

"MESCA ON THE MOVE" - Spring 2011

CEO CORNER

Keeping Up With the 2011 Domestic Trucking Marketplace

The February issue of The Journal of Commerce reported that the Q-04 2010 combined operating ratio (OR) for the nation's largest publically-traded LTL carriers was 99.9. Considering that an OR of 100 is breakeven, the profit picture for the LTL industry, with a few exceptions, has been dim. The 2010 \$27.5 billion LTL market shrunk substantially from pre-depression levels, but increasing signs of economic recovery and a positive swing in consumer confidence may signal a shift away from the brink for LTL service providers.

All of us that consume LTL services can be assured of continued rate hikes as carriers struggle to overcome red ink and return to profitability. Carriers have been shedding excess capacity in response to the economy for some time, and have found that "doing more with less" can happen with minimal impact on service and positive impact on yield as long as they don't give it all away in discounts. With the economic recovery helping to remove excess capacity from transportation's providers (both LTL and TL), the carriers no longer have to compete with price to "keep the lights on." Add in uncertainty about the proposed hours of service change, coupled with the increase in the cost of equipment purchases (power unit prices have increased 25% in the past 5 years alone) and the carrier community has little choice but to raise rates to operate in the black. *All these factors have combined to signal the shift from a buyer's market to a seller's market in the domestic trucking arena.*

MESCA has been educating our clients about preparing for-- and managing-- this shift when it happened. We have reported that "crazy" discounting was unsustainable and therefore should not be built into future client freight budgets. We cautioned that "too good to be true blanket pricing" would not be sustainable. We have discussed repeatedly the need to select solid carrier providers and create a true partnership with them. Our on-line TMS-Vision program helps MESCA clients manage their LTL transportation budget, making certain to get the best service available for each dollar spent. We have educated our clients about the need to use VOLUME PRICING on all "chunky" shipments. We have provided inbound routing guides and help desks to answer vendor questions. We have, over the last 15 years, provided hundreds of Freight 101 seminars where each attendee learns how to directly and properly manage transportation in their particular work environment.

In summary, MESCA has provided our clients with the education and professional logistics support to both negotiate and finalize individual carrier pricing agreements. As we move into Q-2 and the transportation environment continues to evolve, please take advantage of all the MESCA tools at your disposal that will allow for the hands-on management of your TRANSPORTATION SPEND. If you are not set up with our TMS-Vision you should be. Please contact vision@mesca.com for a demonstration.

Please let me know how MESCA can help your business:

jheckman@mesca.com; 603-662-9137 cell

John A Heckman, CEO



Inside This Issue

- *CEO Corner*
- *Building Carrier Relationships*
- *Decking Vs. Stacking*
- *Vision—Electronic Pickup*
- *Proper Receiving Guidelines*
- *Managing Inbound Vendors*
- *NMFC Classifications*
- *Mode Shifting*
- *MESCA Employee Profiles*

Fleet of The Year Awards

"Fleet Owner", a magazine that covers the commercial trucking industry chose **Old Dominion** as runner up in the "For Hire" category in the 2010 Fleet of the Year Awards.

ODFL was the only public LTL carrier with more than \$1 billion in revenue to declare a profit in 2009.

Each honored fleet operation has been selected by the editors in recognition of the innovative management techniques its owners and/or executives have implemented to advance the fleet's overall mission and to overcome any immediate roadblocks to continued success.

Building Partnerships With Chosen Carriers

(Dan Pacella)

Today's transportation landscape finds available capacity at unprecedented low levels. These low levels will obviously impact costs moving forward. Equally important is the effect these levels are having and will continue to have on service.

Because of a carriers lack of capacity, shippers may find it difficult to get a carrier to respond to a special "out of the box" need . This places an urgency on shippers to strengthen business relationships with their chosen carriers. Your relationship can be the qualifying factor in directing carrier staff to "go the extra mile" on an unexpected service condition. In busy seasons, when pickup drivers find their trucks filling early in the day, your carrier relationship may be the factor in a dispatcher's choice of missing your pickup or the customer across town. Being a "Known Shipper" can be a very powerful tool.

Transportation is 90% communications/technology and 10% trucks. Establishing and nurturing a level of business communications with various personnel at your chosen carriers is critical today. After all, if you have a customer service need, these are the people that will help satisfy it. The people/positions that have the greatest influence or impact on your level of service are your local carriers' pickup and delivery driver and their sales representatives. Get to know these people. Develop a rapport that can be "redeemed" for added care in handling of your freight and special needs as they develop.

