



**Decentralized authority:** A situation in which a company management gives decision-making authority to managers at many organizational levels.

**Decision Support System (DSS):** A set of computer oriented tools designed to assist managers in making decisions.

**Declaration of Dangerous Goods:** To comply with the U.S. regulations, exporters are required to provide special notices to inland and ocean transport companies when goods are hazardous.

**Declared Value for Carriage:** The value of the goods, declared by the shipper on a bill of lading, for the purpose of determining a freight rate or the limit of the carrier's liability.

**Deconsolidator:** An enterprise that provides services to un-group shipments, orders, goods, etc., to facilitate distribution.

**Defective goods inventory (DGI):** Those items that have been returned, have been delivered damaged and have a freight claim outstanding, or have been damaged in some way during warehouse handling.

**Delivery Appointment:** The time agreed upon between two enterprises for goods or transportation equipment to arrive at a selected location.

**Delivery Instructions:** A document issued to a carrier to pick up goods at a location and deliver them to another location. See also Delivery Order.

**Delivery Order:** A document issued by the customs broker to the ocean carrier as authority to release the cargo to the appropriate party.

**Delta Nu Alpha:** A professional association of transportation and traffic practitioners.

**Demurrage:** The penalty for exceeding free time allowed for loading/unloading under the terms of the agreement with the carrier. Demurrage is the term used in the rail and ocean industry; detention is used in the motor industry.

**Density:** A physical characteristic measuring a commodity's mass per unit volume or pounds per cubic foot; an important factor in ratemaking, since density affects the utilization of a carrier's vehicle.

**Density rate:** A rate based upon the density and shipment weight.

**Deregulation:** Revisions or complete elimination of economic regulations controlling transportation. The Motor Carrier Act of 1980 and the Staggers Act of 1980 revised the economic controls over motor carriers and railroads, and the Airline Deregulation Act of 1978

eliminated economic controls over air carriers.

**Derived demand:** The demand for a product's transportation is derived from the product's demand at some location.

**Destination:** The location designated as a receipt point for goods/shipment.

**Detention:** The penalty for exceeding free time allowed for loading/unloading under the terms of the agreement with the carrier. Detention is the term used in the motor industry; demurrage is used in the rail and ocean industry.

**Devanning:** The unloading of cargo from a container or other piece of equipment. See Stripping.

**DFZ:** See Duty Free Zone.

**Differential:** A discount offered by a carrier that faces a service time disadvantage over a route.

**Direct product profitability (DPP):** Calculation of the net profit contribution attributable to a specific product or product line.

**Direct store delivery (DSD):** A logistics strategy to improve services and lower warehouse inventories.

**DISA:** Data Interchange Standards Association.

**Discharge Port:** The name of the port where the cargo is unloaded from the export vessel. This is the port reported to the U.S. Census on the Shipper's Export Declaration, Schedule K, which is used by U.S. companies when exporting. This can also be considered the first discharge port.

**Dispatching:** The carrier activities involved with controlling equipment; involves arranging for fuel, drivers, crews, equipment, and terminal space.

**Distribution:** The physical path and legal title that goods and services take between production and consumption.

**Distribution Channel:** The route by which a company distributes goods.

**Distribution Channel Management:** The organizational and pipeline strategy for getting products to customers. Direct channels involve company sales forces, facilities, and/or direct shipments to customers; indirect channels involve the use of wholesalers, distributors, and/or other parties to supply the products to customers. Many companies use both strategies, depending on markets and effectiveness.

**Distribution resource planning (DRP):** A computer system that uses MRP techniques to manage the entire distribution network and to link it with manufacturing planning and control.

**Distribution warehouse:** A finished goods warehouse from which a

company assembles customer orders.

**Distributor:** An enterprise that offers services to buy and sell goods on their own account.

**Diversion:** The process of changing the destination and/or the consignee while the shipment is enroute.

**Dock Receipt:** A document used to accept materials or equipment at an ocean pier or accepted location. Provides the ocean carrier with verification of receipt and the delivering carrier with proof of delivery.

**Documentation:** The papers attached or pertaining to goods requiring transportation and/or transfer of ownership.

**Domestic trunk line carrier:** A classification for air carriers that operate between major population centers. These carriers are now classified as major carriers.

**Door to Door:** The through-transport of goods from consignor to consignee.

**Door to Port:** The through transport service from consignor to port of importation.

**Double bottoms:** A motor carrier operation that involves one tractor pulling two trailers.

**Double-pallet jack:** A mechanized device for transporting two standard pallets simultaneously.

**Download:** To merge temporary files containing a day's or week's worth of information with the main data base in order to update it.

**Drawback:** See Duty Drawback.

**Drayage:** The service offered by a motor carrier for pick-up and delivery of ocean containers or rail containers. Drayage agents usually handle full-load containers for ocean and rail carriers.

**Driving time regulations:** U.S. Department of Transportation rules that limit the maximum time a driver may drive in interstate commerce; the rules prescribe both daily and weekly maximums.

**Drop:** A situation in which an equipment operator deposits a trailer or boxcar at a facility at which it is to be loaded or unloaded.

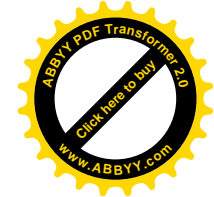
**Drop Shipment:** A request for the goods to go to the retailer directly from the manufacturer when the invoice comes from another party in the transaction, typically the distributor from whom the retailer would normally receive the goods.

**DRP:** See Distribution Requirements Planning

**DSS:** See Decision Support System

**Dual operation:** A motor carrier that has both common and contract carrier operating authority.

**Dual rate system:** An international water carrier pricing system in which a shipper signing an exclusive use agreement with the



conference pays a rate 10 to 15 percent lower than nonsigning shippers do for an identical shipment.

**Dumping:** When a product is sold below cost in a foreign market and/or when a product is sold at a lower price in the foreign market than in a domestic market, with the intention of driving out competition in the foreign market.

**DUNS Number:** A coded, numerical representation assigned to a specific company (USA).

**Duty:** A tax imposed by a government on merchandise imported from another country.

**Duty Drawback:** A refund of duty paid on imported merchandise when it is exported later, whether in the same or a different form.

**Duty Free Zone (DFZ):** An area where goods or cargo can be stored without paying import customs duties while awaiting manufacturing or future transport.

## E

**E.T.A.:** The Estimated Time of Arrival.

**E.T.D.:** The Estimated Time of Departure.

**Economic order quantity (EOQ):** An inventory model that determines how much to order by determining the amount that will minimize total ordering and holding costs.

**Economy of Scale:** The lowering of costs with added output due to allocation of fixed costs over more units.

**EDI:** See Electronic Data Interchange.

**EDI Interchange:** Communication between partners in the form of a structured set of messages and service segments starting with an interchange control header and ending with an interchange control trailer. In the context of X.400 EDI messaging, the contents of the primary body of an EDI message.

**EDIFACT:** EDI for Administration Commerce and Transport.

**Efficient consumer response (ECR):** A customer-driven system where distributors and suppliers work together as business allies to maximize consumer satisfaction and minimize cost.

**Electronic data interchange (EDI):** Computer-to-computer communication between two or more companies that such companies can use to generate bills of lading, purchase orders, and invoices. It also enables firms to access the information systems of suppliers.

**Electronic data interchange (EDI):** customers and carriers and to determine the up-to-the-minute status of inventory, orders, and shipments.

**Embargo:** A prohibition upon exports or imports, either with

specific products or specific countries.

**End User:** The final buyer of the product who purchases the product for immediate use.

**Enroute:** A term used for goods in transit or on the way to a destination.

**Enterprise Resource Planning (ERP):** A cross-functional/regional planning process supporting regional forecasting, distribution planning, operations centers planning, and other planning activities. ERP provides the means to plan, analyze, and monitor the flow of demand/supply alignment and to allocate critical resources to support the business plan.

**Entry Form:** The document that must be filed with Customs to obtain the release of imported goods and to allow collection of duties and statistics. Also called a Customs Entry Form or Entry.

**Equipment:** The rolling stock carriers use to facilitate the transportation services that they provide, including containers, trucks, chassis, vessels, and airplanes, among others.

**Equipment I.D.:** An identifier assigned by the carrier to a piece of equipment. See also Container ID.

**Equipment Positioning:** The process of placing equipment at a selected location.

**ERP:** See Enterprise Resource Planning.

**Ex Works:** The price that the seller quotes applies only at the point of origin. The buyer takes possession of the shipment at the point of origin and bears all costs and risks associated with transporting the goods to the destination.

**Exception Rate:** A deviation from the class rate; changes (exceptions) made to the classification.

**Exclusive Patronage Agreements:** A shipper agrees to use only a conference's member liner firms in return for a 10 to 15 percent rate reduction.

**Exclusive Use:** Vehicles that a carrier assigns to a specific shipper for its exclusive use.

**Exempt Carrier:** A for-hire carrier that is exempt from economic regulations.

**Expediting:** Determining where an in-transit shipment is and attempting to speed up its delivery.

**Expert System:** A computer program that mimics a human expert.

**Export:** To send goods and services to another country.

**Export Broker:** An enterprise that brings together buyer and seller for a fee, then eventually withdraws from the transaction.

