

# INews

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**A JOURNAL FOR THE  
CANADIAN AND  
US/CANADA  
MOTOR CARRIER.**

**Freight Carriers Association  
of Canada**



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**ARE ACCESSORIAL CHARGES THE PROBLEM OR THE SOLUTION?**

In recent carrier meetings with FCA's Tariff Advisory Committee and NATC's General Rate Committee a reoccurring theme was the importance of charging shippers/consignees for all the services performed. The industry's thin operating margins do not allow the costs of performing these extra services to be absorbed by the carriers. Following is an excerpt from a recent article "There Is a Solution"<sup>1/</sup>, published in Traffic World that reiterates that sentiment,

*.... the LTL industry is sicker than most. Although shippers won't like hearing this, there is a solution. And it's ridiculously easy. Get paid for what you do. Unlike the parcel giants United Parcel Service and FedEx, LTL carriers have gotten into the habit of performing a lot of services for free.*

The article cites competitive pressure, and fear of losing accounts as the reason for not charging for the services performed. Carrier discipline combined with customer education is required to reverse the trend of doing things "for free". Why should the trucking industry be different from other industries who are not ashamed to bill for additional services

(some might even say that they bill for "perceived" additional services)?

In a recent Marketplace Survey of LTL and TL carriers, conducted by FCA/NATC, it was found that accessorial revenue ranged from 0% to 8% of total operating revenues. The top accessorial charges based on revenue were:

- Detention (waiting time)
- Extra Labour
- Protective Service
- Stop-Offs
- Re-Delivery
- Liability / Excess Valuation

A portion of the Marketplace Survey asked the carriers to indicate how often they billed and collected for various services performed. The results agree with the Traffic World article quoted above. The industry is doing a poor job of billing for all services performed. These services represent "value

added" to the customer and should be treated as such.

How does one get started if these services haven't been previously charged?

A sensible approach would be to attack these charges one at a time, starting with the ones expected to generate the most revenue – i.e. waiting time or the easiest to implement – i.e. excess valuation. An example of the steps a carrier may take to initiate the collection of detention (waiting time) is as follows:

- Meet with traffic and sales people to explain what the charge is for and why it is necessary. Show the costs associated with performing the service.
- Educate staff and customers as to what the allotted "free" times are.
- Put a system in place that will provide the information required to bill the customer (on the original invoice, if at all possible)
  - ◊ Shipper/consignee signs BOL with arrival/ departure times noted acknowledging the delay.
  - ◊ Put systems in place that will allow the charge to be included on the original invoice.
  - ◊ Total time less free time (and grace period, if applicable) times hourly charge.
- Set-up a system to follow-up with shippers/ consignees to work together to reduce waiting time.

What services should be charged? For a starter, FCA publishes the following summary of the most common accessorial services and their corresponding charges in tariff FCA100. In summary, charging for all the services performed could be the solution to the profit woes facing the industry.

<sup>1/</sup> "There Is a Solution", Schulz, John D., Traffic World, September 23, 2002, pp. 27-33.

**FCA TARIFF 100-K  
SUMMARY OF COMMONLY USED ACCESSORIAL CHARGES  
(For information purposes only. Refer to Item number shown for application)**

