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TRUCKING: Important New Rule from the NMFC for LTL shipping

From CT Logistics

A new rule in the NMFC may have significant consequences for LTL shippers. This new rule went into effect on November 29, 2014 and CT Logistics has already begun to see repercussions of it.

The New Rule: NMFC, Supplement 5, Item 680-B, Note 2 reads as follows:

“Unless otherwise provided, commodities in shipping containers shall be deemed to be in compliance when filled to not less than 65 percent of the capacity of such containers. When filled to less than 65 percent of capacity, the gross weight of the container and its contents will be subject to the class applicable to either the container or its contents, whichever is higher.”

The implications of this are that: If there is any shipment where the freight occupies less than 65% of the surface area of a skid or pallet, it could be rated as a “quasi” density item. So if you are shipping boxes of nails and the boxes take up less than 65% of the surface area of the pallet; you will likely end up paying a higher rate than the actual class of the product since the item will now conform to this container rule, the same capacity that applies to items like plastic articles, etc. Because the gross billable weight will include the container and its contents, the pallet weight will be calculated for the total weight of the shipment, including this premium upcharge for not utilizing more than 65% of your pallet!

Changes like this to the NMFC are becoming more and more common as there is a push toward density based pricing. What this means for shippers, who don't maximize pallets, are higher classified shipments. The NMFC rules apply to almost all major LTL carriers. So if you have a shipment that falls under this rule you simply cannot avoid certain carriers to bypass this rule, as carriers that follow the NMFC rules do not have a way to bypass the NMFC rules and provisions.

CT Logistics has found examples of this new rule being applied to our clients: One example is Con-Way has implemented this rule and is currently charging some shippers under this provision for pallets filled to less than 65% capacity. Note: The class of a standard wooden pallet is typically class 150!

If you have any questions regarding this new NMFC rule or any traffic management concern, please email your CT Logistics Team, salesperson, manager or our Professional Services Group at 216.267.2000.

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Thank you to everyone who stopped by our booth at the ATA Conference this year in San Diego, CA from Oct 5th through 7th.



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FUN FACTS

Did You Know?

The word 'truck' was used as early as 1611, in reference to the special heavy duty wheels on the canon carriages of a ship, and by 1771 was used in reference to carts designed to carry heavy loads.

UPS Fact

UPS will be 108 years old in the summer of 2015. Jim Casey, a high-school dropout and the teenage son of Irish immigrants, founded the company with his partner Claude Ryan on August 28, 1907 in the basement of a Seattle saloon.

FedEx Fact

FedEx will be 40 years old in the summer of 2015. Frederick W. Smith is the founder and current CEO of FedEx. In 1971, Smith took his personal fortune of around \$4 million and raised around an additional \$90 million to found the company.



Thank you to InBound Logistics for rating CT Logistics as a Top 100 for both Logistics IT Provider & 3PL Provider for 2014, our 12th year in a row!



AIR FREIGHT: Price-Fixing Charges

From Air Cargo News

Three of the seven airlines named in a US price-fixing lawsuit by forwarder DB Schenker have filed motions to dismiss the action.

At the Eastern District of New York court on January 16, All Nippon Airways and Cargolux argued that the German-based forwarder had been 'forum shopping' – choosing the jurisdiction in which any damages payable were likely to be higher.

The two carriers argued that the case should have been brought in Germany. DB Schenker is German-owned, part of the Deutsche Bahn railway group, with many of the witnesses and documentation located in Europe.

Qantas meanwhile, argued that DB Schenker had filed its claim in June 2014 under the anti-trust Clayton Act. However, this was after the Act's four-year statute of limitations - the maximum time after an event in which legal proceedings may be initiated - had expired.

In its complaint filed in August 2014, DB Schenker alleged that the three airlines, plus Air France, KLM, Martinair, and SAS – had conspired to fix surcharges for air cargo to, from and within the US.

It is one of a number of actions by the US Department of Justice, the European Commission and the South Korean Fair Trade Commission that have taken place since 2006, resulting in airlines paying billions of dollars in fines.

Parcel: UPS Lowers Financial Expectations

From HDT TruckingInfo

Trucking and parcel delivery giant UPS on Friday announced it expects fourth quarter 2014 earnings to be lower than earlier forecast.

It anticipates adjusted diluted earnings per share of approximately \$1.25. "While package volume and revenue results were in line with expectations, operating profit was negatively impacted by higher than expected peak-related expenses," the Georgia-based company said in a statement.

UPS expects full-year 2014 adjusted diluted earnings per share to be \$4.75, up 3.9% over 2013 of \$4.57 per share.

"Clearly, our financial performance during the quarter was disappointing," said David Abney, CEO. "UPS invested heavily to ensure we would provide excellent service during peak when deliveries more than double. Though customers enjoyed high quality service, it came at a cost to UPS. Going forward, we will reduce operating costs and implement new pricing strategies during peak season."

According to UPS, peak plans were designed to provide high quality service for volume surges. The extra capacity was necessary to process the extreme spike in package volume on "Cyber Monday" and peak day on Dec. 22. However, it said demand was less than expected on other days, resulting in a less-than-optimized network during peak season.