**Export Declaration:** A document required by the U.S. Treasury

department and completed by the exporter to show the value, weight, consignee, destination, etc., pertinent to the export shipment. The document serves two purposes: to gather trade statistics and to provide a control document if the goods require a valid export license.

**Export License:** A document secured from a government authorizing an exporter to export a specific quantity of a controlled commodity to a certain country. An export license is often required if a government has placed embargoes or other restrictions upon exports.

**Export Management Company:** A private firm that serves as the export department for several manufacturers, soliciting and transacting export business on behalf of its clients in return for a commission, salary, or a retainer plus commission.

**Export Sales Contract:** The initial document in any international transaction; it details the specifics of the sales agreement between the buyer and seller.

**Export Trading Company:** A firm that buys domestic products for sale overseas. A trading company takes title to the goods; an export-management company usually does not.

**Exporter Identification Number (EIN):** A number required for the exporter on the Shipper's Export Declaration. A corporation may use their Federal Employer Identification Number as issued by the IRS; individuals can use their Social Security Numbers.

## F

**F.O.B.:** A term of sale defining who is to incur transportation charges for the shipment, which is to control the shipment movement, or where title to the goods passes to the buyer; originally meant "free on board ship."

**Fair Return:** A profit level that enables a carrier to realize a rate of return on investment or property value that the regulatory agencies deem acceptable for that level of risk.

**Fair Value:** The value of the carrier's property; the calculation basis has included original cost minus depreciation, replacement cost, and market value.

**FAS:** See Free Along Side.

**FCL:** See Full Container Load.

**Federal Aviation Administration:** The federal agency that administers federal safety regulations governing air transportation.

**Federal Maritime Commission:** regulatory agency responsible for rates and practices of ocean carriers shipping to and from the United States.



FEU: Forty-foot equivalent unit, a standard size intermodal container.

Field Warehouse: A warehouse that stores goods on the goods' owner's property while the goods are under a bona fide public warehouse manager's custody. The owner uses the public warehouse receipts as collateral for a loan.

Fill Rate: The percentage of order items that the picking operation actually found.

Final Destination: The last stopping point for a shipment.

Finance Lease: An equipment-leasing arrangement that provides the lessee with a means of financing for the leased equipment; a common method for leasing motor carrier trailers.

Financial Responsibility: Motor carriers must have bodily injury and property damage (not cargo) insurance of not less than \$500,000 per incident per vehicle; higher financial responsibility limits apply for motor carriers transporting oil or hazardous materials.

Finished Goods Inventory (FGI): The products completely manufactured, packaged, stored, and ready for distribution.

FIPS: Federal Information Processing Standards.

Firm Planned Order: In a DRP or MRP system, a planned order whose status has been updated to a fixed order.

Fixed Costs: Costs that do not fluctuate with the business volume in the short run.

Fixed Quantity Inventory Model: A setup wherein a company orders the same(fixed) quantity each time it places an order for an item.

Flatcar: A railcar without sides, used for hauling machinery.

Flexible-Path Equipment: Materials handling devices that include hand trucks and forklifts.

Flight Number: An identifier associated with the air equipment (plane). Typically a combination of two letters, indicating the airline, and three or four digits indicating the number of the voyage.

Flow Rack: A storage method where product is presented to picking operations at one end of a rack and replenished from the opposite end.

For-Hire Carrier: A carrier that provides transportation service to the public on a fee basis.

Foreign Trade Zone (FTZ): A site sanctioned by the U.S. Customs Service in which imported goods are exempted from duties until withdrawn for domestic sale or use. Such zones are used by commercial warehouses or assembly plants.

Forklift Truck: A machine-powered device used to raise and lower

freight and to move freight to different warehouse locations.

Form Utility: The value the production process creates in a good by changing the item's form.

Forwarder's Bill of Lading: See Consolidator's Bill of Lading.

FPA: Free of Particular Average. See Marine Cargo Insurance.

Free Along Side (FAS): The seller agrees to deliver the goods to the dock alongside the overseas vessel that is to carry the shipment. The seller pays the cost of getting the shipment to the dock; the buyer contracts the carrier, obtains documentation, and assumes all responsibility from that point forward.

Free of Particular Average: See Marine Cargo Insurance.

Free on Board (F.O.B.) (exchange point): This expression follows an exchange point. The exchange point indicates the transition of responsibility (risk) from the buyer to the seller. See also Terms of Sale. For example: F.O.B. Origin The seller agrees to deliver the goods to the point of origin.

Free Time: The period of time allowed for the removal or accumulation of cargo before charges become applicable.

Free Trade Zone (FTZ): See Foreign Trade Zone.

Freight: Goods being transported from one place to another.

Freight Alongside Ship: The point of embarkment chosen by the buyer, from where a carrier transports goods. Under this designation, a seller is obligated to pay the cost and assume all risks for transporting goods from a place of business to the FAS point.

Freight Bill: The carriers invoice for payment of transport services rendered.

Freight Charge: The rate established for transporting freight.

Freight Collect: The freight and charges to be paid by the consignee.

Freight Forwarder: An enterprise that provides services to facilitate the transport of shipments.

Services can include documentation preparation, space and equipment reservation, warehousing, consolidation, delivery, clearance, banking and insurance services, and agency services. The forwarder may facilitate transport by land, air, ocean, or may specialize in one mode of transport. Also called Forwarder or Foreign Freight Forwarder.

Freight Forwarders Institute: The freight forwarder industry association.

Freight Prepaid: The freight and charges to be paid by the consignor.

Freight Quotation: A quotation from a carrier or forwarder covering the cost of transport between two specified locations.

Freight-All-Kinds (FAK): An approach to rate making whereby the ante is based only upon the shipment weight and distance; widely used in TOFC service.

FTL: See Full Truck Load.

FTZ : See Foreign Trade Zone and Free Trade Zone.

Full Container Load (FCL): A term used when goods occupy a whole container.

Full Truck Load (FTL): Same as Full Container Load, but in reference to motor carriage instead of containers.

Full-Service Leasing: An equipment-leasing arrangement that includes a variety of services to support the leased equipment; a common method for leasing motor carrier tractors.

Full-time Connection: A communication link between two (or more) entities which is normally maintained continuously.

Fully Allocated Cost: The variable cost associated with a particular output unit plus a common cost allocation.

## G

Gathering Lines: Oil pipelines that bring oil from the oil well to storage areas.

GATT: See General Agreement on Tariffs and Trade.

GB/L: See Government Bill of Lading.

General Agreement on Tariffs and Trade (GATT): A multilateral trade agreement aimed at expanding international trade as a means of raising world welfare.

General Average: See Marine Cargo Insurance.

General Order (GO): A customs term referring to a warehouse where merchandise not entered within five working days after the carrier's arrival is stored at the risk and expense of the importer.

General-Commodities Carrier: A common motor carrier that has operating authority to transport general commodities, or all commodities not listed as special commodities.

General-Merchandise Warehouse: A warehouse used to store goods that are readily handled, are packaged, and do not require a controlled environment.

GO: See General Order.

Going-Concern Value: The value that a firm has as an entity, as opposed to the sum of the values of each of its parts taken separately; particularly important in determining a reasonable railroad rate.

Gondola: A railcar with a flat platform and sides three to five



feet high, used for top loading long, heavy items.

Goods: A term associated with more than one definition: 1) Common term indicating movable property, merchandise, or wares. 2) All materials which are used to satisfy demands. 3) Whole or part of the cargo received from the shipper, including any equipment supplied by the shipper.

Government Bill of Lading (GB/L): The bill of lading used for shipments made by U.S. Government agencies.

Grandfather Clause: A provision that enabled motor carriers engaged in lawful trucking operations before the passage of the Motor Carrier Act of 1935 to secure common carrier authority w/o proving public convenience and necessity; a similar provision exists for other modes.

Granger Laws: State laws passed before 1870 in midwestern states to control rail transportation.

Great Lakes carriers: Water carriers that operate on the five Great Lakes.

Grid Technique: A quantitative technique to determine the least-cost center, given raw materials sources and markers, for locating a plant or warehouse.

Gross National Product (GNP): A measure of a nation's output; the total value of all final goods and services a nation produces during a time period.

Gross Weight: The total weight of the vehicle and the payload of freight or passengers.

GTDI: European Guidelines for Trade Data Interchange.

Guaranteed Loans: Railroad loans that the federal government cosigns and guarantees.

GUI: Graphical User Interface.

H

Hard copy: Computer output printed on paper.

Harmonized Commodity Description & Coding System (Harmonized Code): An international classification system that assigns identification #s to specific products. The coding system ensures that all parties in int'l. trade use a consistent classification for the purposes of documentation, statistical control, and duty assessment.

Haulage: The inland transport service which is offered by the carrier under the terms and conditions of the tariff and of the relative transport document.

HAWB: See House Air Waybill.

Hazardous Goods: Articles or substances capable of posing a significant risk to health, safety, or property, and that ordinarily require special attention when transported. Also called Dangerous Goods.