Equally important are the terminal managers and dispatch personnel. They can be the key to resolving a challenging service issue or something that sounds very simple such as a routine pick-up or delivery. Pick up the phone and call your preferred carriers' terminals and introduce yourself to these key operational people. It is an investment in time that will yield "dividends" moving forward. They are in essence an extension of your business and play a key role in yours and *your* customer's satisfaction levels.

How do I know this? Because early in my sales career, I found myself arriving at my employer's truck terminal very early in the morning to "keep an eye on" certain customer's shipments made the previous day. This added level of service resulted in a service performance that exceeded the customers' expectations. My need to "follow" a customer's shipments hinged upon my relationship with the people at these companies.



Historical Fuel Surcharge Rates

During 2007, the fuel surcharge rate for LTL shipments ranged from 15.0% to 25.3%.

The fuel surcharge rate for LTL shipments started 2008 at 24.3%, rose to 38.5% on July 16th and then decreased to 14.1% at years end.

From the start of 2009, the fuel surcharge rate continued to decline until mid-March at which point the fuel surcharge was at the lowest point during the past 2+ years. Since that time, the fuel surcharge has steadily increased with small (sharp) peaks every few weeks.

LTL Fuel Surcharge History

- 03/30/2011 30.2% - 2011 peak
- 01/05/2011 24.2% - 2011 low
- 12/29/2010 23.8% - 2010 peak
- 02/17/2010 18.4% - 2010 low
- 10/28/2009 18.9% - 2009 peak
- 03/18/2009 11.0% - 2009 low
- 07/16/2008 38.5% - 2008 peak
- 12/31/2008 14.1% - 2008 low
- 11/28/2007 25.3% - 2007 peak
- 01/31/2007 15.0% - 2007 low



Decking vs. Stacking: There is a difference

(John Heckman)

With the current freight environment's growing capacity issues, both LTL and TL carriers are in a full court press to utilize every square foot of space on each trailer.

In the past, when "improved load factor" was the top priority, we, as consumers of transportation services, could look forward to more damages, split shipments and generally increased freight claim experiences. In an effort to both improve load factor and minimize freight claims, our carrier partners have invested to various degrees in trailer decking.

Trailer **decking**, in its various configurations, is simply a movable second floor in the trailer, allowing for the safe uploading of pallets without the danger of the bottom pallet getting crushed. **Stacking** is when pallets are piled on top of one another without the benefit of decking.

So, in today's shipment planning, another question needs to be asked when quoting either a TL or a volume shipment. Along with "Can the shipment be stacked?", a client must be asked "Can the shipment be decked?"

The reason for the second question is because, by definition, unloading decked product requires a forklift at the consignee's dock. *This is especially true for TL moves and volume "headers" moving in the LTL network.* Normal LTL shipments are not an issue since they are normally not tendered decked unless the driver knows there is a forklift available at the consignee's to unload.

If you have any questions regarding this matter please contact your MESCA account representative.

Vision TMS Adding Electronic Pickup Request Feature

(Eric Littel)

As our Vision TMS continues to evolve, I wanted to take some time to let you know of an exciting new feature you can expect in 2011.

The missing link between our TMS and our carriers was an electronic way of tendering freight. We are working with our carrier partners to provide electronic pickup requests. With just a click of a button, a shipment will be electronically sent to the carrier for pickup. No more calling the carrier.

This allows Vision to aide in every step of the logistical process: quoting, shipment creation, BOL generation, electronic pickup request, and finally ,tracing.

As with any electronic process, there are several conditions that need to be met and a few validations that we can do on our end to provide this integrated pickup feature. Our goal is to make it as seamless as possible.

Be on the lookout for the first of many carriers to support this feature in Q2 of 2011. More information will be provided as we test and confirm carrier compliance.



Con-way Freight introduces its nationwide deployment of **SafeStack™**, an advanced load management and cargo protection system installed across its fleet of 16,800 freight trailers in North America.

SafeStack™ is a unique, adjustable decking and bracing system that eliminates double-stacking. It braces each shipment, prevents in-transit shifting and ensures products travel in same condition from pickup to delivery.

