ICC LOGISTICS SERVICES, INC.

LOGISTICS STRATEGIES

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FREIGHT CLAIMS MAY BE HARDER TO COLLECT

Many large companies are requiring their suppliers to ship their goods on shrink wrapped pallets and also require that the freight carriers sign the bill of lading as "Shippers Load and Count". The reason for this is to reduce the freight expense because the shipper may be receiving lower rates when these shipping conditions exist. There is another aspect to this and that is some freight carriers use the "S L & C" notation as a way of limiting their liability. Some carriers contend that if they picked up X number of pallets and deliver X number of pallets, they can not be held liable if there is an ultimate shortage, because they never signed for the actual number of pieces on each pallet.

While this may sound like a logical response, the fact remains that all freight carriers must thoroughly investigate each claim it receives. By merely declining these claims without a thorough investigation, the carrier may be violating the freight claims processing rules.

A recent declination letter we reviewed from a freight carrier clearly indicates that the carrier did not perform a thorough investigation as the following comments they made indicate. The facts of the claim are as follows: The shipper shipped three pallets of product and the customer clearly signed the delivery receipt as "44 cartons short at time of delivery".

1. "We did not physically handle the shipment in our system". Our response, then who did? The shipment moved from Indiana to New York, how did it get there if it was not "physically handled" by the carrier?
2. "We placed no other shipments on the trailer from the time of pick up to delivery". The shipment contained 3 pallets. There is no way the carrier moved this shipment from Indiana to New York with only three pallets on the trailer.
3. "Our records do not reflect any unusual incidents

> during our transportation of this shipment". Great statement, but the carrier did not supply any documentation such as internal trailer manifests to support their contention.

While the statements made by the carrier are certainly questionable, the carrier should be challenged to provide details to support their contentions. It is not enough defense for the carrier to just make blanket statements, they must be properly supported and shippers have every right to ask for such supporting documentation.

On the other side of the coin, no freight carrier should be required to pay any freight claim unless it is a valid claim. It always goes back to "Caveat Emptor"- The buyer beware! Both carriers and shippers have an obligation to make sure they have all the claim facts and share them with the other party.

Please take a moment to check out ICC's Blog @ http://www.logisticsstrategies.com to check out previous articles.

SUPPLY CHAIN INSURANCE

The tragic events related to the Earthquake and Tsunami in Japan last month are a clear indication that global supply chains may be at great risk for any number of reasons. Add to this the social unrest in the Middle East and you can see even greater risk potential. A good piece of business advice is for firms to have secondary suppliers in place who can make up the shortfalls should these extenuating circumstances occur.

Traditional Supply Chain Insurance previously required physical damage to trigger coverage. Now, however, in response to consumer demand, policies are available to insure against non-physical damage, such as strikes, political unrest, a pandemic, or acts of nature such as what happened in Japan.

Generally the Supply Chain Insurance allows the company to name the supplies and even the suppliers most crucial to the company. The insurance protects the business income in those instances when the reduction in the supply of materials leads to a reduction in a business' output. The insurance covers lost profits and extra costs associated with the break in the chain.

The first step to acquiring the insurance is to perform an assessment of the company's major suppliers, their risk of disruption, and the effects that disruption would have on the company's business. This is certainly sound advice for any business in today's fast moving and global supply world.

WHAT'S AHEAD IN LOGISTICS?

At the recent Transportation and Logistics Council Annual Meeting in St. Louis, a session was held covering a multitude of issues affecting the transportation and logistics marketplace. Here are some of the issues discussed:

- Human Capital Issues. AKA, driver shortages. In addition there is an expectation that there will also be a shortage of intermodal equipment because the carriers are no longer managing the equipment's chassis.
- Increased cost of fuel and insurance. No surprise here.
- Fuel economy; increased vehicle weight restrictions; changing driver behaviors, such as potential changes to carrier hours of service rules, as well as new driver safety regulations known as CSA 2010.
- Tight capacity is expected to result in higher transportation rates. Carriers will be more selective in the business they wish to haul.
- Recent 40% increase in rates in the Spot Rate market. Expected rise in general freight rates for the year - Truckload rates 11%, LTL rates 8%.
- Potential legislation to mandate charges be paid to carriers for detention charges incurred by shippers and receivers of freight.
- Local, state and federal regulations will be adding many new fees to generate additional revenues.

We certainly don't want to depress anyone, but these ARE the facts.

MEGA SHIPS, TRUCKS AND RAIL CARS

Maersk Line is in the process of purchasing several Mega ships that will hold the equivalent of 18,000, 20 foot ocean containers. Enough to fill Times Square in Manhattan up to the tops of New York's skyscrapers and for several blocks beyond. These ships are scheduled to be delivered between 2013 and 2015.

The initial delivery of 10 vessels will be put into the Asia-Europe trade routes which are the only lanes that can handle ships of that size, at least at this point. There is also a "green" benefit to these ships as they will cut carbon dioxide emissions by as much as 50%.

Maersk Lines is also betting on the fact that they will be able to reduce shippers' rates with these new ships due to the efficiencies they will bring. That is certainly another plus all the way around.

Not to be out-done, the trucking industry is wondering if they will require larger trucks to handle the volumes that will ultimately be coming to the US. The railroads and several consumer groups are fighting the use of heavier trucks for various safety reasons, however. There is also legislation floating around in Congress to give the states greater flexibility to increase the current 80,000 Pound Gross Vehicle Weight limits to 97,000 pounds. Shippers are obviously in favor of these changes because anything that increases truck carrying capacity is a benefit to them especially in the current environment.

The railroads for their part have been experiencing an increase in the length of trains each and every year for the past several years, that is obviously good news for them. These new productivity improvements allow the trans-continental railroads to run fewer trains to haul the same amount of cargo. This has been part of the railroads cost cutting initiatives for several years and it looks like this will be a continuing trend.

UPS CONTINUES TO LOVE LOGISTICS

UPS has recently reported their First Quarter, 2011 financials and they prove again that UPS really does love logistics, especially international logistics. UPS reported a 24% improvement in operating profits over the same period last year. Their global business grew 7.3% and provided UPS with an increase in their operating profit to $1.4 Billion, a 21% increase.

For the three months ending March 31, 2011, UPS delivered in excess of 957 Million packages. For their efforts, UPS has recently been recognized by Fortune Magazine as one of the "World's Most Admired Companies" and who can blame Fortune for bestowing that honor on UPS. They truly deserve it.

FedEx will be reporting their revenue numbers shortly and we see no reason why they should not be as impressive.