Hazardous materials: Materials that the Department of Transportation has determined to be a risk to health, safety, and property; includes items such as explosives, flammable liquids, poisons, corrosive liquids, and radioactive material.

Hi-low: Usually refers to a forklift truck on which the operator must stand rather than sit.

Highway Trust Fund: A fund into which highway users (carriers and automobile operators) pay; the fund pays for federal government's highway construction share.

Highway use taxes: Taxes that federal and state government assess against highway users (the fuel tax is an example). The government uses the use tax money to pay for the construction, maintenance, and policing of highways.

Hopper cars: Railcars that permit top loading and bottom unloading of bulk commodities; some hopper cars have permanent tops with hatches to provide protection against the elements.

House Air Waybill (HAWB): A bill of lading issued by a forwarder to a shipper as a receipt for goods that the forwarder will consolidate with cargo from other shippers for transport.

House to House: See Door to Door.

House to Pier: See Door to Port.

Household goods warehouse: A warehouse that stores household goods.

Hub: A central location to which traffic from many cities is directed and from which traffic is fed to other areas.

hub airport: An airport that serves as the focal point for the origin and termination of long-distance flights; flights from outlying areas meet connecting flights at the hub airport.

Hundredweight (cwt): The pricing unit used in transportation; a hundredweight is equal to 100 pounds.

I

ICC: Interstate Commerce Commission (U.S.).

Igloos: Pallets and containers used in air transportation; the igloo shape fits the internal wall contours of a narrow-body airplane.

IMB: See International Maritime Bureau.

IMO: See International Maritime Organization.

Import License: A document issued by a carrier and by some national governments authorizing the importation of goods into their individual countries.

Importation Point: The location where goods will be cleared for importation into a country.

In Bond: Goods are held or transported In-Bond under customs control either until import duties or other charges are paid, or to avoid paying the duties or charges until a later date.

Incentive rate: A rate that induces the shipper to ship heavier volumes per shipment.

Incoterms: International terms of sale developed by the International Chamber of Commerce.

Independent action: A carrier that is a rate bureau member may publish a rate that differs from the rate the rate bureau publishes.

Information: The data, plus the interpretation necessary to understand it.

Information system (I/S): Managing the flow of data in an organization in a systematic, structured way to assist in planning, implementing, and controlling.

Inherent advantage: The cost and service benefits of one mode compared with other modes.

Inland Bill of Lading: The carriage contract used in transport from a shipping point overland to the exporter's international carrier location.

Inland Carrier: An enterprise that offers overland service to or from a point of export.

Inspection Certificate: A document certifying that merchandise (such as perishable goods) was in good condition immediately prior to shipment.

Insurance: A system of protection against loss under which a number of parties agree to pay certain sums (premiums) for a guarantee that they will be compensated under certain conditions for specified loss and damage.

Insurance Certificate: A document issued to the consignee to certify that insurance is provided to cover loss of or damage to the cargo while in transit.

Integrated Carrier: An airfreight company that offers a blend of transportation services such as air carriage, freight forwarding, and ground handling.

Interchange: The transfer of cargo and equipment from one carrier to another in a joint freight move.

Intercoastal carriers: Water carriers that transport freight between East and West Coast ports, usually by way of the Panama Canal.

Intercompany hauling: A private carrier hauling a subsidiary's goods and charging the subsidiary a fee; this is legal if the subsidiary is wholly owned or if the private carrier has common carrier authority.

Interline: Two or more motor carriers working together to haul a shipment to a destination. Carriers may interchange equipment but usually they rehandle the



shipment without transferring the equipment.

Intermediate Destination: A stopping point for a shipment prior to the final destination.

Intermittent-flow, fixed-path equipment: Materials handling devices that include bridge cranes, monorails, and stacker cranes.

Intermodal Container Transfer Facility: A facility where cargo is transferred from one mode of transportation to another, usually from ship or truck to rail.

Intermodal marketing company (IMC): An intermediary that sells intermodal services to shippers.

Intermodal transportation: The use of two or more transportation modes to transport freight; for example, rail to ship to truck.

Internal water carriers: Water carriers that operate over internal, navigable rivers such as the Mississippi, Ohio, and Missouri.

International Air Transport Association: An international air carrier rate bureau for passenger and freight movements.

International Civil Aeronautics Organization: An international agency responsible for air safety and for standardizing air traffic control, airport design, and safety features worldwide.

International Import Certificate: A document required by the importing country indicating that the importing country recognizes that a controlled shipment is entering their country. The importing country pledges to monitor the shipment and prevent its re-export, except in accordance with its own export control regulations.

International Maritime Bureau (IMB): A special division of the International Chamber of Commerce.

International Maritime Organization (IMO): A United Nations-affiliated organization representing all maritime countries in matters affecting maritime transportation, including the movement of dangerous goods. The organization also is involved in deliberations on marine environmental pollution.

Interstate commerce: The transportation of persons or property between states; in the course of the movement, the shipment crosses a state boundary.

Interstate Commerce Commission (ICC): An independent regulatory agency that implements federal economic regulations controlling railroads, motor carriers, pipelines, domestic water carriers, domestic surface freight forwarders, and brokers.

Interstate System: The National System of Interstate and Defense Highways, 42,000 miles of four-lane, limited-access roads connecting major population centers.

Intrastate commerce: The transportation of persons or property between points within a state. A shipment between two points within a state may be interstate if the shipment had a prior or subsequent move outside of the state and the shipper intended an interstate shipment at Inventory: The number of units and/or value of the stock of goods a company holds.

Inventory cost: The cost of holding goods, usually expressed as a percentage of the inventory value; includes the cost of capital, warehousing, taxes, insurance, depreciation, and obsolescence.

Inventory in transit: Inventory in a carrier's possession, being transported to the buyer.

Inventory management: Inventory administration through planning, stock positioning, monitoring product age, and ensuring product availability.

Invoice: A detailed statement showing goods sold or shipped and amounts for each. The invoice is prepared by the seller and acts as the document that the buyer will use to make payment.

Irregular route carrier: A motor carrier that may provide service utilizing any route.

ISO: International Standards Organization.

Issuing Carrier: The carrier whose name is printed on the bill of lading and with whom the contract of carriage exists.

## J

Joint cost: A common cost in cases where a company produces products in fixed proportions and the cost the company incurs to produce one product entails producing another; the backhaul is an example.

Joint rate: A rate over a route that requires two or more carriers to transport the shipment.

Just-in-time (JIT) inventory system: An inventory control system that attempts to reduce inventory levels by coordinating demand and supply to the point where the desired item arrives just in time for use.

Just-in-Time Logistics (or Quick Response): The process of minimizing the times required to source, handle, produce, transport, and deliver products in order to meet customer requirements.

## K

Kanban system: A just-in-time inventory system used by Japanese manufacturers.

Kitting: The process by which individual items are grouped or packaged together to create a special single item.

## L

Lading: The cargo carried in a transportation vehicle.

Land bridge: The movement of containers by ship-rail-ship on Japan-to-Europe moves; ships move containers to the U.S. Pacific Coast, rails move containers to an East Coast port, and ships deliver containers to Europe.

Land grants: Grants of land given to railroads to build tracks during their development stage.

Landed cost: The total cost of a product delivered at a given location; the production cost plus the transportation cost to the customer's location.

lash barges: Covered barges that carriers load on board oceangoing ships for movement to foreign destinations.

LASH Vessel: A ship measuring at least 820 feet long with a deck crane able to load and unload barges through a stern section that projects over the water. The acronym LASH stands for Lighter (barge) Aboard Ship.

Last Updated: A date and time stamp that is recorded when a field or record was last modified by the user.

LCL: Less than carload rail service; less than container load.

LCL: See Less than Container Load.

Lead time: The total time that elapses between an order's placement and its receipt. It includes the time required for order transmittal, order processing, order preparation, and transit.

Leg: A leg has an origin, destination, and carrier and is composed of all consecutive segments of a route booked through the same carrier. Also called Bookable Leg.

Less than Container Load (LCL): A term used when goods do not completely occupy an entire container. When many shippers' goods occupy a single container, each shipper's shipment is considered to be LCL.

Less than Truck Load (LTL): The same as Less than Container Load, but in reference to trucks instead of containers.

Lessee: A person or firm to whom a lessor grants a lease.

Lessor: A person or firm that grants a lease.

Letter of Credit (LOC): An instrument of payment, issued by the buyer's bank, that ensures payment to the seller.



Lift on; Lift off (LO/LO): A method by which cargo is loaded onto and unloaded from an ocean vessel, which in this case is with a crane.

Lighter: A barge-type vessel used to carry cargo between shore and cargo ship. While the terms barge and lighter are used interchangeably, a barge usually refers to a vessel used for a long haul, while a lighter is used for a short haul.

Lighterage: The cost of loading or unloading a vessel by means of barges.

Line functions: The decision-making areas companies associate with daily operations. Logistics line functions include traffic management, inventory control, order processing, warehousing, and packaging.

Line Item: A specific and unique identifier assigned to a product by the responsible enterprise.