"The rapid expansion of e-commerce has created a complex operating environment during peak season," said Kurt Kuehn, UPS chief financial officer. "UPS is in the early stages of a multi-year initiative to adapt our operations to these market challenges. We are making progress, but this quarter reflects that more work needs to be done."

UPS said it expects solid business growth across all segments in 2015. However, it cautioned increased pension expenses and currency headwinds will negatively impact results.

The company now anticipates 2015 diluted earnings per share growth to be slightly less than its long-term target of 9% to 13%.

More details will be available when the company releases earnings on Feb. 3.

Ports: Port Backups Untenable Amid Talks

From Transport Topics

A port slowdown and eight months of fruitless labor talks with longshoremen have brought West Coast port congestion to the point of a breakdown, according to representatives of shipping companies.

Backups at the five largest ports have reached levels that are "no longer sustainable," the Pacific Maritime Association, the bargaining agent for shippers, said Jan. 13 in a statement. While stopping short of a threat, the statement suggests the long-running labor dispute may be moving closer to a work stoppage like the one that shut down 29 West Coast ports for 10 days in 2002.

"The PMA has a sense of urgency to resolve these contract talks and get our ports moving again," association spokesman Steve Getzug said in the statement. "Unfortunately, it appears the union's motivation is to continue slowdowns in an attempt to gain leverage in the bargaining."

The shippers' association has been in negotiations with the International Longshore and Warehouse Union since May. A federal mediator agreed Jan. 6 to intervene in the talks.

Craig Merrilees, a spokesman for the 20,000-member union, said association negotiators have conceded that the delays are mostly due to a shortage of truck chassis to unload shipping containers. The management side is proposing to end night shifts at many ports, which would only worsen backups, "in a self-serving attempt to gain the upper hand at the bargaining table," Merrilees said in a written statement.

Both sides agree that congestion in Los Angeles, Long Beach, Oakland, Seattle and Tacoma, has slowed the movement of goods from overseas to stores and factories in the United States.

Ten ships were queued up offshore at the harbor shared by the Los Angeles and Long Beach ports Jan. 12, up from as few as five in December, said Phillip Sanfield, a spokesman for the Port of Los Angeles.

Backups could worsen with a push to move goods from Asia in advance of the two-week Lunar New Year holiday, which begins Feb. 19, Sanfield said.

The delays have stunted revenue for companies such as MOBI Technologies Inc., a Culver City, California-based maker of products including digital thermometers and wireless audio-visual monitors.

David Naghi, the privately held company's chief executive, said delays in importing products from China kept MOBI products from store shelves during the holiday shopping season, causing the company to end 2014 without a profit.

"We still have products sitting on the boats that should have been in stores a month ago," Naghi said.

OCEAN: Carrier Mega-Alliances

From Journal of Commerce

The new carrier mega-alliances are set to shake up market share on the key Asia-North Europe liner trade while shippers will benefit from a greater choice of services, and probably lower freight rates, according to Drewry Shipping Consultants.

The 2M Alliance of Maersk Line and Mediterranean Shipping Co., which currently has 31 percent of weekly westbound capacity, will extend its leading market position, but not by so much as to attract further scrutiny from European competition regulators, the London-based analyst said.

The scheduled delivery of further ultra-large container vessels suggests there could be up to three new weekly services at the beginning of the second half of the year which will give shippers even more choice and likely suppress freight rates.

The O3 trio — CMA CGM, United Shipping Co., and China Container Shipping Line — currently the smallest alliance in the trade with 21 percent of weekly capacity, is set to "leap frog" the G6 Alliance by the end of the year as it adds larger vessels.

The O3 carriers have the largest number of 13,000 TEUs-plus vessels due for delivery this year, while the G6 lines, which currently account for 24 percent of weekly capacity, have no such ships on order.

The G6 carriers — Hapag-Lloyd, NYK, OOCL, APL, Hyundai Merchant Marine, and MOL — also have the weakest port coverage and transit times while their lack of large vessels will cost them market share and cramp their ability to cut slot costs.

"Being in such an obviously weaker position risks them having to become price takers in order to fill their assets," which is why MOL and OOCL are reportedly close to order 20,000 TEUs ships, Drewry said in its latest weekly Container Insight. The six lines will hope they have not fallen too far behind by the time those ships are delivered.

With the CKYHE carriers — Cosco, K-Line, Yang Ming, Hanjin, and Evergreen — accounting for 24 percent of capacity, the four alliances control every service on the trade. But fears the formation of mega-alliances would intensify the homogenization of the industry where carriers can only compete with one another on prices as they all have the same services have proved unfounded.

"Closer inspection of the schedules reveals that the alliances are far from uniform and between them they have created a pretty well-balanced network with wide port coverage at both ends of the trade," Drewry noted.

Shippers can choose between 14 weekly services from Shanghai to Rotterdam, the two busiest ports in the trade and can call on 16 carriers (excluding non-alliance slot charterers) to get the most competitive freight rate quotes. Time-sensitive shippers also enjoy a wide array of transit times between the two ports, ranging from 28 days to 36 days.