



# AMTR heads coast to coast

## The industry leader visits Washington, Texas and Florida

### A Fall Full of Events Across the Country

American Truck and Rail Audits continues to be a staple of freight conferences throughout the country. Our VP of Sales, John Via, has been informing attendees of the benefits of working with the After-Payment Freight Audit leader, **AMTR**.

We are returning again to Seattle for the PNWARS Fall Meeting, San Antonio for the Frac Sand Supply & Logistics Conference 2015 and Orlando for the SEARS Fall Meeting.

Not a customer? Stop by and find out what **AMTR** can do for you. Already working with us? Find out more about the industry and stay abreast of trends.

**AMTR** is your knowledge resource!

### Rail Shippers and Railroads Speak Out at STB Hearing

The Surface Transportation Board held a very important hearing for rail shippers—especially captive shippers—last month. The hearing lasted two days regarding Ex Parte 722 on railroad revenue adequacy and Ex Parte 664 on calculating the railroad's cost of equity capital.

AAR officials and other representatives from various Class I's insisted that the STB had no legal power to force railroads to lower rates just because a railroad's profitability has made them "revenue-adequate." AAR President Ed Hamberger stated that the STB will be at risk of "upending numerous national economic goals if they choose to pursue re-instituting revenue caps on freight rail companies." Additionally, CSX Corporation Executive Vice President and Chief Financial Officer Fredrik Eliasson agreed that railroads that are revenue-adequate and earn their cost of capital should not be punished with capped shipping rates. Rail advocates believe that any regulation of revenue levels by the government would contradict the Staggers Act of 1980,

which partially deregulated the rail industry, in order to promote efficiency and economic growth. In testimony presented by the Concerned Shipper Associations (NITL, The Fertilizer Institute, The Chlorine Institute and the American Chemistry Council), witnesses urged the STB to create new rules to help captive shippers by lowering prices through competitive switching or rate caps. The NITL, Allied Shippers and Consumers United for Rail Equity said STB rate policies must be changed. They argued that while rail profits have grown, STB's mechanisms for reviewing rates have not kept pace. Kelvin Dowd, a Washington attorney appearing for Allied Shippers, argued that "a revenue-adequate carrier should not be allowed to impose further rate increases on a shipper's captive traffic. Once a shipper can show market dominance and revenue adequacy, further increases should be illegal."

The STB annually determines whether Class I's are revenue-adequate, a concept that describes whether a railroad is earning sufficient revenue to cover its costs and earn a reasonable return sufficient enough to attract capital. The hearing explored how the board should regulate railroads that are revenue adequate, and how such an adequacy finding should impact the regulation of rail rates, among other issues. The STB will now have to determine what revenue adequacy means and how a revenue adequacy determination will be utilized in the future. Both shippers and railroads will now be awaiting to see what actions the Board will propose.

## The Road to a Solution for Transportation Funding

A long-term solution for transportation funding is still needed. U.S. roads, bridges and highway infrastructure are in great need of repair. Pending a solution, the infrastructure continues to crumble all around us. This will start a wave of negative impact, beginning with transporting carriers, back to the manufacturers and eventually drowning customers in an unstable product market and transportation costs.

As the 33rd short-term extension expired on July 31st, the House of Representatives and Senate began frantically developing solutions to the looming deadline. As a result, by the 15th of July both the House and the Senate had approved their version of solutions. The House approved a five-month extension, H.R.3038. It was said that this will allow lawmakers to combine their efforts and reach an agreement for a long-term spending bill by December 18th. Meanwhile, in the Senate, approval of their own multi-year transportation bill, S.1732 has been granted.

The House did not progress further, aside from passing the short-term extension. However, the Senate continued with more plausible options for a long-term spending bill. Senate majority Leader Mitch McConnell stated that he was closing in on a long-term transportation agreement with a top Democrat—Senator Barbara Boxer—with a little over a week left before the January 31st deadline. The McConnell-Boxer bill made its debut just an hour before a scheduled floor vote and it was voted to not be reviewed at the time.

The morning after debuting a six-year bill to reauthorize surface transportation programs for infrastructure investment and safety, the Senate had voted to allow talks to begin on this new bill. Amendments would begin to filter in as lawmakers had the time to read through the massive bill. With only a day left, the Senate passed the long-term transportation bill and the deadline was met; however, House lawmakers had already recessed for their August break. As a result, the Senate's long-term transportation spending bill will hang in the balance until it goes up for consideration during the fall session.

Don't allow the negative impact to drown your company in extra transportation costs – let **AMTR** ensure you are being billed accurately.

## Don't Be Dense When Figuring Density

The National Motor Freight Classification manual contains many density-based classification items. When the density of a shipper's product is not indicated on the bill of lading or when there is insufficient information provided, the highest class found under the item heading will apply.

In order to avoid the costs usually associated with a classification as high as 400, it is vital for a shipper to document the correct density, or at least the correct cube

and weight so that density may be easily determined. A carrier may elect to inspect any shipment for any reason. At this time, density will usually be calculated, and if the density discovered by the carrier differs from that which is indicated by the shipper, charges will be adjusted accordingly. One might expect that a density determined by an official shipment inspection is infallible, but this is far from the case.

NMF 100 Item 110 Sec. 8. describes density as "the actual density of the articles shipped, as measured in pounds per cubic foot." While this may seem like an obvious statement, it is indeed a necessary one because some carriers are too often caught up by the idea of "effective cube," which is essentially a manufactured cube determined by using the maximum width and height measurements, based on equipment size. The effective cube is applicable only in certain situations, outlined in the carrier's rules tariff. There are specific applications for which the effective cube is necessary; however, it has no bearing on density as it is used for classification purposes.

Sec. 8. (d) of Item 110 contains an important piece of information which some carriers commonly overlook: density is to be calculated based on each handling unit individually, except when "only a total weight for all handling units" is indicated on the bill of lading. Carriers often calculate a total density on a multiple-unit shipment as a matter of course. This is an incorrect practice that may cost the shipper a great deal more money than is necessary and fair.

For example, consider a shipment consisting of two pallets containing plastic articles, one skid measuring 48"x48"x96" and the other measuring 48"x48"x20". We will say that each skid weighs 200 pounds. If we make separate calculations as prescribed by Item 110 Sec. 8. (a), the density of the first skid would be 1.56 PCF and the second would be 7.5 PCF, resulting in classifications of NMFC 156600-2 class 300 and NMFC 156600-5 class 125, respectively. However, if we add the individual cubes together and divide into the total weight, we end up with a total density of 2.59 PCF, which corresponds to NMFC 156600-3 class 250.

The charges will most likely be higher when based on the total density, depending on any exception classes that may be prescribed in your company's published pricing.

**AMTR** is your best defense against overcharges based on incorrect density calculations. Ask us today how we can get started auditing freight bills for your company. Our service never costs—it pays!

### Quote

No man's knowledge can go beyond his experience.

—John Locke

# American Truck and Rail Audits, Inc.

## August 2015 Brain Teaser

### Q

You have three boxes of fruit. One contains just apples, one contains just oranges, and one contains a mixture of both. Each box is labeled – one says “apples,” one says “oranges,” and one says “apples and oranges.” However, it is known that none of the boxes are labeled correctly.

How can you label the boxes correctly if you are only allowed to take and look at just one piece of fruit from just one of the boxes?

Find the solution for  
this brain teaser at  
[amtr.com/brain-teasers](http://amtr.com/brain-teasers)



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