Line-haul shipment: A shipment that moves between cities and over distances more than 100 to 150 miles in length.

Liner service: International water carriers that ply fixed routes on published schedules.

Link: The transportation method a company uses to connect nodes (plants, warehouses) in a logistics system.

Live: A situation in which the equipment operator stays with the trailer or boxcar while it is being loaded or unloaded.

LO/LO: See Lift on, Lift off.

Load factor: A measure of operating efficiency used by air carriers to determine a plane's utilized capacity percentage or the number of passengers divided by the total number of seats.

Load Tender (pick-up request): An offer of cargo for transport by a shipper. Load tender terminology is primarily used in the motor industry.

Loading allowance: A reduced rate that carriers offer to shippers and/or consignees who load and/or unload LTL or AQ shipments.

Loading Port: The port where the cargo is loaded onto the exporting vessel. This port must be reported on the Shipper's Export Declaration, Schedule D. Schedule D is used by U.S. companies when exporting to determine which tariff is used to freight rate the cargo for carriers with more than one tariff.

LOC: See Letter of Credit.

Local rate: A rate published between two points served by one carrier.

Local service carriers: A classification of air carriers that operate between less-populated areas and major population centers. These carriers feed passengers into the major cities to

connect with major carriers. Local service carriers are now classified as national carriers.

Localized raw material: A raw material found only in certain locations.

Locational determinant: The factors that determine a facility's location. For industrial facilities, the determinants include logistics.

Logbook: A daily record of the hours an interstate driver spends driving, off duty, sleeping in the berth, or on duty but not driving.

Logistics: The process of planning, implementing, and controlling procedures for the efficient and effective storage of goods, services, and related information from the point of origin to the point of consumption for the purpose of conforming to customer requirements. This definition includes inbound, outbound, internal, and external movements.

Logistics channel: The network of intermediaries engaged in transfer, storage, handling, and communications functions that contribute to the efficient flow of goods.

Logistics Costs: The factors associated with the acquisition, storage, movement, and disposition of goods.

Logistics data interchange (LDI): A computerized system that electronically transmits logistics information.

Long ton: 2,240 pounds.

Lot size: The quantity of goods a company purchases or produces in anticipation of use or sale in the future.

LTL: See Less-than-Truckload.

LTL shipment: A less-than-truckload shipment, one weighing less than the minimum weight a company needs to use the lower truckload rate.

Lumping: The act of assisting a motor carrier owner-operator in the loading and unloading of property; quite commonly used in the food industry.

M

Mainframe: An organization's central computer system.

Major carrier: A for-hire certificated air carrier that has annual operating revenues of \$1 billion or more; the carrier usually operates between major population centers.

Management of All Logistics: The effective management of all costs associated with logistics functions and activities so as to minimize their sum across the product supply chain.

Manifest: A list of all cargoes that pertain to a specific shipment, grouping of shipments, or piece of equipment. Ocean carriers will

prepare a manifest will prepare a manifest per container, etc.

Manufacturing Resource Planning (MRP II): The process of identifying, performing a needs analysis, and committing the resources needed to produce a product.

Mar Ad: See Maritime Administration.

marginal cost: The cost to produce one additional unit of output; the change in total variable cost resulting from a one-unit change in output.

Marine Cargo Insurance - Average: Average- A term in marine cargo insurance signifying loss or damage to merchandise.

Marine Cargo Insurance - FPA: FPA-Free of Particular Average. A provision in a marine cargo insurance policy that no claim shall be paid for damage to goods in the course of a voyage unless a loss is sustained that totals or exceeds a certain percentage of the value as specified in the policy. The object of such a provision is the avoidance of petty claims.

Marine Cargo Insurance - General Average: A loss arising out of a voluntary sacrifice made of any part of a shipment or cargo to prevent loss of the whole and for the benefit of all persons concerned.

Marine Cargo Insurance - Open Policy: A contract b/t an insurance company and the exporter in which all shipments made by the insured are automatically protected from the time the merchandise leaves the initial shipping point until delivery at destination.

Maritime Administration (Mar Ad): A U.S. government agency, not actively involved in vessel operation, that administers laws for maintenance of a merchant marine for the purposes of defense and commerce.

Market dominance: The absence of effective competition for railroads from other carriers and modes for the traffic to which the rail rate applies. The Staggers Act stated that market dominance does not exist if the rate is below the revenue-to-variable-cost ratio of 160 percent in 1981 and 170 percent in 1983.

Marks and Numbers: Marks and numbers placed on goods used to identify a shipment or parts of a shipment.

Master Air Waybill (MAWB): The bill of lading issued by air carriers to their customers.

Material index: The ratio of the sum of the localized raw material weights to the weight of the finished product.

Materials handling: Short-distance movement of goods within a storage area.



Materials management: The movements and storage functions associated with supplying goods to a firm.

Materials planning: The materials management function that attempts to coordinate materials supply with materials demand.

Materials Requirements Planning (MRP): The process used to determine the amount of material to purchase and when to purchase it.

Matrix organization: An organizational structure that emphasizes the horizontal flow of authority; the company treats logistics as a project, with the logistics manager overseeing logistics costs but traditional departments controlling operations.

MAWB: See Master Air Waybill.

Measurement ton: Forty cubic feet; used in water transportation ratemaking.

Merger: The combination of two or more carriers into one company that will own, manage, and operate the properties that previously operated separately.

Micro-land bridge: An intermodal movement in which the shipment is moved from a foreign country to the U.S. by water and then moved across the U.S. by railroad to an interior, nonport city, or vice versa for exports from a nonport city.

Mileage allowance: An allowance, based upon distance that railroads give to shippers using private railcars.

Mileage rate: A rate based upon the number of miles the commodity is shipped.

Mini-land Bridge: An intermodal movement in which the shipment is moved from a foreign country to the U.S. by water and then moved across the U.S. by railroad to a destination that is a port city, or vice versa for exports from a U.S. port city.

Minimum weight: The shipment weight the carrier's tariff specifies as the minimum weight required to use the TL or CL rate; the rate discount volume.

Mixed loads: The movement of both regulated and exempt commodities in the same vehicle at the same time.

Modal split: The relative use that company's making of transportation modes; the statistics include ton-miles, passenger-miles, and revenue.

MRO items: Maintenance, repair, and operating items--office supplies, for example.

Motor Carrier: An enterprise that offers service via motor carriage.

Movement of Goods: The transfer of goods from one location to another.

MRP: See Materials Requirement Planning

MRP II: See Manufacturing Resource Planning

Multinational company: A company that both produces and markets products in different countries.

Multiple-car rate: A railroad rate that is lower for shipping more than one carload at a time.

## N

National carrier: A for-hire certificated air carrier that has annual operating revenues of \$75 million to \$1 billion; the carrier usually operates between major population centers and areas of lesser population.

National Industrial Traffic League: An association representing shippers' and receivers' interests in matters of transportation policy and regulation.

Nationalization: Public ownership, financing, and operation of a business entity.

National Motor Bus Operators Organization: An industry association representing common and charter bus firms; now known as the American Bus Association.

National Railroad Corporation: Also known as Amtrak, the corporation established by the Rail Passenger Service Act of 1970 to operate most of the United States' rail passenger service.

Negotiable BOL: Provides for the delivery of goods to a named enterprise or to their order (anyone they may designate), but only upon surrender of proper endorsement and the bill of lading to the carrier or the carrier's agents. Also known as an order bill of lading.

Negotiations: A set of discussions between two or more enterprises to determine the business relationship.

Net Weight: The weight of the merchandise, unpacked, exclusive of any containers.

no location (No Loc): A received item for which the warehouse has no previously established storage slot.

Node: A fixed point in a firm's logistics system where goods come to rest; includes plants, warehouses, supply sources, and markets.

Non Vessel Operating Common Carrier (NVOCC): A firm that offers the same services as an ocean carrier, but which does not own or operate a vessel. NVOCCs usually act as consolidators, accepting small shipments (LCL) and consolidating them into full container loads. They then act as a shipper, tendering the containers to ocean common carriers. They are required to file tariffs with the Federal Maritime Commission and are subject to the same laws and statutes that apply to primary common carriers.

Non-Negotiable BOL: Provides for the delivery of goods to a named enterprise and to no one else. Also known as a straight bill of lading.

Non-vessel-owning common carrier (NVOCC): A firm that consolidates and disperses international containers that originates at or are bound for inland ports.

Noncertificated carrier: A for-hire air carrier that is exempt from economic regulation.

NOS/NES: See not otherwise specified/Not elsewhere specified.

Notify Party: The abbreviation of the name of an organization that should be notified when a shipment reaches its destination.

Not otherwise specified/Not elsewhere specified (NOS/NES): This term often appears in ocean or airfreight tariffs respectively. If no rate for the specific commodity shipped appears in the tariff, then a general class rate (for example: printed matter NES) will apply. Such rates usually are higher than rates for specific commodities.

NVOCC: See Non-Vessel Operating Common Carrier.

## O

Ocean Bill of Lading: The bill of lading issued by the ocean carrier to its customer.

