

# The Visibility Group

Cube Based Pricing, solutions to STB antitrust ruling

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## The Visibility Group

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### Cube based pricing, a solution to antitrust STB ruling.

Since 1936 we have used the NMFC as the basis to determine the class of our shipments. This complicated system has served us well, but has many flaws when it comes to efficiency in today's supply chain that is increasingly becoming global.

Since the 1940s, motor carriers have been permitted to collectively determine rates and practices that apply to the transportation they provide. Under the Reed-Bulwinkle Act (Reed-Bulwinkle), now codified (as to motor carriers) at 49 U.S.C. 13703, motor carriers acting collectively could be immunized from the antitrust laws by submitting the agreements governing their collective activities to the Interstate Commerce Commission (ICC) (and now to the Surface Transportation Board) for approval. Most collectively set rates are for Less than Truckload (LTL) movements established in conjunction with the National Classification Committee (NCC) classification procedures.

Classification, which involves the grouping of commodities with similar transportation characteristics into categories, or "classes," does not involve the actual setting of rates but is a part of the motor carrier ratemaking process. Every commodity that can be shipped by truck is placed into a class with other commodities with similar transportation characteristics, and each class is assigned a number, which increases as transportability becomes more difficult. In order to reach a final price, carriers using the classification typically apply a rate to the class into which the commodity transported falls. Under the current regulatory framework, a carrier on its own may determine the rate applied to the class, or a motor carrier rate bureau may set it collectively.

Shipment classification and collective rate making, that was only determined by a group of carriers was eliminated by the May 4, 2007 Surface Transportation Board decision. The question now is "what are our options"

- Keep on using the current system without antitrust immunity.
- Find a system that carriers AND shippers have equal input.

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What The Visibility Group is proposing, “Cube Based Pricing”©™ is a way both shippers and carriers could benefit from the new structure, a process-based concept that has shipment size as the basic measurement to determine rates and charges.

A Shipper and Carrier agreement is law and shipper business requirements should be in carrier agreement. We should remember not all rates are created equal and to Keep it Simple, and don't buy what you don't need. This is the basic concept of the solution.

The solution also allows you to determine what your insurance or cargo liability is, best dates to ship, and known shipment size to help carriers determine load factor and final mile delivery vehicle size and manpower. This simpler pricing structure is consistent pricing with the rest of the world for international shipments, and an alternative to NMFC rating structure.

## **Benefits to shippers**

- Pricing based on “shipper-controlled options”.
- Container/package/pallet dimension.
- Freight valuation, shippers don't pay for services they don't need
- Simplified pricing structure
- Simplified shipment rating process

## **Benefits to carriers**

- Pricing based on use of carrier's scarcest commodity – space
- Carrier gets paid for services provided
- Simplified pricing structure
- Reduced cost of audit
- Opportunity for quicker payment
- Pricing can be fine tuned

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The time to reevaluate our shipping methods and carrier selection in a global market is now. Cube Based Pricing©™ is right in step with the STB decision and is a solution the industry has spent years trying to develop i.e. a more efficient way to increase visibility into all of the world's supply chain.