



Shipping Container Institute

NEWS

September – October 2005

SSCI NEWS

Purchasing Magazine's Steel Flash Report Publishes Expanded Footnote on Steel Costs

The *Steel Flash Report*, a monthly electronic newsletter containing spot-market steel prices that is published by *Purchasing* magazine, now includes an expanded footnote explaining to subscribers that the raw material prices listed may not reflect the true cost of the product to the firm purchasing it. The expanded footnote in the report started appearing with the August 31, 2005 issue.

Representatives of SSCI and some of its member firms have conducted an ongoing dialogue with the editors of *Purchasing* concerning the incomplete nature of the prices published in the *Steel Flash Report* and their affects on steel drum and pail manufacturers. Purchasing agents and others involved in transactions for new steel drums and pails have come to rely on the spot-market steel price index as a "reliable barometer" for determining the cost of steel products in the marketplace. However, the index prices do not take into account certain size and/or processing extras as well as freight charges that steel drum and pail manufacturers find themselves having to pay for their basic raw material.

An SSCI representative met in August with the editor-in-chief, executive editor, and publisher of *Purchasing* at the magazine's headquarters in Massachusetts. At the meeting, the SSCI observed that *Steel Flash Report* does not take into account these extras. Consequently, the index provides an incomplete snapshot of delivered price of cold-rolled sheet steel in the marketplace that hurts the credibility of SSCI members with customers.

The SSCI noted the magazine had an obligation to present the full picture and requested that it consider publishing a more comprehensive footnote regarding other factors affecting the delivered price of cold-rolled

sheet steel. The *Purchasing* executives agreed to consider a broader footnote.

The expanded footnote, in part, explains: "These spot prices include raw materials' surcharges. They do not include size/processing extras or freight charges****"

The SSCI will continue its dialogue with the editors at *Purchasing* in an effort to insure that the complete picture involving transaction costs for cold-rolled sheet steel is presented.

SSCI 2006 Annual Meeting Set for Apr. 10-12 in Florida

The Steel Shipping Container Institute's 2006 Annual Meeting will be held April 10-12 at the Hyatt Regency Coconut Point, Bonita Springs, Florida – midway between Ft. Meyers and Naples on the Sunshine State's Gulf Coast. The SSCI event will be part of the IPANA's 4th Annual Meeting.

Look for details on the meeting just after the first of the year. In the meantime, mark your calendars!

Steel Drum Council to Meet November 2 in Chicago

The third meeting of representatives of the Reusable Industrial Packaging Association (RIPA) and the Steel Shipping Container Institute (SSCI) will be held November 2 at the offices of Trilla Steel Drum Corp. in Chicago. This meeting of the so-called Steel Drum Council (SDC) follows one held in August at the offices of Drumco of Arkansas in Bauxite, AR. The initial meeting in the current series of SDC sessions was held last March in Washington.

The objective of the joint discussion is to identify issues of common concern that the respective groups working together can address. Among the topics initially identified for action relate to packaging testing at Tobyhanna, revisions to the National Motor Freight Classification (NMFC) affecting steel drums, and improved communications between RIPA and SSCI.

The November 2 meeting takes place the day before RIPA's 64th Annual Meeting to be held at the InterContinental Hotel in Chicago.

REGULATORY NEWS

Excessive Marks on Packagings Remain Focus of PHMSA Enforcement

In recent presentations to industry executives attending the Industrial Packaging Alliance of North America's (IPANA) Fall Conference and the Full- and Sub-Committee Meetings of the Chemical Packaging Committee (CPC) of the Institute of Packaging Professionals (IoPP), a Federal safety official said that his agency's field staff continues to focus its enforcement efforts on so-called "macho-marked" drums.

In comments to IPANA and CPC members, Doug Smith, acting director of the Office of Hazardous Materials Enforcement (OHME) at the Pipeline and Hazardous Materials Safety Administration (PHMSA), said that excessively marked steel drums continue to provide an enforcement bonanza. He noted that OHME field agents are looking for containers designated with an "X" mark, for Packing Group 1, that also contain high specific gravity (e.g., 1.8, 1.9, 2.2, 2.4) and/or are certified for high internal pressure (e.g., 250 kPa (36.3 psi), 300 kPa (43.5 psi), 340 kPa (49.3 psi), 350 kPa (50.8 psi).

As reported in the July-August edition of this newsletter, new steel drums with the above combination of certified attributes continue to fail the drop test. He urged the industry to meet with customers to assure that the current design specifications for the containers being ordered are appropriate.

Several SSCI member manufacturers have had success in having customers re-evaluate their packaging specifications, with some shifting the design requirements to a "Y" mark, for Packing Group 2. All SSCI members are urged to re-evaluate design types that fall within the parameters outlined above and determine

whether each customer really has a requirement for the higher mark it currently specifies.

In a related matter, the SSCI continues its work in developing a marking brochure that will be available to all manufacturer members for use in dealing with customers on appropriate container marks. It is expected that the brochure will be disseminated by December 1.