Ocean Carrier: An enterprise that offers service via ocean (water) transport.

Offer: See Tender.

On-line receiving: A system in which computer terminals are available at each receiving bay and operators enter items into the system as they are unloaded.

Open Policy: See Marine Cargo Insurance.

Operating Differential Subsidy (ODS): A payment to an American-flag carrier by the U.S. government to offset the difference in operating costs between U.S. and foreign vessels.

Operating ratio: A measure of operating efficiency defined as operating expenses divided by the Operating revenues x 100.

Order: A type of request for goods or services.

Order cycle time: The time that elapses from placement of order until receipt of order. This includes time for order transmittal, processing, preparation, and shipping.

Order Cycle: The time spent and the activities performed from the time an order is received to the actual delivery of the order to a customer.

Order Fill: A measure of the number of orders processed without stockouts, or the need to back order, expressed as a percentage of all orders processed in the distribution center or warehouse.



Order picking: Assembling a customer's order from items in storage.  
Order processing: The activities associated with filling customer orders.  
Ordering cost: The cost of placing an inventory order with a supplier.  
Origin: The place where a shipment begins its movement.  
OSD: Over, Short, and Damaged.  
Out-of-pocket cost: The cost directly assignable to a particular unit of traffic and which a company would not have incurred if it had not performed the movement.  
Outsourcing: Purchasing a logistics service from an outside firm, as opposed to performing it in-house.  
Over-the-road: A motor carrier operation that reflects long-distance, intercity moves; the opposite of local operations.  
Owner-operator: A trucking operation in which the truck's owner is also the driver.

## P

P & D: Pickup and delivery.  
Packing List: A document containing information about the location of each Product ID in each package. It allows the recipient to quickly find the item he or she is looking for without a broad search of all packages. It also confirms the actual shipment of goods on a line item basis.  
Pallet: A platform device (about four feet square) used for moving and storing goods. A forklift truck is used to lift and move the loaded pallet.  
Pallet wrapping machine: A machine that wraps a pallet's contents in stretch-wrap to ensure safe shipment.  
Particular Average: See Marine Cargo Insurance.  
Passenger-mile: A measure of output for passenger transportation that reflects the number of passengers transported and the distance traveled; a multiplication of passengers hauled and distance traveled.  
Payment: The transfer of money, or other agreed upon medium, for provision of goods or services.  
Payment Collection: Obtaining money, or other agreed upon medium, for provision of goods or services.  
Peak demand: The time period during which customers demand the greatest quantity.  
Pegging: A technique in which a DRP system traces demand for a product by date, quantity, and warehouse location.  
Per Diem: A payment rate one railroad makes to use another's cars.  
Permit: A grant of authority to operate as a contract carrier.

Personal computer (PC): An individual unit an operator uses for creating and maintaining programs and files; can often access the mainframe simultaneously.  
Personal discrimination: Charging different rates to shippers with similar transportation characteristics, or, charging similar rates to shippers with differing transportation characteristics.  
Physical distribution: The movement and storage of finished goods from manufacturing plants to warehouses to customers; used synonymously with business logistics.  
Physical supply: The movement and storage of raw materials from supply sources to the manufacturing facility.  
Pick-Up Order: A document indicating the authority to pick up cargo or equipment from a specific location.  
Pick/pack: Picking and packing immediately into shipment containers.  
Picking by aisle: A method by which pickers pick all needed items in an aisle regardless of the items' ultimate destination; the items must be sorted later.  
Picking by source: A method in which pickers successively pick all items going to a particular destination regardless of the aisle in which each item is located.  
Piggyback: A rail-truck service. A shipper loads a highway trailer, and a carrier drives it to a rail terminal and loads it on a rail flatcar; the railroad moves the trailer-on-flatcar combination to the destination terminal, where the carrier offloads the trailer.  
Pin lock: A hard piece of iron, formed to fit on a trailer's pin, that locks in place with a key to prevent an unauthorized person from moving the trailer.  
Place utility: A value that logistics creates in a product by changing the product's location.  
Transportation creates place utility.  
Planned order: In DRP and MRP systems, a future order the system plans in response to forecasted demand.  
PO: See Purchase Order.  
Point of sale information (POS): Price and quantity data from the retail location as sales transactions occur.  
Police powers: The United States' constitutionally granted right for the states to establish regulations to protect their citizens' health and welfare; truck weight; speed, length, and height laws are examples.  
Pooling: An agreement among carriers to share the freight to be hauled or to share profits. The

Interstate Commerce Act outlawed pooling agreements, but the Civil Aeronautics Board has approved profit pooling agreements for air carriers during strikes.  
Port: A harbor where ships will anchor.  
Port authority: A state or local government that owns, operates, or otherwise provides wharf, dock, and other terminal investments at ports.  
POS: Point of Shipment.  
Possession utility: The value created by marketing's effort to increase the desire to possess a good or benefit from a service.  
Prepaid Freight: Freight paid by the shipper to the carrier when merchandise is tendered for shipment that is not refundable if the merchandise does not arrive at the intended destination.  
Primary-business test: A test the ICC uses to determine if a trucking operation is bona fide private transportation; the private trucking operation must be incidental to and in the furtherance of the firm's primary business.  
Private carrier: A carrier that provides transportation service to the firm that owns or leases the vehicles and does not charge a fee. Private motor carriers may haul at a fee for wholly owned subsidiaries.  
Private warehousing: The storage of goods in a warehouse owned by the company that has title to the goods.  
Pro Forma Invoice: An invoice, forwarded by the seller of goods prior to shipment that advises the buyer of the particulars and value of the goods. Usually required by the buyer in order to obtain an import permit or letter of credit.  
Pro-forma: A type of quotation or offer that may be used when first negotiates the sales of goods or services. If the pro-forma is accepted, then the terms and conditions of the pro-forma may become the request.  
Procurement: The act of acquiring goods.  
Product: Something that has been or is being produced.  
Product Description: The user's description of the product.  
Product ID: A method of identifying a product without using a full description. These can be different for each document type and must, therefore, be captured and related to the document in which they were used. They must then be related to each other in context (also known as SKU, Item Code or Number, or other such name).  
Production planning: The decision-making area that determines when and where and in what quantity a manufacturer is to produce goods.





**Productivity:** A measure of resource utilization efficiency defined as the sum of the outputs divided by the sum of the inputs.

**Profit ratio:** The percentage of profit to sales--that is, profit divided by sales.

**Proportional rate:** A rate lower than the regular rate for shipments that have prior or subsequent moves; used to overcome combination rates' competitive disadvantages.

**Public warehouse receipt:** The basic document a public warehouse manager issues as a receipt for the goods a company gives to the warehouse manager. The receipt can be either negotiable or nonnegotiable.

**Public warehousing:** The storage of goods by a firm that offers storage service for a fee to the public.

**Pull ordering system:** A system in which each warehouse controls its own shipping requirements by placing individual orders for inventory with the central distribution center.

**Purchase Order:** A document created by a buyer to officially request a product or service from a seller. It contains, among other things, the name and address of the buyer, the ship-to address, the quantity, product code [and expected price], requested ship or receipt date, sales and shipping terms, and other appropriate information.

**Purchase price discount:** A pricing structure in which the seller offers a lower price if the buyer purchases a larger quantity.

**Purchasing:** The functions associated with buying the goods and services the firm requires.

**Pure raw material:** A raw material that does not lose weight in processing.

**Push ordering system:** A situation in which a firm makes inventory deployment decisions at the central distribution center and ships to its individual warehouses accordingly.

## Q

**Quality control:** The management function that attempts to ensure that the goods or services in a firm manufacturers or purchases meet the product or service specifications.

**Quick response:** A method of maximizing the efficiency of the supply chain by reducing inventory investment.

## R

**Rail Carrier:** An enterprise that offers service via rail carriage.

**Rail Waybill:** The bill of lading issued by rail carriers to their customers.

**Random access memory (RAM):** Temporary memory on micro chips. Users can store data in RAM

or take it out at high speeds. However, any information stored in RAM disappears when the computer is shut off.

**Rate basis number:** The distance between two rate basis points.

**Rate basis point:** The major shipping point in a local area; carriers consider all points in the local area to be the rate basis point.

**Rate bureau:** A carrier group that assembles to establish joint rates, to divide joint revenues and claim liabilities, and to publish tariffs. Rate bureaus have published single line rates, which were prohibited in 1984.

**Rated Bill of Lading:** See Freight Bill. Rates: Established charges for the transport of goods.

**Reasonable rate:** A rate that is high enough to cover the carrier's cost but not high enough to enable the carrier to realize monopolistic profits.

**Recapture Clause:** A provision of the 1920 Transportation Act that provided for self-help financing for railroads. Railroads that earned more than the prescribed return contributed one-half of the excess to the fund from which the ICC made loans to less profitable railroads. The Recapture Clause was repealed in 1933.

**Receipt Location:** A location that will receive goods.

**Receipt Point:** The place where cargo enters the care and custody of the carrier.

**Receiver:** An enterprise that receives goods/services.

**Reciprocity:** The practice by which governments extend similar concessions to each other.

**Reconsignment:** A carrier service that permits a shipper to change the destination and/or consignee after the shipment has reached its originally billed destination and to still pay the through rate from origin to final destination.