| <b>ITEM NUMBER</b> | <b><u>RULE</u></b>   |   | <b><u>CHARGES</u></b>  |
|--------------------|--|---|--|
| 100                | Advancing of Charges   |   | <b>\$8.77</b> per shipment   |
| 150, 155, 160      | Bulky shipments:<br>LTL<br>20 ft. or more of trailer   |   | 10 lbs. per cu. ft. at F.A.K. or Class Rate (maximum CL 100)<br>1,000 lbs. per linear ft. at F.A.K. or Class Rate (maximum CL 70)  |
| 170                | Capacity Load of Freight:<br>AQ<br>TL  |   | 15,000 lbs. at CL 100-10M rate<br>TL rate Minimum 30,000 lbs.<br>TL rate Minimum 45,000 lbs. (East/West traffic)   |
| 190                | Cartage Charges  |   | <b>\$4.50</b> cwt, Minimum <b>\$43.97</b> , Maximum <b>\$220.02</b>  |
| 210                | C.O.D.   |   | 6% of C.O.D. amount, Minimum <b>\$26.56</b>  |
| 270                | Copies of Documents  |   | <b>\$5.29</b> each, Minimum <b>\$21.15</b> per request   |
| 280                | Dangerous Articles   |   | Placards required:<br>Up to 19,999 lbs. - <b>\$43.97</b><br>20,000 lbs. And over - <b>\$70.42</b><br>Placards not required:<br>Up to 999 lbs. - <b>\$17.54</b><br>Over 999 lbs. - <b>\$43.97</b> |
| 310                | Detention without power – 24 hrs free then:  |   | <b>\$125.06</b> per vehicle, per day:<br>Temperature controlled - <b>\$264.00</b> per vehicle, per day   |
| 320                | Detention – Billed Weight  | Free Time   |  |
|                    | 9,999 lbs.   | 0.5 hr  | <b>\$43.97</b> per ½ hr.(work days)  |
|                    | 19,999 lbs.  | 1 hr.   | <b>\$52.75</b> per ½ hr.(Saturdays)  |
|                    | 29,999 lbs.  | 1.5 hrs.  | <b>\$61.65</b> per ½ hr.(Sundays & Holidays)   |
|                    | 30,000 lbs. & over   | 2 hrs.  |  |
| 330                | F.A.K. – Rates increased by multiples of NMFC classifications for articles above CL 100  |   |  |
| 340                | Exclusive use of vehicle   |   | Minimum 18,000 lbs. at TL CL 100, 30,000 lbs. for F.A.K. or 45,000 lbs. at TL Class 55 (East/West traffic)   |
| 410                | Labor Charges:   | Week Days<br>Saturdays<br>Sundays & Holidays                          | <b>\$61.65</b> per man per hour or part – Minimum 4 hrs.<br><b>\$79.33</b> per man per hour or part – Minimum 4 hrs.<br><b>\$96.86</b> per man per hour or part – Minimum 4 hrs.                 |
| 460                | Multiple deliveries or pickups<br>Cartage charges in Item 190 apply  |   | Extra P/U or Deliveries not to exceed:<br>TL minimum 20,000 lbs – 4<br>TL minimum 30,000 lbs. – 7  |
| 510                | Pickup or Delivery   | Inside<br>Hydraulic Tailgate<br>Private Residence<br>Exhibitors, Etc. | <b>\$4.50</b> cwt, minimum \$43.97, maximum \$220.02   |
| 540                | Protective Service:  | LTL<br>TL 20M or over   | 12% of freight charges, minimum <b>\$26.56</b> per delivery<br>6% of freight charges, minimum <b>\$167.27</b> per delivery   |
| 620                | Single shipment charge under 500 lbs.  |   | Minimum <b>\$100.34</b>  |
| 650                | Stop off in transit: Maximum 3 stops   |   | <b>\$158.50</b> per stop   |
| 690                | Valuation – Exceeding \$2.00 per lb. add 1% of the declared value in excess of \$2.00 per lb. Minimum <b>\$3.48</b> per shipment |   |  |
| 720                | Interest on overdue accounts   |   | 2% per 30 day period, minimum <b>\$3.48</b> per period   |

## HOMELAND SECURITY SURCHARGE

Con-Way Transportation Services has announced that beginning January 2, 2003 it will assess a Homeland Security Surcharge of \$8.00 per shipment on all traffic moving between the U.S. and Canada. Con-Way officials cite government mandated changes in freight security at the border as the reason for the surcharge, stating that each universally mandated improvement will come with a cost.

The government mandated changes noted by Con-Way include:

- Registration of each piece of equipment crossing the border
- Registration of each driver that crosses the border
- Changes in cross border documentation (increases in time to prepare)
- Changes in cross border inspections
- Increase in border crossing time

## EXCESSIVE BORDER CROSSING DELAYS

Every carrier operating across the Canada/U.S. border remembers only too well the extensive border delays triggered by increased security after the September 11 terrorist attacks. Drivers and equipment immobilized at the border crossings cost trucking companies millions of dollars that were never recovered. Since then, new security measures have been put in place (see "Homeland Security Surcharge" elsewhere in this newsletter) adding some more minutes to the usual border crossing time. Unfortunately, uncertainty as to the "How", "Where", and "When" of future terrorist attacks keeps everybody on the "qui vive" and prompts us to think about preparedness in the future..

Soon after these events, the General Rate Committee (GRC) of NATC and the Tariff Advisory Committee of the FCA discussed at length the huge losses associated to these extraordinary events as well as what remedies could be available to the industry if, because of terrorist threats or any other reason the border crossings became bottlenecks again. Both groups felt it was important for NATC to have in place some emergency procedure that could be triggered in the event of border delays above and beyond the time usually required.

