

CASE STUDY

Watco Cuts Demurrage Costs for Customer

“We worked with the shipper and the railroad to identify potential inefficiencies and collaborated to create customized solutions that led to a win-win situation.”

Sabin Reynolds

Senior Director of Logistics

A customer that was facing increased demurrage costs turned to Watco for help solving operational inefficiencies and negotiating a new rail contract.

Challenge

Increased demurrage expenses prompted a customer to look for a solution that would lower unnecessary fees when moving product by rail. The company sought an experienced third-party logistics partner to provide a solution before signing a new demurrage agreement with a Class I railroad.

The right logistics partner would serve as their advocate, and create and implement a comprehensive action plan that ultimately reduces these costs in the future.

Solution

Already a Watco customer, the company contacted our rail logistics team for assistance. Watco team members visited the rail site, where the customer's product is handled, and observed operations.

The Watco team concluded that demurrage occurred for this customer because of inefficient workflow and scheduling, and lack of coordination with the Class I railroad. Our team drafted an analysis and shared findings with the customer, and later presented this information to the Class I railroad on their behalf.

Watco led and negotiated a comprehensive action plan that:

- Improved operational efficiencies, benefiting all parties
- Gave customer an additional free day for materials in transit before demurrage starts, resulting in \$400,000 in annual savings
- Ultimately led the customer to sign a new contract that offered improved terms with the Class I railroad

Results

Watco's customized solution is a win for all parties. It provides the customer with new operational efficiencies and total annual savings of \$1 million. For the Class I railroad, it means less congestion on the track while retaining this customer's business.

Contact us:

raillogistics@watco.com