**Reed-Bulwinkle Act:** Legislation that legalized common carrier joint ratemaking through rate bureaus; extended antitrust immunity to carriers participating in a rate bureau.

**Reefer:** A container with a self-contained refrigeration unit, used for the transportation of perishable cargo.

**Reengineering:** A fundamental rethinking and radical design of business processes to achieve dramatic improvements in performance.

**Refrigerated warehouse:** A warehouse that is used to store perishable items requiring controlled temperatures.

**Regional carrier:** A for-hire air carrier, usually certificated, that has annual operating revenues of less than \$75 million; the carrier

usually operates within a particular region of the country.

**Regular-route carrier:** A motor carrier that is authorized to provide service over designated routes.

**Relay terminal:** A motor carrier terminal that facilitates the substitution of one driver for another who has driven the maximum hours permitted.

**Release Approval:** A document to advise that goods are available for further movement or action.

**Released-value rates:** Rates based upon the shipment's value. The maximum carrier liability for damage is less than the full value, and in return the carrier offers a lower rate.

**Reliability:** A carrier selection criterion that considers the carrier transit time variation; the consistency of the transit time the carrier provides.

**Reorder point:** A predetermined inventory level that triggers the need to place an order. This minimum level provides inventory to meet the demand a firm anticipates during the time it takes to receive the order.

**Reparation:** A situation in which the ICC requires a railroad to repay users the difference between the rates the railroad charges and the maximum rate the ICC permits when the ICC finds a rate to be unreasonable or too high.

**Request:** An appeal for a transaction of goods/services between two enterprises.

**Requested Arrival Date:** The date the shipment must arrive at the destination.

**Restricted Articles:** An airline term referring to a hazardous material as defined by Title 49, Code of Federal Regulations (U.S.) and Air Transport Restricted Articles Circular 6-D. Restricted articles transported domestically may be classified as dangerous goods when transported domestically may be classified as dangerous goods when transported internationally by air.

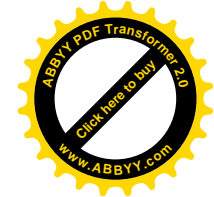
**Retaliation:** An action taken by a country to restrain its imports from another country that has increased a tariff or imposed other measures that adversely affect the first country's exports.

**Reverse logistics:** The process of collecting, moving, and storing used, damaged, or outdated products and/or packaging from end users.

**right of eminent domain:** A concept that, in a court of law, permits a carrier to purchase land it needs for transportation right-of-way; used by railroads and pipelines.

**RO/RO:** See Roll-on/Roll-off.

**Roll-on-roll-off (RO-RO):** A type of ship designed to permit cargo to be driven on at origin and off at



destination; used extensively for the movement of automobiles.

Route: A complete movement of a shipment from its origin to its destination by a carrier.

RRM: Rapid Response Manufacturing.

Rule of eight: Before the Motor Carrier Act of 1980, the ICC restricted contract carriers requesting authority to eight shippers under contract. The number of shippers has been deleted as a consideration for granting a contract carrier permit.

Rule of ratemaking: A regulatory provision directing the regulatory agencies to consider the earnings a carrier needs to provide adequate transportation.

S

Safety stock: The inventory a company holds beyond normal needs as a buffer against delays in receipt of orders or changes in customer buying patterns.

Sales Order: See Customer Order.

Salvage material: Unused material that has a market value and can be sold.

Schedule Information: Data concerning the service provided by an enterprise.

Scrap material: Unusable material that has no market value.

Seal Number: The identifier assigned to the tag used to secure or mark the locking mechanism on closed containers.

Seller: An enterprise that arranges for the supply transaction of goods/services with other enterprises.

Separable cost: A cost that a company can directly assign to a particular segment of the business.

Service: The defined, regular patterns of calls made by a carrier in the pick up and discharge of cargo.

Service Contract: A contract between a shipper and an ocean carrier or conference, in which the shipper makes a commitment to provide a minimum quantity of cargo over a fixed time period. The ocean carrier or conference also commits to a rate or rate schedule as well as a defined service level, such as space, transit item, port rotation, or other features.

Service Levels: A set standard of operating procedures and outcomes as agreed upon by one or more enterprises involved in a transaction.

Service Provider: An enterprise that offers and supplies goods or services.

Service Request: A description of a specific service provided as an interface between layers (for example: transfer data).

Service Response: A description of the response to a specific service

request that reports the success or failure of the request.

Setup costs: The costs a manufacturer incurs in staging the production line to produce a different item.

Ship agent: A liner company or tramp ship operator representative who facilitates ship arrival, clearance, loading and unloading, and fee payment while at a specific port.

Ship broker: A firm that serves as a go-between for the tramp ship owner and the chartering consignor or consignee.

Shipment: A shipment is a user-defined unit containing goods (single or multiple units) and requires transportation from one location to another. A shipment becomes a shipment when it leaves the consignor's location. A shipment is complete when it arrives at the consignee's destination.

Shipment Available Date: The date the shipment will be available for transportation.

Shipment Gross Weight Qualifier: A weight qualifier for the estimated gross weight of LCL and/or FCL for a booking.

Shipment Identification: A free-text field that serves as a shipment identifier to uniquely identify a shipment to the user. This shipment ID is supplied by the user and allows loads to be consolidated into shipments.

Shipment Point: A specific location from where goods will depart for movement.

Shipper: An enterprise that fulfills the request for goods or services.

Shipper's agent: A firm that primarily matches up small shipments, especially single-traffic piggyback loads, to permit shippers to use twin-trailer piggyback rates.

Shippers association: A nonprofit, cooperative consolidator and distributor of shipments that member firms own or ship; acts in much the same way as a for-profit freight forwarder.

Shipping Instructions: A document detailing the cargo and the requirements of its physical movement.

Shipping Point: See Shipment Point.

Short ton: 2,000 pounds.

Short-haul discrimination: Charging more for a shorter haul than for a longer haul over the same route, in the same direction, and for the same commodity.

Simulation: A computer model that represents a real-life logistics operation with mathematical symbols and runs it for a simulated length of time to determine how proposed changes will affect the operation.

SKU: See Stock Keeping Unit.

Sleeper team: Two drivers who operate a truck equipped with a sleeper berth; while one driver sleeps in the berth to accumulate mandatory off-duty time, the other driver operates the vehicle.

Slip seat operation: A motor carrier relay terminal operation in which a carrier substitutes one driver for another who has accumulated the maximum driving time hours.

Slip sheet: Similar to a pallet, the slip sheet, which is made of cardboard or plastic, is used to facilitate movement of unitized loads.

Slurry: Dry commodities that are made into a liquid form by the addition of water or other fluids to permit movement by pipeline.

Society of Logistics Engineers: A professional association engaged in the advancement of logistics technology and management.

Software: A computer term that describes the system design and programming that the computer's effective use requires.

Source: A specific location or enterprise from where goods will be obtained.

Space and Equipment Reservation: A business transaction between two enterprises to arrange for services to facilitate the movement of goods via a carrier.

Space Request (Space and Equipment Request): A business transaction between two enterprises. An enterprise that has goods to be moved will contact an entity that provides transport services to request space and equipment for an upcoming shipment. The request serves as the first action to launch a set of negotiations between the two enterprises.

Special Customs Invoice: In addition to a commercial invoice, some countries require a special customs invoice designed to facilitate the clearance of goods and the assessment of customs duties in that country.

Special-commodities carrier: A common carrier trucking company that has authority to haul a special commodity; the sixteen special commodities include household goods, petroleum products, and hazardous materials.

Special-commodity warehouses: A warehouse that is used to store products requiring unique facilities, such as grain (elevator), liquid (tank), and tobacco (barn).

Specific Duty: See Duty.

Spot: To move a trailer or boxcar into place for loading or unloading.

Spur track: A railroad track that connects a company's plant or warehouse with the railroad's track; the user bears the cost of the spur track and its maintenance.

Staff functions: The planning and analysis support activities a firm



provides to assist line managers with daily operations. Logistics staff functions include location analysis, system design, cost analysis, and planning.

Stage: The act of locating goods at a specific location to prepare for movement.

Statistical process control (SPC): A managerial control technique that examines a process's inherent variability.

Status: Information concerning the state or location of a defined item.

Steamship Conference: A voluntary, collective, rate-making body representing member steamship lines.

Steamship Line: A company that owns and/or operates vessels in maritime trade.

STL: Standard Two Letter (code designation for airlines).

Stocking Keeping Unit (SKU): A method of identifying a product without using a full description.

Stockless purchasing: A practice whereby the buyer negotiates a purchase price for annual requirements of MRO items and the seller holds inventory until the buyer orders individual items.

Stockout: A situation in which the items a customer orders are currently unavailable.

Stockout cost: The opportunity cost that companies associate with not having supply sufficient to meet demand.

Stores: The function associated with storing and issuing frequently used items.

Strategic planning: Looking one to five years into the future and designing a logistical system (or systems) to meet the needs of the various businesses in which a company is involved.

