that require transport to the retail center. Simply put, if it cost more to ship goods to retail outlets or raw materials to manufacturing plants, it will cost the end user more to purchase the goods.



It appears that the debate of whether the perceived global warming crisis is an actual threat has been ignored and the administration is now moving forward with the policy that will result in the most significant power grab and increase in revenue stream in the history of this country. Rest assured that, despite the additional taxes that the consumer will be paying, there will be no correlating tax reduction in any other aspect whether it be income tax, property tax, sales tax, FICA, or social security.

In recent years trucking manufacturers have been producing energy efficient models and hybrids that may ultimately reduce the industry's dependence on fossil fuels. The decision to move towards these more energy efficient models is advisable not because of the aforementioned climate consequences but simply because it will result in lower fuel costs to the industry itself and would lessen this nation's foreign dependence on oil. However, the technology is relatively new and, as with all new technologies, it is much more expensive than traditional commercial vehicles.

The trucking industry should again be poised to deal with the forthcoming policy changes and be prepared for increase costs of business coupled with a reduction in volume due to the down turn in consumer spending that will undoubtedly result. There are numerous internet resources that discuss both sides of the science, politics, and costs of global warming. It is imperative that each individual that will be directly affected by these sweeping policy changes do their own research and investigation in order to draw their own conclusions. Since the proposed legislation is currently being debated in Congress, there is still time to contact your representatives and inform them of your agreement or disagreement with these policy changes.



How Much is it Going to Cost?

The Federal Motor Carrier Safety Administration ("FMCSA") estimates that it is necessary for a motor carrier to generate an additional \$1,250,000.00 in revenue in order to pay the costs of a \$25,000.00 accident. The FMCSA recently generated figures, based on data taken from 2005 to 2006, as to what an accident would actually cost a carrier in the event of a minor accident. The FMCSA estimated these costs on accidents ranging from \$1,000.00 up through a \$200,000.00 accident.

Based on a 2% profit margin, a carrier would need to generate an additional \$50,000.00 in revenue to pay the cost of a \$1,000.00 accident. This includes direct costs such as cargo damage, vehicle damage, injury costs, medical costs, and other costs directly associated with the incident. However, the FMCSA has also estimated those indirect or hidden costs of an accident such as lost clients and customers, lost sales, salaries paid to employees in the accident, lost time at work, supervisor's time, as well as damage to equipment down time.

As expected, these costs can become substantial and, assuming an average profit margin of 2%, a carrier would need to generate an additional \$10,000,000.00 in revenue to pay for a \$200,000.00 accident. These costs can be staggering in the face of a serious accident. In the event you or your company find yourself involved in such a situation, the law firm of Chamblee & Ryan, P.C. has been committed for over a decade to providing motor carriers with experienced, professional, and unmatched representation in all facets of transportation and trucking law.



For more information regarding **Chamblee & Ryan's** Trucking Law practice, please contact us at 214-905-2003.