

The Impact of the STB's May 7, 2007, Decision on The National Motor Freight Classification (NMFC)

The NMFC has stood the test of time and continues to be vital because it works well for both carriers and shippers. To quote Mark Twain, *“The rumors of my death have been greatly exaggerated.”*

In the wake of the Surface Transportation Board's decision terminating its approval of the eleven (Section 5a) agreements covering motor carrier bureau activities, including the classification-making activities of the National Classification Committee, there has been a tremendous proliferation of misinformation as to what it all means. Not surprisingly, people throughout the industry are asking how motor carrier pricing will be affected. Trade publications are attempting to sort it out for their readers, and people within the transportation community are talking to one another, trying to figure out where things are going and, more importantly, what they must do to be ready. It is fair to say that, at this point in time, people are searching for answers.

It is regrettable that some folks are attempting to exploit the present circumstances by spreading the word - in public as well as behind the scenes - that the National Motor Freight Classification is dead and that motor carriers will now have to abandon the NMFC and the class-rate system. Critics of the NMFC no doubt welcome such expressions, but I dare say that the vast majority of Classification users do not. In fact, we have been hearing from a great number of carriers, shippers, and other transportation professionals who are alarmed at the prospect of losing the NMFC. Those who have contacted us have voiced their strong support for the NMFC and have told us how crucial continuation of the NMFC is to their businesses.

The STB's decision presents both challenges and opportunities to everyone involved. It most certainly does NOT spell the demise of the NMFC. Those who suggest otherwise are very misinformed and are engaging in speculation or perhaps wishful thinking. They

are offering erroneous opinion as fact - or worse, intentionally spreading misinformation. They are doing a great disservice to the transportation community.

The essential value of the NMFC is that, unlike other rate bases, it gives due consideration to the variety of service demands placed on the carrier by the diverse physical characteristics of LTL freight. No other system assesses the impact of the four transportation characteristics (density, stowability, handling and liability) that represent all of the factors bearing on the “transportability” or service requirements associated with any commodity. These service demands range from the special handling and stowing requirements associated with hazardous materials and fragile lampshades to coping with the disruptions in normal terminal operations that result from the movement of flagpoles. The majority of motor carriers and shippers who use the Classification value this unique attribute, recognizing that only by taking all of the relevant commodity characteristics into account can they accurately assess the transportability of each of the myriad products moving in commerce.

The STB decision recognizes that, even without antitrust immunity, the classification process could be continued, perhaps with some adjustments. Regardless of what adjustments may be made, however, the development and maintenance of the Classification will be continued and this will occur in a fair and unbiased manner true to well-established principles, many of which were approved by the ICC and/or STB.

We are committed to enhancing the NMFC and making it and the classification-making process more flexible, more useful, and more effective than ever before. For example, we have included in ClassIT™ - our online version of the NMFC - an extensive embedded “synonyms” list that makes it much easier to find the applicable classification. For many commodities, it is no longer necessary to know beforehand the classification description or item number or how to use the index. With this new feature of ClassIT, many classification provisions can now be located using common terms or trade names.

As a byproduct of our work with the NMFC, we are committed to developing Classification-related products and services that support the transportation community. For example, the NMFTA has collected and maintains a tremendous amount of information from a variety of sources that is related to the transportation characteristics of the products it has analyzed. While continuing to gather such information, we will develop ways to make it available to the transportation community.

NMFTA also provides an array of informational products and services that are in no way impacted by the STB's decision. For example, in addition to the NMFC, NMFTA owns transportation-related identification codes that are of great value in transportation and commerce. These include the Standard Carrier Alpha Codes (SCAC) that identify tens of thousands of transportation companies worldwide and the Standard Point Location Codes (SPLC) - specifying points that originate and receive shipments throughout North America. NMFTA's codes are also ideally suited to contribute to homeland security because they were developed to facilitate the electronic recording, storage and analysis of information relating to shipments moving in commerce, their points of origin and destination, and the companies that move them.

The bottom line is that there has been a proliferation of confusing statements and misinformation predicting the demise of the NMFC and the NMFTA. These statements are not only regrettable but completely erroneous. The NMFTA is committed not only to maintaining but improving the NMFC and the classification process while it moves forward to enhance its ability to serve the needs of our members, the transportation community, commerce, and national security.