PHMSA Adds Sample Test Report Formats to Web Site

The Pipeline and Hazardous Materials Safety Administration (PHMSA) has added five sample test report formats to its web site in an effort to assist packaging manufacturers who self test to gather and retain more comprehensive information on their design test activities. The sample test report can be obtained by going to the agency's web site at <http://hazmat.dot.gov> and clicking on the green "Special Permits and Approvals" placard. Then, click on the "UN Third Part Certification Agencies" link, scroll down, and links to the five test reports will be visible.

The sample test report formats are: UN1A2 – Steel Drum; UN1H1 – Plastic Drum, UN4G – Combination Package; UN5M2 – Paper Bag; and, UN31HA1 – Intermediate Bulk Container.

In posting these test report samples – and, prospectively, others – the PHMSA's goal is to encourage manufacturers and others to provide a more comprehensive design type test report that will benefit the report provider and greatly assist the agency in fulfilling its responsibility under the regulations.

PHMSA to Propose That Fillers Retain Packaging Closing Instructions

The Pipeline and Hazardous Materials Safety Administration (PHMSA) currently has in development a notice of proposed rulemaking (NPRM) that will deal with a range of general packaging issues

One element of the rulemaking will involve a proposal to require fillers/shippers to retain copies of closing instructions provided to them by industrial packaging manufacturers whose containers they are using to transport their products.

In a plenary session at the recent IPANA Fall Conference, a PHMSA official noted that inspectors with its Office of Hazardous Materials Enforcement (OHME), from time to time, are unable to obtain closing instructions from fillers whose packagings they test. Since the closing instructions are an integral part of process of determining the efficacy of a packaging, it is important that such materials provided by the packaging manufacturer be retained. Currently, no such regulatory requirement applicable to fillers exists.

While discussing the idea of establishing a filler/shipper retention policy for closing instructions, the agenda provided no specifics concerning the prospective rule.

Other issues that PHMSA is considering as part of its so-called HM-231 NPRM include: adding large packagings to the regulations; updating test report requirements, and defining any package with a volumetric capacity over 450 liters as bulk, regardless of weight.

The NPRM is expected by the end of the year.

INTERNATIONAL NEWS

UN Working Group on IBCs Reportedly Reaches Consensus on Vibration Test

A Working Group formed by the United Nations Sub-Committee of Experts on the Transport of Dangerous Goods (UN COE) reportedly has reached a consensus on a framework for establishing within the UN *Model Regulations* a repetitive shock vibration test that would be applicable to composite intermediate bulk containers.

At its October 10-14 meeting in Paris, the IBC Working Group discussed and considered numerous issues related to the durability of IBCs in transport as well as other characteristics of the packaging based upon papers submitted in advance of the meeting by session participants. The Paris meeting was open to any participants who had expressed an interest in the subject at the July UN meeting in Geneva, or subsequently, in communication with the Working Group chair, Linda Hume-Sastre of Canada, who also serves as vice chair of the UN COE.

Topics considered in the wide-ranging discussions included UV protection (a particular concern to the representative from Australia), the trend toward "lightweight" composite IBCs and whether such units

should carry a special mark (Australia, again), and the pass/fail criteria for IBC performance tests.

It is expected that the Working Group will present to the UN COE at its next meeting in December an information (INF) paper that will form the basis for a more specific proposal on composite IBCs that would be presented for consideration at the COE's July 2006 session.

A significant development at the Paris meeting of the Working Group involved an apparent consensus on vibration testing of IBCs. The representative from France, who had been an advocate of the need for a random vibration test in the UN *Model Regulations*, concluded that such a test – which many believe more closely mimics the realities of the transport environment – is economically unrealistic for packagings of this size. The cost of random vibration test equipment for IBCs would be prohibitive.

Consequently, a consensus appears to have formed around the idea of a repetitive shock test similar to that currently required for IBCs in the U.S. Reportedly, there was further agreement that the new vibration test should be a design qualification test, rather than a capability test. However, there was significant discussion about the appropriate means of assessing acceptance of a design using the repetitive shock test. These discussions related to how far off the platform an IBC must rise during the repetitive shock test. Is passing a shim under one corner of a test package sufficient? Or, should the shim be required to pass down the full edge during testing?

This issue and numerous others related to the development of a repetitive shock test will be addressed by a electronic working group to be chaired jointly by representatives of the U.S. and France in the ensuing weeks.

IPANA NEWS

2006 Dues Statements to be Mailed in November

Sometime before mid-November SSCI members will receive their statements for IPANA/SSCI membership in 2006. For SSCI Associate and International/Other members, there is no change in dues for the new year. However, dues for manufacturer members will increase by 3 percent, pursuant to a proposal approved by the Board of Directors in September.

Generally, there is no increase in IPANA dues for 2006, although efforts to smooth out so-called “step increases” between dues categories may affect the amount that some firms pay to other IPANA affiliated groups.