To learn more, visit:

<http://www.con-way.com/en/freight/innovations/safestack>



Proper Receiving Guidelines

(Mark Hagopian)

Ninety seven percent of all shipments are delivered by the common carrier network without exception. In an effort to safeguard your company in the event of a shortage or a damage, we suggest the following precautions:

- Carefully count pieces to insure that what is received matches the carriers delivery receipt. In the event of a shortage, make sure all copies of all paper work is clearly signed with the amount of pieces short and exactly the commodity that is missing. **As the receiver, you only have one shot at the piece count.** Once the driver has left your dock, any additional discovery will be null and void.
- On goods that are clearly not in factory fresh condition, it is required that an exact description of the damage be noted on the carriers delivery receipt. "Subject to inspection" and "damaged" are no longer acceptable. You must make note of what commodity on the shipment was received in this condition.
- The 15 day concealed damage rule is always in effect if a damage isn't immediately visible at time of delivery. Keep a digital camera accessible at all inbound receiving locations. Please contact your local MESCA representative for a personalized PDF Instruction manual for receiving inbound goods specifically for your company.

Managing Inbound Vendors

(Mark Hagopian)

Purchasing Managers are challenged daily with the responsibility of procurement of raw materials used in the manufacturing process. Seemingly, freight costs, at times, takes a back seat. There are certain stop gaps that can be put in place to insure the most efficient, economical practice on inbound collect shipments and that a vendor (on vendor-paid freight shipments) does not use it as a profit center.

On inbound collect shipments, first check to see the frequency of these moves. If these shipments from a specific vendor move more than once a week, first look to consolidate shipments. If these shipments are in excess of 5000#, they could be eligible for a volume rate. Then check to see if a majority of these vendors are in a close proximity to each other. It might make sense to establish a "milk run" (a truckload with multiple pickups).

It is good business practice to perform an annual examination of vendor-paid freight (FOB your dock) to check if it is beneficial to change these shipments over to freight collect (FOB shipper's dock). MESCA has both free analysis and software that will aid and assist you on this project as well as several help desks established which will insure your company gets their raw materials delivered on time, at the best landed cost.

Please consult your local MESCA rep if you would like their assistance in performing this inbound freight study.

Employee Profile

Eric Gold



Born and Raised in Los Angeles, California. I received my Bachelor's of Science Degree – Colorado State University in Fort Collins, CO; Master's of Science Degree – Western Illinois University in Macomb, IL; Juris Doctorate – University of LaVerne in LaVerne, CA

I got into the freight business while I was going to law school at night. In the middle of my second year (1996), things were going well in the freight business. I partnered with Greg Rich (my brother-in-law) to open our own freight brokerage and forwarding operation.

In 2001, one of our employees showed us an ad in the NASE Journal for MESCA. We called and spoke to Denny Reed. That's really where it started and when we began to see the future of selling freight through MESCA Freight Services.

We continued to develop the business until 2009 when we became agents for MESCA Transport in 2009.

I live in Calabasas, CA, which is within 5 miles of where I grew up. I have been married for over 15 years and have a 13 year old daughter and a 9 year old son. My daughter is an avid softball player, right now she is concentrating on catcher and 3rd base. My son LOVES basketball, and plays forward. I enjoy coaching my daughter's softball teams and playing basketball with my son. I'm interested in cycling— both mountain and road.

Oh, did I mention that I'm a California licensed lawyer?



NMFC CLASSIFICATION

(Denny Reed)

The National Motor Freight Classification (NMFC) contains the classes for almost any product that might be carried by our nation's trucking companies. Of considerable confusion and often dismay to the shipping public is the logic behind how these classes are determined. The primary considerations are made by looking at the following characteristics:

Stowability: Is the product excessive in length, width or is it an unusual size? How does it fit with other freight that may be shipped on a trailer?

Handling: Is the product palletized or unitized? Does it take special equipment to handle? Are any special precautions needed?

Liability: Does the product have low or high value per pound? Is it susceptible to theft? Is it perishable? Will it damage other freight? Is the packaging sufficient to adequately protect the freight?

Density: Noted as pounds per cubic foot, and is the key characteristic in classification. What was once shipped in bulk quantities is now individually packaged for the consumer. For example, twenty years ago, boxes of nails were shipped in 50 pound boxes, and were more dense and profitable freight for the LTL carriers. Today, these same items are shipped in cartons containing bubble or blister packs ready for immediate display on retail racks. The density is much lighter (less weight, larger space) and the NMFC has needed to adjust many commonly shipped items to properly compensate a carrier for these new packaging characteristics.

