


INSIDE THIS

STAKEHOLDERS WEIGHING IN ON SOLAS COMPLIANCE	1-2
ARE THE DAYS NUMBERED FOR THE NMFC SYSTEM?	3
THE MANY AND WONDERFUL BENEFITS OF GARDENING	3
TRIVIA! 	4

STAKEHOLDERS WEIGHING IN ON SOLAS COMPLIANCE

As we have reported in past issues of the *THE SOURCE*, IMO's Maritime Safety Committee approved changes to the Safety of Life at Sea, or SOLAS, convention regarding a mandatory container weight verification requirement on shippers. It will require verification of the gross mass, or VGM, by one of two methods before containers may be loaded aboard ships, and is set to become legally binding on July 1, 2016.

The U.S. Coast Guard, the enforcing agency in the U.S., can legally delay implementation of the VGM rule for a year by notifying the IMO before July 1, something that U.S. exporters have called upon them to do. But the Coast Guard announced that it will not consider delaying the VGM rule, stating that it would send the wrong message around the world, that we cannot load U.S. cargo safely.

Moreover, the Coast Guard said that it cannot and will not hold shippers responsible for not providing VGM to carriers, although the SOLAS rule places the responsibility for generating the VGM squarely on the shipper on their bill of lading. Citing that they do not have the authority to take action against shippers, including enacting fees or fines, the Coast Guard stated that it is the carriers and vessels which will be required to comply with SOLAS by holding the shippers responsible, and that no container without a VGM will be allowed to board a vessel. How carriers enforce this is a question of business practice, and is not under the jurisdiction of the Coast Guard.

If a container arrives at a terminal without a VGM after July 1, the Coast Guard will declare it "manifestly unsafe" and will put a hold on the container until a gross mass is known and documented. In addition, if a container is weighed at a terminal for any reason and the VGM does not match the container weight, the container will need to be reweighed and a new VGM registered.

Shippers are struggling with developing a system of compliance and are looking for solutions. The Port of Charleston is the first U.S. port to say it is willing to provide in-terminal weighing services for containers if allowed to do so by the Coast Guard. According to Jim Newsome, president and CEO of the South Carolina Ports Authority, U.S. ports have long weighed containers on-site in order to comply with workplace safety regulations. "I think this could easily represent a best practice that has long been in place, provides accurate weight data, and ensures that commerce continues to flow efficiently through our ports," he said. He sees this as offering a potentially straightforward solution.

Charleston's scales are calibrated, but that does not mean the weights are certified, as required by the new regulations. Whether existing weighing processes could substitute for a shipper-generated VGM created earlier in the supply chain and would be feasible under the VGM rule is up the Coast Guard, which has not yet responded to this question.

Continued on page 2

OF INTEREST

- **ARE WE DOING A GOOD JOB FOR YOU?** If the answer is yes, consider introducing us to a customer or supplier. If they go with the Outsource team you win, too. Ask us about our residuals program.
- **DO YOU SHIP WITH US SOME OF THE TIME?** Become a Program Customer and we will guarantee savings of 10%.

STAKEHOLDERS WEIGHING IN ON SOLAS COMPLIANCE

continued from page 1

Charleston is in step with some terminals in Europe and the Mideast that say they will offer weighing services, but is diverging from most U.S. terminals. The issue is one of responsibility; some terminals are concerned about their legal liability for generating an inaccurate VGM. Curtis Fotz, executive director at the Georgia Ports Authority, said that they do have scales at all of their gates, but that they will not be used for certifying cargo weight. He said that it did not make sense for terminals to be responsible for container weight verification because, while they have a contractual relationship with ocean carriers, they do not have any such relationship with shippers, and the onus of the new rule falls on the shippers and not on any other party.

According to American Shipper, the industry is hungry for information and uniformity regarding key issues, including where container weights can be verified, how the verification document will be transmitted to terminals, how long before the container arrives at a terminal the verification documents need to be transmitted, and any threshold for overweight containers that may be allowable for boarding. It is also unclear how much tolerance there will be for slight differences between documented and actual weight; no matter how prepared shippers believe themselves to be, this is bound to happen.