Of course, for truckload moves, a surcharge to recover the cost of the delay is relatively easy but a practical and equitable method had to be created for LTL carriers so the cost of the delay could be spread fairly among all the shipments in the trailer. A percent surcharge similar to the fuel is impractical as it unduly penalizes long haul moves while short haul shipments would not recover their cost. With the concept in mind of a method that could be computerized quickly and is easy to implement, a new methodology was developed and a carrier subsequently filed a proposal to publish a new rule.

The new rule contains a table of charges which spreads the cost of the excessive delay among every shipment in the trailer based on the length of the delay and the weight of the shipment. This rule was published on July 29, 2002 in Item 490 in NATC rules Tariff 172. In order to be prepared for any eventuality, the Committees felt it would be a good idea to incorporate the conditions and table of charges in all future rate quotes so that the cost recovery program can be implemented quickly with a minimum of interference. Some carriers are also pondering reminding their customers to this eventuality by adding to their freight bills a new line item called "Border Delay Surcharge" (or words of that import) which would show <zero> until a surcharge is triggered.

Should you desire additional information, do not hesitate to call Ken Leising at 1-800-559-7421 extension 203.

## CREDIT APPLICATION

One of our valued members, also a member of the Québec Comité Consultatif (Advisory committee) Mr. Luc P Cartier, President of Transport Henri Dion allowed us to duplicate and provide to our entire membership a form for credit application (in both official languages) which he had developed by a law firm at considerable expense.

The form came about when, in the absence of prior agreement, this carrier was unable to recover large sums of money. It is highly probable that several of his fellow carriers have found themselves in similar situations. Many trucking companies routinely grant

*(Continued on page 5)*

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huge credit margins to their customers without the proper documentation or agreement to give them as much protection as possible.

This credit application form, in addition to gathering important information as to the type of corporation, name of officers, financial institution and credit references also contains other important provisions such as:

- Agreement to pay a fuel surcharge if fuel exceeds a certain price;
- Credit terms with penalty for late payment;
- Conditions of transport and liability limits, including provisions in the event of bankruptcy;
- Basis for collection in the event of default by the client (allowing holding goods at customer's expense until amount due is paid
- Venue in case of legal action
- Applicable laws
- Consent to contact other parties for information
- Agreement to accept electronic transmission or facsimile as original
- Acceptance of electronically transmitted signed credit application as valid as original
- Agreement to accept information transmitted electronically or other technologies

We are grateful, as I am sure our members are, to Mr. Cartier for his generosity and willingness to share a valuable tool with his fellow carriers. These forms are available in electronic format, communicate with David Sirgey at 1-800-559-7421 extension 214.

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**DO YOU HAVE A WEIGHING AND CUBING PROGRAM?**

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If your company already has a Weighing & Cubing Program I am sure you will agree with the following. If your company doesn't have a Weighing & Cubing Program, it's time to start one. A Weighing & Cubing Program is a process whereby carriers either randomly, systematically or both (i.e. all declared weights ending with a 5 or 0 plus randomly selected shipments) reweigh, cube, and inspect freight to verify the weight, density or classification (where applicable) to ensure proper revenue is collected. A Weighing & Cubing Program will add dollars to your bottom line.

**Did you know:**

- Carriers with Weighing & Cubing Inspection Programs add 1-2% of their gross revenues directly to their bottom line year after year? (Based on the latest available operating ratio released by Statistic Canada for the Canadian Top General Freight Carriers of 95 for the 2<sup>nd</sup> Quarter Of 2002 this reflects a **20-40% increase in operating profits**).
- Many improperly reported weights are honest errors as many shippers do not have scales?
- The cost of a Weighing & Cubing Program can be recovered in 2-3 months and often less?
- The average Weighing & Cubing Program has an operating ratio of under 20?

Start your Weighing & Cubing Program today. For further information on Weighing & Cubing Programs, please contact Dave Sirgey at (800) 559-7421 ext. 214.

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**PRESSURE TO EXCLUDE CUBE /WEIGHT OF PALLETS**

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COPY OF CARRIER RELEASE

TO: CHIEF EXECUTIVE OFFICER

Some of our members have alerted us to the fact that a few customers and 3PL's in particular have begun to put pressure on carriers to exclude the weight of the pallets from the calculation of freight charges. This issue was discussed at a meeting of the Tariff Advisory Committee (TAC) and the members asked that we alert the membership to this new trend. Since the vast majority of the shipments are tendered on pallets, exclusion of pallet weight can result in significant revenue loss as demonstrated in the attached Exhibit A.

