ICC LOGISTICS SERVICES, INC.
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WHEN IS A DISCOUNT NOT REALLY A DISCOUNT?

Deregulation in the motor carrier industry has created a tremendous opportunity for shippers to negotiate rates with their motor carriers based on their own shipping volumes and annual revenues. This has created a vehicle for shippers to reduce their transportation costs and for carriers to lock in business for a stated period of time. Today many LTL motor carriers are offering discounts in excess of 70%. Sounds like quite a deal! Well, sometimes it is and sometimes it is not. Let us give you some insight into a recent freight rate negotiation we completed on behalf of a client with their primary motor carriers.

The client used a total of three different freight carriers with carrier "A" receiving over 95% of the annual business. The client had a long-standing relationship with this carrier who continued to increase its discount percentage to offset the annual General Rate Increases it was taking every year. At least that is what the client thought. When we approached this client to perform a "Free" freight cost analysis to see if we could save the client any money by negotiating contract rates with its current carriers, we were told by the client "we don't think you will be able to save us any money because we are receiving a 78% discount from carrier "A".

The reality is that until you can perform an analysis of the client's shipping patterns, shipping volumes, product classifications, carrier base rate structures, accessorial fees and charges and the like you really do not know whether you have a good or a bad deal. Our client was intrigued by our "Free" analysis and thought it was certainly worth the challenge.

We analyzed the most recent six months of actual shipping data for this client and benchmarked the primary carrier's rates with other carriers offering similar services and transit time service levels. We then submitted bid packages to all of the incumbent carriers. The data contained all of the pertinent information the carriers needed to assess the "value" of the business being offered. Our bid package indicated the client was amenable to single sourcing all of their LTL volume to one carrier. The results were astonishing. The incumbent carrier offered a proposal to reduce its current rates by 30%. That alone would bring significant savings to the client's bottom line at a time when it is sorely needed. The best offer, however, came from a competing carrier who was only receiving a small portion of this client's business. This carrier offered rates which would lower the client's current freight expense by over 61%. Now that is a remarkable savings to put on our client's bottom line.

The reality is discounts are offered by the motor carriers as a way of enticing shippers to tender their business to the carrier. The real question that needs to be asked, however, is this. How does this 78% discount stack up against the competition? The problem is that most shippers do not have the capability of measuring one carrier's base rates and discounts against another. It is important to point out that you do not necessarily have to switch from one carrier to another to drive costs down. Carriers are looking for long-term commitments and our client was agreeable to a two year contract which certainly benefits both parties. It's all in the presentation of the data which will provide the carrier with all the details they will need to make an informed decision about the rate levels it is willing to publish. And remember, "Knowledge is power" and it takes someone with knowledge of carrier costing models and freight rate structures to really determine if a company is overpaying.

If you would like a "Free" analysis of your current freight cost structures to ascertain potential savings opportunities, please contact Tony Nuzio at (516) 822- 1183, ext 312.

BIG BROTHER MAY FORCE YOU TO GO GREEN

A bill was recently sent to the House Transportation and Infrastructure Committee which could have a profound impact on shippers by mandating they move more of their freight utilizing intermodal transportation services compared to over-the-road highway traffic. The bill is entitled "The National Transportation Objectives Act of 2009". The bill promotes six policy objectives including:

· Energy Efficiency and Security

· Environmental Security

· Environmental Protection

· Economic Competitiveness

· Safety

· Connectivity and Accessibility

The bill seeks to increase by twenty percent by the year 2030 freight traffic provided by railroad and intermodal services over highway movements. It also mandates a 40% cut in transportation generated CO_2 and seeks to triple walking, biking and public transportation use, again by the year 2030. The bill also seeks to reduce by 50% the number of traffic crashes, "zero percent population exposure" to at risk levels of air pollution and a 25% reduction in the average household transportation costs. The bill orders the Department of Transportation to meet its transportation objectives, ensure that current programs are consistent with these goals and align funding to meet these goals.

While this is a very aggressive proposal and one that is truly needed, we do not see how the Federal Government could possibly monitor the success, or for that matter, failure to achieve the desired results. Perhaps Washington is looking to improve the employment picture by adding more jobs and assigning each household a "Transportation Czar" to make sure we triple our walking, biking and use of public transportation. Again, it's a great idea but we believe it has very little chance of passage in its current form.

FEDEX CHALLENGES BIG BROWN

We have all seen the competition heat up between FedEx and UPS over the past year or so especially with DHL out of the domestic market. Well, FedEx is taking on Big Brown in a very aggressive new campaign against legislation that would make FedEx a target for unionization. FedEx termed recent legislation a "bailout" of UPS and FedEx is trying to tie UPS to the federal bailout of the auto and banking industry. They even set up a new website to bolster their case, BrownBailout.com.

In the campaign FedEx calls itself the "creator of the overnight delivery". It portrays UPS as the company that faced a strike by the Teamsters Union back in 1997 that crippled businesses and commerce. FedEx claims this new legislation is attempting to expose FedEx to those same risks.

The Federal Aviation Administration reauthorization bill which recently passed the House would shift FedEx's labor status from the Railway Labor Act and place it under The National Labor Relations Act. Under the RLA, express workers MUST be organized under a national union drive, whereas the NLRA provisions allow unions to organize one terminal at a time. This is a huge difference and would certainly place a greater financial burden on FedEx. Stay tuned folks as this fight will go on for some time.

BY THE NUMBERS

A few facts you might be interested in:

· Mexican truckers are suing the US for $6 Billion in damages because the US is not moving fast enough to re-establish cross border trucking.

· Diesel Fuel prices are at their highest point in 7 months, rising 14.6% during the week of June 8, 2009.

· Global air cargo revenue fell by more than 35% in the first quarter of 2009.