Strategic variables: The variables that effect change in the environment and logistics strategy. The major strategic variables include the economy, population, energy, and government.

Strategy: A specific action to achieve an objective.

Stretch-wrap: An elastic, thin plastic material that effectively adheres to itself, thereby containing product on a pallet when wrapped around the items.

Stripping: The unloading of cargo from a container or other piece of equipment. See Devanning.

Subsidy: The economic benefit granted by a government to producers of goods or services often to strengthen their competitive position.

Substitutability: A buyer's ability to substitute different sellers' products.

Supplemental carrier: A for-hire air carrier having no time schedule or designated route; the carrier

provides service under a charter or contract per plane per trip.

Supply Chain Management: The integration of the supplier, distributor, and customer logistics requirements into one cohesive process to include demand planning, forecasting, materials requisition, order processing, inventory allocation, order fulfillment, transportation services, receiving, invoicing, and payment.

Supply Chain(s): A group of physical entities such as manufacturing plants, distribution centers, conveyances, retail outlets, people and information which are linked together through processes (such as procurement or logistics) in an integrated fashion, to supply goods or services from source through consumption.

Supply warehouse: A warehouse that stores raw materials; a company mixes goods from different suppliers at the warehouse and assembles plant orders.

Surcharge: An add-on charge to the applicable charges; motor carriers have a fuel surcharge, and railroads can apply a surcharge to any joint rate that does not yield 110 percent of variable cost.

Switch engine: A railroad engine that is used to move railcars short distances within a terminal and plant.

Switching company: A railroad that moves railcars short distances; switching companies connect two mainline railroads to facilitate through movement of shipments.

System: A set of interacting elements, variable, parts, or objects that are functionally related to each other and form a coherent group.

Systems concept: A decision-making strategy that emphasizes overall system efficiency rather than the efficiency of each part.

T

Tally sheet: A printed form on which company's record, by making an appropriate mark, the number of items they receive or ship. In many operations, tally sheets become a part of the permanent inventory records.

Tandem: A truck that has two drive axles or a trailer that has two axles.

Tank cars: Railcars designed to haul bulk liquid or gas commodities.

Tapering rate: A rate that increases with distance but not in direct proportion to the distance the commodity is shipped.

Tare weight: The weight of the vehicle when it is empty.

Tariff: A document issued by a carrier setting forth applicable rules, rates, and charges for the

movement of goods. The document sets up a contract of carriage between the shipper, consignee, and carrier. In international trade applications, the term also refers

Tariff Service: The type of service required, such as House to House, Pier to Pier, Pier to House, etc.

Temporary authority: Temporary operating authority as a common carrier granted by the ICC for up to 270 days.

Tender: A request for space and equipment with a motor carrier.

Terminal: A location or facility for the handling and/or temporary storage of cargo as it is loaded/unloaded or transferred between enterprises.

Terminal delivery allowance: A reduced rate that a carrier offers in return for the shipper or consignee tendering or picking up the freight at the carrier's terminal.

Terminal Operator: The enterprise responsible for the operation of facilities for one or more modes of transportation.

Terminal Pass: A document provided to the delivering carrier by the terminal operator to allow admission into the operator's facility.

Terminal Receipt: A document used to accept materials or equipment at a terminal. This provides the delivering carrier with proof of delivery and the terminal with a verification of receipt.

Terms of Sale: The details or conditions of a transaction including details of the payment method, timing, legal obligations, freight terms, required documentation, insurance, responsibilities of the buyer and the seller, and when the buyer assumes risk for the shipment.

Terms of Sale - Cost and Freight (C&F): The seller quotes a price that includes the cost of transportation to a specific point. The buyer assumes responsibility for loss/damage and purchases insurance for the shipment.

Terms of Sale - Cost, Insurance & Freight (CIF): The prices quote the seller offers to transportation charges.

Terms of Sale - Ex Works: The price that the seller quotes applies only at the point of origin. The buyer takes possession of the shipment at the point of origin and bears all the costs and risks associated with transporting the goods to the destination.

Terms of Sale - Free along Side: The seller agrees to deliver the goods to the dock alongside the overseas vessel that will carry the shipment. The seller pays the cost of getting the shipment to the dock. The buyer is responsible for contracting the carrier, obtaining



**Terms of Sale - Free on Board (F.O.B.) (exchange point):** This expression will be followed by an exchange point. The exchange point indicates the point at which the responsibility (risk) moves from the buyer to the seller.

**Terms of Sale - F.O.B. Origin:** The seller agrees to deliver the goods to the point of origin. The buyer assumes all responsibility and risk from the point of origin.

**Terms of Sale - F.O.B. Port:** The seller agrees to deliver the goods to the port as indicated by the exchange point. The buyer assumes all responsibility (risk) from the port as indicated by the exchange point.

**Terms of Sale - F.O.B. Destination:** The seller agrees to deliver the goods to the destination point. The buyer assumes all responsibility (risk) at the destination point.

**TEU:** Twenty-foot equivalent unit, a standard size intermodal container.

**Third party:** A firm that supplies logistics services to other companies.

**Three-layer framework:** A basic structure and operational activity of a company; the three layers include operational systems, control and administrative management, and master planning.

**Through Bill of Lading:** A single bill of lading covering both the domestic (inland) and international carriage of an export shipment.

**Throughput:** A warehousing output measure that considers the volume (weight, number of units) of items stored during a given time period.

**Time utility:** A value created in a product by having the product available at the time desired. Transportation and warehousing create time utility.

**Time/service rate:** A rail rate that is based upon transit time.

**Timetables:** Time schedules of departures and arrivals by origin and destination; typically used for passenger transportation by air, bus, and rail.

**TL (truckload):** A shipment weighing the minimum weight or more. Carriers give a rate reduction for shipping a TL-size shipment.

**TOFC:** See Trailer on Flat Car.

**TOFC (trailer-on-flatcar):** Also known as piggyback.

**Ton-mile:** A freight transportation output measure that reflects the shipment's weight and the distance the carrier hauls it; a multiplication of tons hauled and distance traveled.

**Total cost analysis:** A decision-making approach that considers

total system cost minimization and recognizes the interrelationship among system variables such as transportation, warehousing, inventory, and customer service.

**Total quality management (TQM):** A management approach in which managers constantly communicate with organizational stakeholders to emphasize the importance of continuous quality improvement.

**Toto authority:** A private motor carrier receiving operating authority as a common carrier to haul freight for the public over the private carrier's backhaul; the ICC granted this type of authority to the Toto Company in 1978.

**Tracing:** Determining a shipment's location during the course of a move.

**Tracking:** A carrier's system of recording movement intervals of shipments from origins to destinations.

**Trade:** A term used to define a geographic area or specific route served by carriers.

**Trade Lane:** The combination of the origin and destination points.

**Trader:** An enterprise that operates a for-profit business arranging for the purchase and/or sale of goods/services.

**Trading Partner:** Any party either company or person involved in the supply chain order, fulfillment or shipping process.

**Traffic management:** The buying and controlling of transportation services for a shipper or consignee, or both.

**Trailer On Flat Car (TOFC):** Carriage of intermodal containers when the container is still attached to the chassis, and both chassis and container are loaded on a rail flat car.

**Tramp:** An international water carrier that has no fixed route or published schedule; a shipper charters a tramp ship for a particular voyage or a given time period.

**Transfer:** Communication from one partner to another.

**Transit privilege:** A carrier service that permits the shipper to stop the shipment in transit to perform a function that changes the commodity's physical characteristics, but to still pay the through rate.

**Transit time:** The total time that elapses between a shipment's delivery and its pickup.

**Transmittal Letter:** A letter from the shipper to its agent that lists the particulars of a shipment, the documents being transmitted, and instructions for the disposition of those documents.

**Transport:** See Transportation.

**Transportation (Transport or Carriage):** The movement of goods from one place to another.

**Transportation Association of America:** An association that represents the entire U.S. transportation system--carriers, users, and the public; now defunct.

**Transportation method:** A linear programming technique that determines the least-cost means of shipping goods from plants to warehouses or from warehouses to customers.

**Transportation requirements planning (TRP):** Utilizing computer technology and information already available in MRP and DRP databases to plan transportation needs based on field demand.

**Transportation Research Board:** A division of the National Academy of Sciences which pertains to transportation research.

**Transportation Research Forum:** A professional association that provides a forum for the discussion of transportation ideas and research techniques.

**Transportation Services:** Services offered by the transport provider.

**Transshipment:** The shipment of merchandise to the point of destination in another country on more than one vessel or vehicle. The liability may pass from one carrier to the next, or it may be covered by Through Bills of Lading issued by the first carrier.

**Transshipment problem:** A variation of the linear programming transportation method that considers consolidating shipments to one destination and reshipping from that destination.

**Travel agent:** A firm that provides passenger travel information; air, rail, and steamship ticketing; and hotel reservations. The carrier and hotel pay the travel agent a commission.