Currently, and going back many decades, motor carrier tariffs have incorporated by reference packaging requirement and other rules published by the National Motor Freight Classification (NMFC). The rule governing the inclusion of the pallet weight in the calculation of freight charges is one of them. For ease of reference, a copy of this rule is attached as Exhibit B.

*(Continued on page 6)*

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As justification for the exclusion, the shippers state pallets are furnished for the convenience of the carriers and therefore should not be included in the freight charges. Pushing this logic further, it could also be argued that all packaging is only for ease of transportation and therefore should also be excluded. Of course, this does not make sense. It should also be noted, our Association performed extensive studies and presented seminars to alert carriers of the nature of the costs related to pallet handling. We prepared booklets for these seminars which contain valuable information. We still have a few on hand and are available at a minimal cost.

Motor carriers' major source of revenue is from the sale of space on trailers. In order to make profit, the goal of every carrier is to load trailers to full capacity with as much revenue freight as possible, subject to the legal weight limits. The example on Exhibit A demonstrates that the exclusion of pallet weight produces a significant impact. Any trailer moving with any portion of the weight or space occupied with non-revenue freight is a revenue opportunity forever lost. It is also important to note that the exclusion of pallet weight can potentially cause carriers to unknowingly exceed the weight limits since they rely on the sum of the declared weights to calculate the total weight of the load. This of course results in a multitude of problems including fines and penalties.

In addition to customers who knowingly exclude pallet weight, there are many others who do so unintentionally. In the experience of many carriers who have implemented weight and/or cube inspection programs, many shippers unknowingly exclude pallet weight. Since the majority of shippers do not have weight scales on their docks, they used the actual weight of the product which is generally known in the total weight calculation, but do not think to include the weight of the packaging nor the pallet. Weighing and Cubing programs have proved extremely successful in helping customers know the exact weight of their shipments. Carriers who have such programs in place report a high rate of success in the collection of the corrected revenue. In addition to fully recovering the cost of the program, they generate substantial additional revenue. Our Association presented a series of seminars on this

subject and the information presented is available to member carriers.

We trust this information will be useful to you and we invite your comment on this or any other topic you may be concerned with.

**EXHIBIT A**

**Customer Push to Exclude Pallet Weight or Cube**

Pallet Weight: 80 lbs.

| <b>Example shipments:</b> | <b>% Impact on Revenue</b> |
|---------------------------|----------------------------|
| 2,000 lbs.                | 4%                         |
| 1,000 lbs.                | 8%                         |
| 500 lbs.                  | 16%                        |

**Impact of Push to Exclude Pallet Cube**

Pallet Dimensions: 4' x 4' x .3' = 4.8 cu.ft.

| <b>Example shipments:</b> | <b>% Impact on Revenue</b> |
|---------------------------|----------------------------|
| 4' x 4' x 5' = 80 cu.ft.  | 6%                         |
| 4' x 4' x 4' = 64 cu.ft.  | 8%                         |
| 4' x 4' x 3' = 48 cu.ft.  | 10%                        |

**EXHIBIT B**

**Pressure to Exclude Weight / Cube of Pallets**

NATC 172 Rules Tariff (U.S. – Canada) refers to the following NMFC Item 995 – WEIGHTS – GROSS WEIGHTS AND DUNNAGE.

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### **NMFC ITEM 995**

**Section 1:** Unless otherwise provided, charges shall be computed on actual gross weights, except when estimated weights are authorized such estimated weights shall be used. A shipping carrier, container or package, or pallet, platform or skid constitutes part of the gross weight.

**Section 2:** Any temporary blocking, flooring or lining, racks, standards, straps, stakes or similar bracing, dunnage or supports not constituting a shipping carrier, container or package, or a part of the vehicle, shall be excluded from the gross weight.

**Section 3:** Any temporary blocking, flooring or lining, racks, standards, strips stakes or similar bracing, dunnage or supports not constituting a shipping carrier, container or package, or a part of the vehicle, when required to protect or make shipments of 10,000 pounds or greater secure for transportation, must be furnished by the shipper, except that upon request of shipper such material will be furnished and installed by the carrier.

When materials are furnished by the carrier, the cost thereof will be paid by the shipper upon presentation of an invoice from a supplier independent of the carrier covering such materials used on the involved shipment. The labor charge for installation of shipper or carrier furnished material will be assessed as provided in carrier's tariffs.

**FCA Rules Tariff 100 includes the following item on packaging:**

#### **Item 495 – Packaging**

Shipment packaging requirements will be as published in the National Motor Freight Classification, NMF 100 Series.

