About Shippers' Associations

Shippers' Associations generally are non-profit, membership cooperatives which make domestic or international arrangements for the movement of members' cargo. They are a means by which the small and medium sized shipper, and even the large shipper, can obtain economies of scale without the markups charged by other transportation intermediaries who perform consolidation services in order to obtain volume discounts. In other words, the discounts resulting from consolidation of many shippers' freight go directly to the pocket of the shipper- not to a third party.

Shippers' Associations enjoy a favored position under the transportation laws. Historically associations have been exempted from regulation in the domestic and international transportation markets. To aid the small and medium sized international shipper in obtaining volume rates and discounts available to large international importers and exporters, Congress has recognized that Shippers' Associations enjoy the right to enter into and utilize volume service contracts. Similar to all other shippers, Shippers' Associations are also entitled to utilize tariff rates and negotiate time/volume and loyalty contracts.

Shippers' Associations come in all forms and sizes. They have adapted to deregulation and the fluctuations in traffic patterns that have occurred as a result of changing domestic and international trade flows. Shippers' Associations can have as few as two and as many as several thousand members. Some Shippers' Associations limit their membership to entities shipping or receiving the same commodities or who are members of the same industry or industry trade association. Other associations may be general freight associations but limit their membership to shippers in the same geographic region. Annual revenues generated by associations may range from less than $200,000 to more than $100 million.

Shippers' Associations may be formed for a number of reasons. The most obvious one is savings. Associations form to enable their members to obtain quality transportation services at a cost lower than that individually available to them. Another reason is to increase negotiating power. A group of shippers acting collectively will often receive greater attention -- and more attentive service -- from motor carriers, railroads, and water carriers than individual shippers acting alone. In recent years, ports, local communities, and local shippers have looked to Shippers' Associations to promote or retain international traffic through a port authority which may be competing with other ports for a "load center" status, while trade associations and export trading companies have looked to Shippers' Associations as an effective vehicle for import-export trade development as well as for domestic market penetration.

Shippers' Associations provide exceptional flexibility. Shippers who seek a total

transportation package may choose to join a traditional, or full service, Shippers' Association. This type of association, which has evolved over the past 100 years, primarily in the domestic market, has operational facilities and employees. The association will ship the goods in its own name, issue a shipping receipt to the association member, and process loss and damage claims on behalf of the member. The full service Shippers' Association provides a wide range of transportation alternatives to its members, usually having arrangements with trucking companies, rail companies, and ocean carriers to provide a door to door transportation service for the member or, if desired, to provide only one segment of the transportation movement.

A second form of Shippers' Association is gaining increased popularity. The "rate negotiator" Shippers' Association, which is often found in the international market, negotiates favorable rates on behalf of its members, usually in the form of a service contract with an ocean common carrier or conference. The rate negotiator Shippers' Association does not become involved in the operational aspects of the transportation movement but may assist in arranging a complete transportation package. Depending on the needs of the members, a carrier may either invoice the association or bill the individual member.

Shippers' Associations are controlled by their members. Associations have annual membership meetings at which, among other things, the members elect a board of directors. This board is generally charged with setting and implementing the policy of the association. Associations sometimes hire an outside person or company to manage the organization on a day-to-day basis.

The actual process of becoming a member may differ slightly from association to association. Generally, the prospective member is asked to complete an application form, which will be placed for approval before the association's board of directors or a membership committee. The purpose of this procedure is to allow the directors to assure themselves that the applicant is a financially reliable firm and that its freight requirements mesh with the association's operations. Once membership is approved, the shipper may use the association in the same way as any intermodal intermediary or carrier, except that the shipper pays less for comparable -- and often more personalized -- service.

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