ICC LOGISTICS SERVICES, INC.

LOGISTICS STRATEGIES

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CURRENT ECONOMY CREATES COST CUTTING OPPORTUNITIES FOR SHIPPERS

One thing is very clear in this economy and that is every company whether large or small must do everything in their power to reduce as many expenses as possible to enhance their bottom line. For some businesses it will be a matter of survival. It is clear that most companies cannot improve their bottom line by generating increased sales because there are no additional sales to be had. So the only way to make a positive impact on the bottom line is to reduce as many expenses as possible.

Due to the severity of our current economic situation, we believe the culture of cost cutting will be here to stay long after this economy turns around. In the future, companies will have "C" level executives involved in Security and Cost Cutting which will be major focuses for businesses moving forward. Most companies cannot continue the status quo. As Albert Einstein once said, "the definition of insanity is doing the same thing over and over again and expecting different results".

So companies will have to step outside the box of traditional approaches to cost cutting. In the area of transportation and logistics, this should involve the greater use of Third Party Transportation and Logistics consultants that have the expertise to drive millions of dollars to the bottom line when their services are utilized. These firms work in several areas of cost cutting including Parcel Carrier Rate Negotiations, Motor Carrier Rate Negotiations, International Transportation Cost Reductions, Freight Auditing Services and various Technology Enhancement Services.

The benefits to working with these third party firms are many. First of all, they are experts in their field. They understand the various carrier rate structures as well as how to strengthen the relationship between the carriers and their shipper customers. And best of all is the fact that these companies usually work on a Gain Share arrangement where there are no upfront fees. They get paid from the savings they generate for the shippers. Therefore, there is no risk on the part of the shipper in engaging these Third Party service providers.

Why is it then that many shippers are fearful of looking into utilizing these companies to enhance their bottom lines? The reason is simple; most companies do not even realize these opportunities exist. Secondly, some carrier sales representatives put the fear of God into the shipper if they even think about utilizing a Third Party for these negotiation services. We find this point very revealing. Do they resist because they know the value these firms can bring to the bottom line? The proof is in the results they achieve for their shipper customers.

While there are some carriers who do not want these Third Parties involved, we have witnessed hundreds of very successful negotiations that have not only benefited the shipper by reducing their costs, but have benefited the carrier as well in long-term business commitments and additional revenue opportunities that enhanced the carriers' bottom line as well. As in any business arrangement, both parties must be comfortable with each other's approach as to how the business will be conducted. Our advice to shippers is to do their due diligence but do not let a great opportunity pass you by especially now when there is such a great need for cost reductions.

TRUCKING RATES TO REMAIN STABLE

It's another case of good news and bad news depending on what side of the fence you sit. The good news for shippers is that trucking rates appear to be stable for the immediate future, but the bad news for carriers is that the up-tick in business they were expecting in the second quarter just did not materialize.

A recent survey by Avondale Partners indicated a 49% drop in motor carrier bankruptcies between the first quarters of 2009 vs. 2008. Here again, we see another example of the good news/bad news comparison. For those carriers who were able to weather the storm, they continue to hope for a strengthening in the economy for their survival. And for their competitors hoping they would shut their doors and provide additional tonnage to help improve load factors and enhance their bottom line, no such luck.

So where does this leave the industry as a whole? In our opinion, the motor carrier industry in both the LTL and Truckload sector should be doing everything in their power to strengthen their current relationships with their shipper customers. Remember, this economy will turn around, although no one really knows when. So the key here is building strong relationships to weather the current storm while at the same time building on the future. Are there opportunities for the carriers to reduce their shipper customer's rates now? If so, it may be a good idea for the carriers to bring those savings to the table before their competition brings them up. On the other side of the coin, are there additional business opportunities with the customer that will aid the carrier in reducing its cost to serve? What efforts are being made to understand these opportunities?

We are keenly aware in this very competitive marketplace that carriers may be really struggling financially with certain shipper rate structures that continue to erode their bottom line. Does it make sense for them to continue operating at these huge losses? What efforts are being made to work with the shipper customer to stop the bleeding? We can tell you that we have seen a new wave of creativity from several motor carriers in both the LTL and Truckload sector. These carriers are dropping their "normal" business standards to be as creative as they can to generate new revenue from their shipper customers. It's time for both shippers and carriers to step outside the box of traditional business practices and be as creative as possible to strengthen business relationships for the future benefit of BOTH PARTIES.

DEFENDING AGAINST THE PIRATES

The Department of Defense, Coast Guard, Senate and House committees have been meeting with industry leaders to discuss what should be done to protect US shipping interests in the Gulf of Aden. It appears the Coast Guard is just about ready to craft a new security directive for the US Fleet. The Coast Guard wants these practices to become mandatory for ships in dangerous waters.

According to Dana Goward, the Coast Guard's anti piracy expert, "nothing is off the table, however there is a general consensus that arming the ship's crew is not a good idea". Mr. Goward also stated that the Coast Guard is working through more complex issues involving the International Maritime Organization and the Contact Group on Piracy Off the Coast of Somalia, an international ad hoc group.

These attacks by pirates have been costly for many ocean carriers like Maersk Lines who has seen their insurance premiums increase 25% since the pirates stepped up their attacks. And you can be sure more surcharges are on the way. Spokesmen for the Maritime Administration of the US Department of Transportation recently reported that a surcharge would be imposed to reflect the heightened risk of doing business in dangerous waters.

The current cost of the war risk binder is estimated at $20,000 per shipper voyage compared to only $500 a year ago. The total impact is expected to reach in excess of $400 million. Guess who gets to pay these premium increases?