

TRANSFER LOGISTICS, INC
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Transfer Logistics Position Paper
USDA, Commodity Credit Corporation Meeting – February 21, 2006
Procurement of Commodities for Foreign Donation; Public Meeting

My name is Kevin Tunney and I am a representative of Transfer Logistics, Inc. located in Chicago, Illinois and Transfer Logistics Virginia, Inc. located in Portsmouth, Virginia. I would like to take this opportunity to thank The Commodity Credit Corporation and the United States Department of Agriculture for allowing our comments to be heard on the proposed food aid procurement rule changes.

Transfer Logistics' two operations provide trans-loading services of Packaged P.L. 480 Humanitarian Food Aid products that are awarded on a Lake Chicago, Bridge Chicago, FAS Norfolk and Bridge Norfolk award basis. We accept deliveries of commodities primarily by rail and trans-load primarily to ocean freight containers. These services are provided for the commodity supplier, the ocean carrier, or some combination of both depending on location and type of award. Our Chicago operation is the higher volume of the two, and has handled up to 250,000 metric tons per year since 1997. Chicago has directly benefited from the passage of Section 17 of the Maritime Security Act of 1996 that allows up to 25% of Title 2 cargo to be awarded on a lowest landed cost, flag blind basis to a Great Lakes Port. This Act has worked as it was intended to by creating value for the Food Aid Program through lower freight costs as well as by increasing work in the Great Lakes Port Range. The Great Lakes had historically handled large volumes of P.L. 480 cargo until the virtual total loss of US Flag ocean freight service into the Great Lakes in the 1980's. Through Transfer Logistics involvement in the Food Aid program in Chicago there has been extensive job creation both on a direct and indirect basis. Transfer Logistics directly employs between 55 and 65 people in the handling, trans-loading and administration of Food Aid Cargo. In addition to our direct employment, there has been spin off job creation in numerous support roles including inspection services by SGS with 8 employees, trucking jobs to support the up to 70 loads per day that move out of the facility, and railroad jobs to support the upwards of 4000 rail cars per year that our operation handles. There have been additional jobs created with fumigation contractors as well as maintenance support of the operational equipment.

Transfer Logistics is very concerned about the proposed rule changes relating to how commodities will be purchased in a one step bid system versus the current two step system. While we are in full support of a system that modernizes by lowering manpower requirements, speeding up the turn around time on bids and in theory lowers costs to the program, we are reluctant to sit by and watch a change in procedure without a full and open disclosure of the process. Such a full and open disclosure would need to provide a mechanism such that all interested parties including relevant Government Agencies, Commodity Suppliers, Ocean Carriers and Port Facilities would have the opportunity to weigh in their concerns and then see the exact procedures that will be used to determine

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bid awards under a new system. These interested parties understand the complexities of the system, and the concern exists that procedural changes including computerized programs to purchase commodities and freight in one step may change the dynamics of how and through which domestic ports that food aid moves. With the massive amount of variable inputs that such a system requires including domestic port points, discharge ports, ocean freights, volume caps and incentives, flagging requirements and Section 17 rules to name but a few it is easy to see how one slight change may cause a major cargo shift. All parties need to clearly see the effects (or non effects) of a new system to ensure that no one party is discriminated against in a new process.

Due to the above issues and concerns, we feel that Commodity Credit Corporation's contention that the proposed rulemaking is "insignificant", thus not warranting a "significant" impact label is an incorrect conclusion. We have been made aware by the industry that to date, certain interested parties, including the United States Maritime Administration (MARAD) and many interested non government participants have been left out of the proposed rulemaking change discussions. We feel that any proposed rulemaking changes related to the Procurement of Commodities for Foreign Donation is a very significant rulemaking change, thus it deserves a full and open review prior to any formal procurement changes taking place.

Once again, Transfer Logistics appreciates the opportunity to be a part of this process, and looks forward to participating in further discussions regarding any changes that may be put into place. Please feel free to contact either myself or Steve Joseph with any questions or for further comments.

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