There are eighteen possible classifications. The classifications are numerical ratings from 50 to 500. The higher the class is, the higher the cost to ship per pound. For example, ping pong balls (class 500), since they are very light, wouldn't have the same number of billable pounds per linear foot as a shipment of a much denser product such as bowling balls (class 70).

In some cases, classes for a particular commodity are based on released value (per pound). If you omit the proper sub number and class and do not list the value on the bill of lading, the carrier reserves the right to charge the highest possible class for that commodity.

If your product's class is based on density and you do not choose the correct sub number/class based on its' correct density, the carrier may weigh and inspect it, resulting in a freight bill correction for which most carriers charge a fee in addition to adjusting the freight charges.

Now is the time to proactively review your National Motor Freight Classifications (NMFC) from both outbound and inbound perspectives. Even though you may have been using certain NMFC items "for years, there is an excellent probability that some of your items have changed over time.

Our suggestion would be to contact your MESCA Account Representative or one of your partner carrier reps for advice on the best way to update your NMFC profile.

It's also a great time to do a self-audit on your freight bills to look for weight and inspection fees which are an excellent warning sign and indicator of NMFC problems.

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Mode Shifting Within Transportation Arena

(John Reed)

In wondering, recently, what kind of changes lie ahead in the transportation arena, it occurred to me, we need to look back. Though there were many changes in the less than truckload industry in the last 35 years, I feel three changes played a tremendous role in sculpting our transportation environment today.

1. **In the 1980's, Small Package couriers (UPS Parcel, FedEx) offered Hundred-weight or Multiweight rates** and took away many of the smaller shipments from the LTL carriers. This resulted in the loss of thousands of weekly shipments with LTL carriers and little to replace it.
2. **Private Fleet/Owner Operators/Independents/Brokers** start handling partial loads of heavy, larger volume shipments. Again, taking away from the LTL carriers. This led to the LTL carriers offering spot or volume rates to fill their empty lanes, passing on huge savings per pound over the LTL class discounted rates on shipments that qualified.
3. **Deregulation** – This resulted in the discounting being controlled directly by the carrier. As a result, today we see “top line” carriers trying to operate with a net of 15% and less from original charge..

These three changes are all very different in nature, but each had a huge impact (today more than ever) on our LTL industry.

Discounting in particular, is what we at MESCA see as the ignition switch for those changes you as shippers and receivers will see tomorrow. Carriers are, as we are going about our daily responsibilities today, studying the nature of the freight they handle today to determine how they can realize a profit.

So, What can you the “payer” of the freight charges do? Stop looking at discounts as the solution for freight savings! Get acquainted with what is current in the transportation industry and what other rates or modes are being offered (volume/spot, or pallet rates, maybe intermodal). Take a look at your buying programs (consider paying for the freight rather than having it included in the cost of the product you purchase; combine multiple orders to ship together for greater savings per pound. And finally, MESCA is here to assist anyone of our clients looking to better prepare themselves for the impact of today's changes within the Transportation Arena.

Your comments and contributions are welcome

Please submit to:
Lisa Shelton (Editor)
lshelton@mesca.com

Employee Profile

Kim Austin



Born and raised in the Belgrade Lakes, ME region, with it's many season camps (and restaurants), I started waitressing at an early age. This led me to working as Management within the restaurant industry. With this responsibility came a crazy work schedule, so I accepted a position as Customer Service Manager in the flooring industry, focusing on training new employees.

Then, I discovered MESCA Transport. I was hired in December of 2003. I had very minimal knowledge of the trucking industry, but was intrigued by the challenge that MESCA offered and accepted the position.

In October of 2007, I transferred to the MESCA Freight division which meant an introduction/education of the less-than-truckload aspect of transportation. My current position with MESCA is in the Pricing department. I look forward to the day-to-day challenges this position offers..

I live in Belgrade with my husband, Matt, of 6 years, my daughter, Sienna, 13 ½ years old and our two dogs (Winchester & Meretto).

