The Expanding Role of the Food Distribution Industry into Greater Standization of Package, Product, Container

Standard Transportation Commodity Codes

Food 70's

A status report on development of standard transportation commodity coding system

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● A Standard Transportation Commodity Coding System for use by shippers, carriers, investors, and government - to be used domestically and internationally - is an absolute must to keep our transportation industry from drowning in the mountains of paper work relating to movement of freight.

How's that for openers?

The U.S. Domestic Freight Bill last year was approximately 75 billion dollars. It also estimated that the administrative costs related to processing the paper work for that freight bill was 7 billion dollars. A 10 percent reduction in the paper work would mean a savings of 700 million dollars annually. A Standard Transportation Commodity Coding System is the No. 1 prerequisite to achieving the 700 million dollars annual savings.

Before I get into the status of where we stand with regard to the development of a Standard Commodity Coding System, let me take a minute to tell you about TDCC-Transportation Data Coordinating Committee.

TDCC is a non-profit organization supported and endorsed by all segments of the transportation industry -- shippers, carriers, government, banks and trade associations.

Its primary goal is to develop and maintain an action program to achieve coordination of transportation data processing in the standardization of description, code, tariff format reconstruction, system design and other related areas.

The payoff for achieveing TDCC's primary goal is the 700 million dollars recurring annual savings referred to above.

A Standard Commodity Code is only one of several codes that TDCC is actively working on -- some others are geographic, patron, equipment and tariff codes.

Now let's get back to the nitty-gritty of commodity codes.

The overall objective of our commodity codes group is real simple -

> COORDINATE THE DEVELOPMENT OF A STANDARD TRANSPORTATION COMMODITY CODE

At least it looked simple at first, but then when you impose the following criteria -- all of which are essential, you get a different picture.

1. Identify the commodity.
2. Intermodal acceptance.
3. Shipper acceptance.
4. Government acceptance.
5. Data processing adaptability.
6. Bridgeability.
7. Compatibility with existing data/base system.
8. Easily maintainable.
10. Effective maintenance control.

We started out doing some "market research" to get a feel for what other groups were doing about the need for a standard commodity code.

Well -- talk about a can of worms, it didn't take us very long to find out that what we had was really a barrel of worms.

We soon discovered that there actually were dozens of groups all "promoting" the need for a standard transportation code -- but a real live problem was and still is the fact that the needs of these various groups are not compatible --with the result that there is active development and marketing of several "standards". We now are aware of at least 18 different commodity code systems.

I think you will agree how beautifully this illustrates the need for an organization like TDCC

There are two basic families of commodity codes.

1. International --

   BTN - Brussels Tariff Nomenclature and its famiy of related codes.

2. Domestic --

   SIC - Standard Industrial Classification and its family of related codes.

The obvious obstacle is incompatibility. At the present time there is no way to get from one side to the other.

There were many alternatives available for development of one standard commodity coding system.

1. Develop a new code.

2. Use an existing code (choice of 18).

3. Use combination of old and new.

4. Use more than one code.

5. Do not standardize.

After a thorough analysis of the alternatives available, we selected an existing code -- the STCC - Standard Transportation Commodity Code as an acceptable base from which to start. The STCC code was developed by the AAR-Association of American Railroads - and has more acceptance in terms of usage than any other coding system.

There are many problems with the STCC which have to be overcome before that system will meet the 10 criteria outlined earlier, and our efforts are now being directed toward gaining intermodal and international acceptance of the STCC.

We are currently involved in a project, with the Department of Transportation; to prove to all users that the STCC can be adopted as a universal commodity coding system.

For one commodity group - Paper Products - we are building a model which will identify all products by an STCC number, and also show a cross-reference to all other commonly used commodity codes.

For example, if you ship a paper product from Minneapolis to Frankfurt, the product would move domestically to a port under an STCC number, and when needed, could be easily converted on another code like SITC or BTN for international use.

When this project is finished, our job will be to market the results. A new product in the area of transportation coding is really no different than a new product for the grocery store -- we must sell -- sell -- and sell some more.

When shippers become convinced on the value of putting a standard commodity code on their bill of lading, we will be well on the way to realizing the 700 million dollars.●