Additionally, the IPANA Board, with the concurrence of the leadership of the affiliated associations, created two new dues categories for manufacturers with revenue as follows: \$110.1 million to \$145 million and over \$145 million

In adopting IPANA’s 2006 operating budget, the Board of Directors shifted about seven percent of dues revenue from overhead/administrative IPANA accounts back to the several of the affiliated organizations for their use in supporting program activities.

Payment of 2006 membership invoices will be due on January 15. However, earlier payment, if possible, would be appreciated.

OTHER NEWS

IRS Raises Gas Mileage Rate

Responding to gas price increases across the country, the Internal Revenue Service has raised the mileage reimbursement rate to 48.5 cents per mile, up from 40.5 cents per mile. The rate increase is temporary and is set to expire on December 31, 2005.

“This is about fairness for taxpayers,” says IRS Commissioner Mark W. Everson. “People are entitled to deduct the real cost of operating a vehicle. We’ve responded to the recent gas price increases by making this special adjustment so taxpayers get the tax benefit they deserve.”

Everson added, “With many predicting a decline in gas prices over coming months, we will hold off on setting the 2006 rate until closer to January.”

Steel Firm to Add Energy Surcharge

AK Steel Corp. will add an energy component to its stainless steel surcharge because of the increase in the cost of natural gas, the company announced on October 18. AK Steel said the surcharge, effective November 1,

would be applied to all grades of stainless steel sheet, strip, and plate products.

Its energy surcharge is in addition to a recently announced \$193 per ton surcharge for November 2005 shipments of flat-rolled steel. Moreover, the firm also stated that its electrical steel customers will see a \$220 surcharge added to invoices for electrical steel products shipped in November.

AK Steel said its surcharge is to be based on monthly reported prices for natural gas using the September 2005 purchase cost to calculate the surcharge for November shipments.

U.S. PPI Rises 1.9%; Biggest Jump in 15 Years

U.S. producer prices rose in September by the most in 15 years after Hurricane Katrina pushed oil and gas prices to record highs and drove up costs of other materials such as plywood and chemicals, the Labor Department reported.

The 1.9 percent increase in prices paid to factories, farmers, and other producers followed a 0.6 percent increase in August. However, the core measure, that excludes food and fuel, rose 0.3 percent after no change in August.

Crude oil prices reached a record \$70.85 a barrel on August 30 and have remained above \$60 a barrel amid concern about further supply disruptions, mostly recently from Hurricane Wilma that is meandering in the Gulf of Mexico. Press reports indicate that some businesses have started to raise prices to cover their higher costs. Concerns that inflation will accelerate will likely keep the Federal Reserve raising interest rates through the beginning of next year, economists said.

Economists had expected the PPI to rise 1.2 percent, according to the median of 64 forecasts in a Bloomberg News survey. Excluding food and energy, prices were expected to rise 0.2 percent.

So far this year, producer prices are rising at a 6.4 percent annual rate and core prices are rising at a 2.5 percent annual rate. Energy prices rose 7.1 percent in September, the biggest jump since October 1990, after climbing 3.7 percent in August. The price of gasoline rose 12.7 percent and the cost of natural gas rose 9.0 percent in September.

PEOPLE IN THE NEWS

Al Roberts Retires – Again!!

Alan I. Roberts, president of the Dangerous Goods Advisory Council (DGAC) retired from full-time employment with the group, effective October 15. DGAC is an international, educational non-profit membership organization representing shippers, carriers, container manufacturers and reconditioners, as well as emergency response and waste clean-up companies. Mr. Roberts, who continues in an advisory role with DGAC, has been affiliated with the group since 2000.

Prior to joining DGAC, Mr. Roberts was the long-time deputy administrator of the now-defunct Research and Special Programs Administration (RSPA), DOT. He is a world-renowned expert on hazardous materials transportation and was a key figure in the shift of Federal government hazardous materials packaging regulations from a designed-based approach to performance-based standards, a change that enhanced public safety while promoting efficiencies in operations. Counting his time with DGAC, Mr. Roberts' career dealing with hazardous materials transportation spans more than 30 years. Overall, his career in the transportation industry spans 50 years.

Mr. Roberts has purchased a home in the Dallas-Ft. Worth area where he expects to spend his retirement years.

Jim Heffernan, Trilla Steel Drum, Retires After Thirty Years in Industry

James P. "Jim" Heffernan, vice president marketing at Trilla Steel Drum Corporation, will retire at the end of October. Mr. Heffernan has been in his current capacity with Trilla since 1990. Prior to joining Trilla, he had more than 20 years experience in the industrial steel container industry serving with Crown Cork & Seal as a regional sales manager and with Astro Container as vice president sales & marketing.

In addition to his packaging career, Mr. Heffernan also served 27 years in the U.S Marines, combining active duty time after being commissioned an officer upon graduation from the University of Toledo, with years in the Marine Corp Reserve. He retired from the Corps with the rank of Lieutenant Colonel.