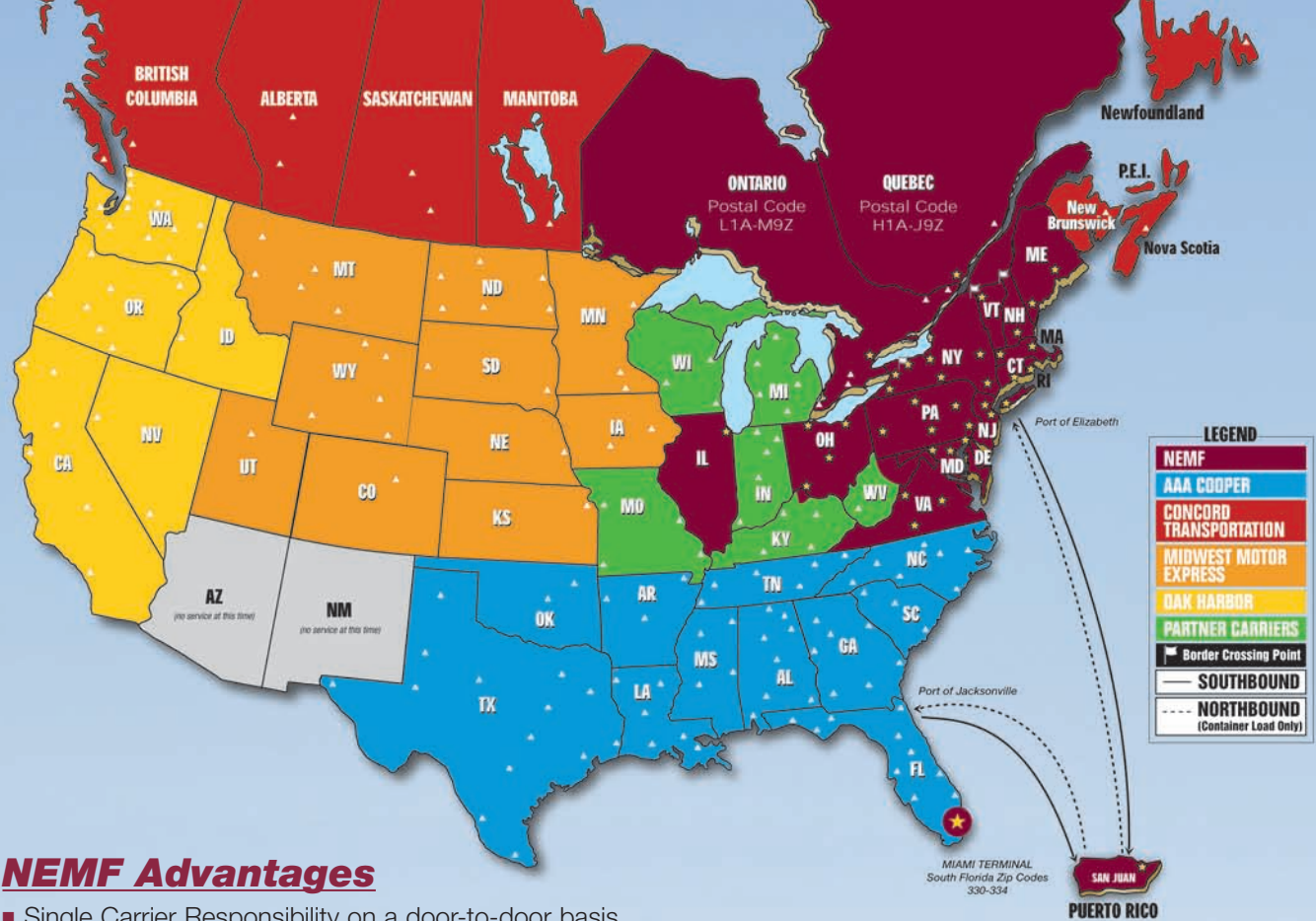
As a family, we love to take day trips up to the mountains. In the summer, our hobbies include: landscaping, boating and working on our spring-fed pond. In the winter months, we live to snowmobile and ice fish.

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Elizabeth/San Juan LCL & CL Sailing Schedule

Direction/Type	NEMF Pick-Up [†]	Sailing Day	Ocean Carrier Arrival	Delivery Date
Southbound/Vessel	Wednesday	Friday	Tuesday	Wednesday (*)
Southbound/Barge	Tuesday	Thursday	Thursday	Friday (*)
Northbound/Vessel	Thursday	Monday	Friday	Monday
Northbound/Barge	Monday	Thursday	Thursday	Friday

**Expected delivery date in Puerto Rico is contingent upon excise tax clearance by consignee. Contact numbers below for CL sailing schedule for Jacksonville, FL.*

[†]Indicates that this is the day that the freight must ship from an NEMF 1 day point in order to meet the sailing day. Revised recently to comply with Federal Trade Regulations.



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