*First day of Winter  
December 22*



## **RULES REVIEW CONTINUES**

Our on-going rules review project will eventually review each general application rule in Tariff 172 and in FCA 100 for the purpose of modernizing them to reflect current market conditions. The current rules are compared with those published by major LTL carriers (ABF, Con-Way, Overnite, Roadway and Yellow) and with the comparable FCA rule. After comparing each rule we present to NATC's General Rate Committee (GRC) wording for a revised rule, with a synopsis of current charges for the involved service.

The GRC then recommends wording and charges for the rule, which is published in a NATC Docket Bulletin. If no objections are received within 15 days from the date of the Docket Bulletin, the new or revised rule is published in NATC Tariff 172. For the FCA rules, the process differs slightly as the rules are submitted to the Tariff Advisory Committee (TAC) for its recommendation and the carriers are required to advise of their intent to participate in order for the rule to apply.

The guidelines for developing revised rules are:

- Eliminate as much superfluous wording as possible
- The rules should be the most comprehensive allowing individual carriers to apply their own exemptions.
- Charges are rounded to the nearest dollar.

To date 30 rules have been reviewed and amended through this process. It is expected that with two more meetings in 2003 the project will be completed and the resulting rules Tariff (NATC 172) will contain approximately 40% fewer pages than when the project started. The reduction in pages comes from the elimination of different versions of the same rule for different regions in the US or Canada. One rule will cover all points in either country. For FCA, the modifications are mostly additions of new provisions, language clarifications, modification of current charges or new charges.

In conjunction with this project we will also be asking each carrier that has published their own rules or accessorial charges in Tariff 172 under

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independent action, to review such rules and charges to make sure they are still required.

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**NATC RATE RESTRUCTURE ISSUES**

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At their last meeting on Oct. 29, 2002 NATC's General Rate Committee (GRC) instructed the staff to develop procedural steps that could be taken to resolve some of the regional discrepancies that exist in the US – Canada Rate structures. The goal of the Committee is to gradually bring about more uniformity in the rate structures so that eventually carriers may apply a single discount regardless of the rate territory. To understand why these discrepancies exist it is helpful to review how the rates were originally established.

The current NATC class tariffs reflect, in whole or in part, the rate levels of various U.S. Bureaus as follows:

- Tariffs 505 (Atlantic Canada/USA) – Rates reflect the combination of rates over Montreal, QC with the exception of the New York City area, Eastern PA, MD, DC and VA. Rates between these US areas and Atlantic Canada are based on a combination of rates over the Maine/New Brunswick Border.
- Tariff 510 (ON, QC/Northeast, North Central USA) – The rates in this tariff carried forward the through rates that were historically published in NFB 566 and MAC 333. The MAC 333 rates were increased approximately 15% in the Tariff 510 to help offset some of the difference between NFB 566 and MAC 333 rate levels.
- Tariffs 515(ON, QC/Southeastern USA) – Rates were originally based on 95% of the combination rate over the border point producing the lowest combination rate. Southern Motor or Central and Southern rates were used for the US portion of the combination, with NFB or MAC rates used for the cross-border portion.
- Tariff 520 –(ON, QC/USA west of Mississippi River) Except for the 10 far west states (Rocky Mountain Territory), rates were originally based

on 95% of the combination rate over the border point producing the lowest combination rate. Midwest Bureau or Eastern Central Bureau rates were used for the US portion of the combination, with NFB or MAC rates used for the cross-border portion. The Far western states were built to reflect 100% of the combination rate over Chicago, with Rocky Mountain Bureau rates used for the US portion and NFB 566 for the cross border portion.

- Tariff 525 (Western Canada/USA) – Originally this Tariff published rates only for major points in western Canada, which reflected 100% of the combination over western border crossing points, except where through rates were already published by either Rocky Mountain (RMB) or Midwest (MWB). Subsequently rate coverage for western Canada was expanded to cover all points.

Due to the basis of many of the US – Canada rates being a combination of various, unrelated rate structures; rates for the same distance could sometimes differ dramatically between different areas of each country. It should be noted that these differentials are found in most if not all U.S. – Canada class rates in use today.

The specific areas the GRC will be looking at are:

- Mac 333 Level in Tariff 510 (Rates between Quebec and the Northeastern US)– Despite the 15 % “boost” given these rates in 510 they remain lower than the comparable Ontario rate for the same distance. Sometimes as much as 40 %. This discrepancy can also carry over into Tariffs 515 and 520 where MAC 333 was used in constructing the original combination of rates.
- Tariff 525 (US – Western Canada) – These rates are often well below ON/PQ levels, requiring different discounts for western Canada when pricing freight for all of Canada.