Drewry Supply Chain Advisors said in a January briefing that there are a few categories that are particularly vulnerable to the pending mandate:

- “Inbound supply chains from more exotic origin countries, due to the lack of process, IT, infrastructure, and weighing machinery.
- “Shipments of smaller exporters, and exporters shipping various combinations of packaged products with various securing equipment or loose products in containers.
- “Companies importing under FCA or FOB terms who rely on smaller Asian or African suppliers to provide accurate container packing weights (the onus of declaring VGM will be on the importer shown as the shipper on the bill of lading, not on the suppliers, in these cases).
- “Shipments from already congested ports, where any container rolls and delays will make a bad situation worse.”

U.S. agriculture shippers have raised strong concerns about

compliance with the VGM, pointing out that there is not enough time in the process of transloading commodities into containers before they are sent to seaports to provide a VGM prior to the container arriving at the terminals, given the time-sensitive nature of the goods. They contend that ultimately the cost of U.S. exports will rise, making the thin margins on agricultural trade even thinner. But it is more than just financial. Getting the goods to arrive on time for loading can be complicated, and the addition of one more variable could cause shippers to miss a vessel.

The Agricultural Transportation Coalition, which represents agricultural exporters, has published a position paper on SOLAS and has also called for a congressional inquiry into the matter, although the rule was mandated by the IMO, a specialized international agency of the United Nations, and is not subject to U.S. congressional oversight.

In addition, there are two potential unintended consequences that have been brought to the forefront. First is the likely slowing down of the supply chain, especially as it relates to trucking. If harbor truckers show up with containers before the VGM has been processed, the trucker could be delayed—possibly for hours—adding to the congestion at the gates and cutting into driver hours and turn-around times. This could discourage drivers from remaining in the industry, as running fewer loads means lower income.

Another trucking repercussion may occur when exporters are loading in the interior growing areas of the country, where most loading locations have no scales. If you can't weigh at site, then you have to find a scale somewhere, and this could add substantial out-of-route miles, which in turn would cut into legal driving hours and number of loads hauled. This would also add cost.

Lastly, there is a sense that the playing field will not be level. While the U.S. and many exporting areas in Europe, Asia, Australia, and Canada already have weight labeling requirements, these same requirements do not exist in all exporting nations, leading to concern that compliant shippers will be disadvantaged by virtue of complying, while competitors in some other nations cannot or will not comply.

SOURCE: Journal of Commerce ongoing coverage; Agricultural Transportation Coalition position paper at agtrans.org; American Shipper—2/17/16.

ARE THE DAYS NUMBERED FOR THE NMFC SYSTEM?

The National Motor Freight Classification (NMFC) has been the standard for classifying freight for...well, forever. Historically, it derives from the old railroad Uniform Freight Classification, developed more than a century ago when railroads hauled packaged freight in boxcars.

It provided standardized structure to the rate-making process and gained regulatory approval as well as commercial acceptance by both carriers and shippers. But it does have its drawbacks and limitations, and there has been a resurgence in calls for an alternative.

The most favorably discussed option is a structure relying more on density than the more convoluted range of factors in the current commodity-based NMFC system. The parcel sector has already adopted some part of this approach, and we have seen more attention paid to density even within the current classification.

This makes some sense, as many shipments reach cubic capacity in equipment far sooner than they reach weight capacity. The end result is that carriers are selling space but charging for weight.

A density-based rate structure fixes this problem, although it does not address all issues. For example, if you are a shipper of lightweight goods that take up space, like foam or pillows, then a rate structure based on density would result in higher shipping costs. On the other hand, if your goods typically don't take up a great deal of space but weigh a lot, rates based on space alone may result in substantial savings. However, a truck's overall weight must be a consideration.

There are distinctions that must be addressed, but all in all most in the industry believe that this is the direction that the rate structure for freight is headed in the not too distant future.

SOURCE: Journal of Commerce article—1/2616.