**Trunk lines:** Oil pipelines used for the long-distance movements of crude oil, refined oil, or other liquid products.

**TSA:** Trans-Pacific Stabilization Agreement.

**Twenty-foot Equivalent Unit (TEU):** Used to measure a vessel's capacity based on the number of twenty-foot containers the vessel can carry.

**Two-bin system:** An inventory ordering system in which the time to place an order for an item is indicated when the first bin is empty. The second bin contains supply sufficient to last until the company receives the order.

**U**

**Ubiquity:** A raw material that is found at all locations.

**ULD:** See Unit Load Device.

**Umbrella rate:** An ICC ratemaking practice that held rates to a particular level to protect another mode's traffic.

**UNECE:** United Nations Economic Commission for Europe.





**Uniform Warehouse Receipts Act:** The act that sets forth the regulations governing public warehousing. The regulations define a warehouse manager's legal responsibility and define the types of receipts he or she issues.

**Unit Load Device (ULD):** Refers to airfreight containers and pallets.

**Unit train:** An entire, uninterrupted locomotive, car, and caboose movement between an origin and destination.

**United States Railway Association:** The planning and funding agency for Conrail; created by the 3-R Act of 1973.

**Unitize:** To consolidate several packages into one unit; carriers strap, band, or otherwise attach the several packages together.

**Urban Mass Transportation Administration:** A U.S. Department of Transportation agency that develops comprehensive mass transport systems for urban areas and for providing financial aid to transit systems.

## V

**Valuation Charges:** Transportation charges to shippers who declare a value of goods higher than the value of the carriers' limits of liability.

**Value-of-service pricing:** Pricing according to the value of the product the company is transporting; third-degree price discrimination; demand-oriented pricing; charging what the traffic will bear.

**Variable cost:** A cost that fluctuates with the volume of business.

**Vendor:** A firm or individual that supplies goods or services; the seller.

**Vendor managed inventories (VMI):** A customer service strategy used to manage inventory of customers to lower cost and improve service.

**Vessel:** A floating structure designed for transport.

**Vessel Manifest:** A list of all cargoes on a vessel.

**Von's belts:** A series of concentric rings around a city to identify where agricultural products would be produced according to von Thunen's theory.

**Voyage:** The trip designation (trade route and origin/destination) identifier, usually numerically sequential.

**VSA:** Vessel Sharing Agreement.

## W

**Warehouse:** A storage location for goods.

**Warehousing:** The storage (holding) of goods.

**Waterway use tax:** A per-gallon tax assessed barge carriers for waterway

**Waybill:** A non-negotiable document prepared by or on behalf of the carrier at the point of shipment origin. The document shows point of origin, destination, route, consignor, consignee, description of shipment, and amount charged for the transport service.

**Weight break:** The shipment volume at which the LTL charges equal the TL charges at the minimum weight.

**Weight Unit Qualifier:** The unit of measure that the user wants to see for weight.

**Weight-losing raw material:** A raw material that loses weight in processing.

**Wharfage:** The charges assessed by pier personnel for the handling of incoming or outgoing cargo.

**Work in process (WIP):** Parts and subassemblies in the process of becoming completed assembly components. These items, no longer part of the raw materials inventory and not yet part of the finished goods inventory, may constitute a large inventory by themselves and create extra expense for the firm.

**WPA:** With particular average. See Marine Cargo Insurance.

## X

## Y

## Z

**Zone of rate flexibility:** Railroads may raise rates by a percentage increase in the railroad cost index that the ICC determines; the railroads could raise rates by 6 percent per year through 1984 and 4 percent thereafter.

**Zone of rate freedom:** Motor carriers may raise or lower rates by 10 percent in one year without ICC interference; if the rate change is within the zone of freedom, the rate is presumed to be reasonable.

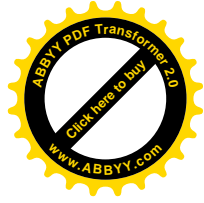
**Zone of reasonableness:** A zone or limit within which air carriers may change rates without regulatory scrutiny; if the rate change is within the zone, the new rate is presumed to be reasonable.

**Zone price:** The constant price of a product at all geographic location within a zone.

## 1. Metrics

Big logistic companies are used to administrate, account and measure all the possible imagine data you can dream of. They measure human resources, assets, service, numbers, time, efforts, productivities and many different factors that make the difference of quality and business development. They measure the strengths and weaknesses of any situation in order to develop the adequate way to achieve financial and sustainability goals for their companies, most of them by functional areas. They also measure other issues, as important as blood for any living organization.

For example, the following are alternative provisions you can use to modify a term sheet depending on whether your company is investing or is seeking capital.



Consider the explanations of each provision before integrating it in your Term Sheet Agreement.

#### DIVIDEND

The directors need not pay a dividend unless they wish to pay dividends on Common Stock in the same year. In a scenario more favorable to investors, dividends may be participating (i.e., preferred stockholders to receive additional dividends ratably with common stockholders once all preferences have been satisfied) and/or cumulative (i.e., unpaid dividends will be added to the liquidation amount and the redemption price of the preferred stock and all accrued dividends for past as well as the current year must be paid prior to payment of dividends on common stock).

#### LIQUIDATION PREFERENCE

Alternatively, terms may be structured so that preferred stockholders may get back only their original investment or they may retain their original investment plus all accrued but unpaid dividends for every years or they may share the remainder ratably on an as-converted basis with common stockholders only after their preferences and all common stock liquidation amounts have been paid. In subsequent financings, new series of preferred stock may have a superior position on liquidation or be on a pari passu footing with this series with respect to liquidation. Liquidation may be defined in the term sheet to include acquisition of the Company or its merger into another entity, with the classification of such event as liquidation or not at the investors' option at time of the merger.

#### REDEMPTION

While going public or an acquisition usually connote a clear "success", the investor must also consider the case in which the Company only achieves moderate success and management is content to keep things going as a private Company. According to these terms, the company must redeem at a specified amount which provides investors with some guaranteed return on their investment.

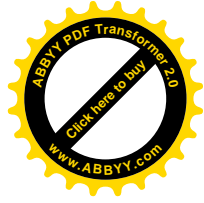
Alternatives include: (a) a provision stating that the Company may not call the Preferred Stock for redemption nor may the investors require the Company to redeem their stock and (b) optional redemption after a certain date by either the Company or the investors.

If the Company may call the Preferred Stock at its option, it could potentially call once the common price exceeds the redemption price and force the investor to take a mediocre repayment on his investment or convert to common and lose his preferred position in the Company.

#### REGISTRATION RIGHTS

In order to have a public offering the Company must file a registration statement with the SEC. Because the investor can not be assured of controlling the Board of Directors of the Company (after all that is what the entrepreneur fears will happen), the investor usually negotiates for "demand registration rights" under which the Company contractually agrees to file a registration statement on the demand of the investor. The number of "demands" is negotiated, with the Company saying that one is enough and the investor arguing for two or more.

Conceptually the granting of demand registration rights is a big deal for the Company because of the time and cost involved if those rights are invoked – it can easily cost \$200,000 or more to file a registration statement. In reality, it is a rare case when registration is demanded against the desires of management – after all



management has to go on the "road show" and make a good presentation to the mutual fund managers and brokers who will be buying the stock.

In addition, the investor usually receives "piggyback" registration rights under which the investor's shares are included in any "primary registration" statement (where the company is selling its own stock) or in any "secondary registration" where the Company is filing a registration statement to permit others to sell.

#### PRE-EMPTIVE RIGHTS

This right is typically granted to investors to ensure that the Company does not negotiate new financings with new players without offering to deal with the present investors. Sometimes investors are required to take "all or none" of the new financing.

#### AUTOMATIC CONVERSION

Because the control and others terms of a venture capital preferred are not consistent with public market securities, the Preferred Stock has to "disappear" (i.e., be converted into Common Stock) at the Initial Public Offering.

#### ANTI-DILUTION

Antidilution adjustments increase the amount of stock received by an investor if the Company issues additional stock at prices which are lower than that paid by the investor. Because there is no readily ascertainable independent market price for the stock, investors believe that they should be protected against having overpaid. Another rationale is that the entrepreneur should pay if he does not increase the value of the Company by the next round of financing.

However, from the entrepreneur's side a decrease in the value of the Company could result from events beyond the entrepreneur's control- e.g. a stock market crash or a change in the law.

Having said this, antidilution adjustments are almost always present in one form or another. Note that the formulae used in these provisions decrease the conversion price of the Preferred Stock resulting in more shares of common stock per share of Preferred Stock upon conversion. The weighted average antidilution formula considers the total number of shares being issued as well as the per share price; contract this to the full ratchet antidilution formula which automatically reduces the conversion price to the price at which a new issued is sold, even if only a small number of shares are issued.

#### MANAGEMENT OPTIONS

Investors usually factor the option pool size into their valuation of the Company and assume that the full amount of the option pool is taken into account in determining the "pre-money" valuation of the Company.

#### STOCK RESTRICTION AGREEMENT

Investors will want to ensure that the present management of the Company has an incentive to remain there; rewarding continued work at the Company by appreciation in the value of stock and discouraging the individual's leaving by the buy-back provisions detailed above are effective mechanisms to encourage long-term commitment.