THE MANY AND WONDERFUL BENEFITS OF GARDENING

March, the harbinger of Spring. And after the brutal winter that much of the country has seen, thoughts of flowers and vegetables and all growing things elicit feelings of hope and renewal. It's time to start planning the garden!



It is well-known that being out in nature can be relaxing and healing, but did you know that gardening in particular is associated with mental clarity and feelings of reward, as well as having significant physical benefits? Being in natural places fosters recovery from mental fatigue, improves outlook and life satisfaction, helps us to cope with and recover from stress, improves our ability to recover from illness and injury, restores concentration, and improves productivity.

Anyone who gardens knows that it can be a real workout throughout the growing season. According to the CDC, moderate-intensity level activity for 2.5 hours each week can reduce the risk for obesity, high blood pressure, type 2 diabetes, osteoporosis, heart disease, stroke, depression, colon cancer, and premature death. The CDC considers gardening to be a moderate-intensity level activity, and can help you to achieve that 2.5 hour goal. Additionally, those who choose gardening are more likely to exercise 40-50 minutes longer on average than those who choose activities like walking or biking.

Gardening has emerged in recent years as a scientifically proven stress reliever, a benefit that can help combat some of the symptoms that can be caused by stress, such as irritability, headaches, stomach aches, and heart attacks. A study conducted at the Wageningen University in The Netherlands had 30 allotment gardeners perform a stressful Stroop task, and were then randomly assigned to 30 minutes of outdoor gardening or indoor reading on their own allotment plot. Salivary cortisol levels and self-reported mood were repeatedly measured. Gardening and reading both led to decreases in cortisol, but decreases among the gardening group were significantly stronger. Positive mood was completely restored after gardening, but further deteriorated after reading.

Vegetable gardening has the added value of providing access to fresh, nutritionally rich produce, organically grown. Studies have shown that people who garden, or live with someone who gardens, tend to eat more fruits and vegetables than do non-gardening families, and have a healthier diet overall.

So, put on your overalls and your hat (don't forget the sunscreen), grab a shovel.....and dig!

SOURCE: Michigan State University Extension news article; Centers for Disease Control—CDC.gov; CNN.com article.

VISIT US ON THE WEB!

WWW.OUTSOURCEFREIGHT.COM

Delivering Results... Not Promises

OUTSOURCE FREIGHT, INC.

72 SHARP STREET
SUITE C-11
HINGHAM, MA 02043

Phone: 781-340-5656

Toll Free: 800-286-5306

Fax: 781-340-0080

***CAN WE HELP YOU REDUCE
YOUR SHIPPING COSTS,
OPTIMIZE YOUR DELIVERY
TIMES, AND IMPROVE YOUR
FREIGHT'S VISIBILITY?***

**CONTACT KERRIE KALITA FOR
SOLUTIONS TO ALL OF YOUR SHIPPING
NEEDS**

- **Kerrie Kalita—Vice President, Business Development**
781-340-5656 x 7011
kkalita@outsourcedfreight.com

ABOUT US

Established in 1990, OUTSOURCE, Inc. offers a complete range of freight management services and supply chain solutions to help you improve control and increase profitability.

OUTSOURCE specializes in worldwide logistics and transport, offering your organization an optimized transportation management solution. Our customer-driven approach to doing business allows us the flexibility to select services and solutions that best serve our clients' individual needs, and our extensive collective experience in distribution, warehousing, retailing and transportation logistics provides us with the expertise to make it happen.

Air, sea, rail and truck—we can handle all of your domestic and international shipping logistics and transport needs, freeing you to do what you do best.....grow your business.



TRIVIA

1. What three former Warsaw Pact members joined NATO on March 12, 1999?
2. On March 27, 1909, this form of criminal evidence was first used by Scotland Yard in a murder case. What was it?
3. What is the last name of the family central to Louisa May Alcott's delightful novel *Little Women*, which details the lives of four sisters from childhood to womanhood? Bonus points if you can also name the sisters.
4. "Louis, I think this is the beginning of a beautiful friendship" is the famous closing line of what movie? Can you name the actor who said that line?

[Click here for answers to Trivia questions.](#)