A compilation of News About the Freight Market

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Market Watch

Ontario Trucking Association

Dimensionalized Revolution Coming For LTL?

The rise of dimensioning machines will make LTL trailer space allocation more efficient than ever, reports *DC Velocity*. For nearly eight decades, LTL carriers have been "giving away their trailer space" – at least enough of it to make a difference in their revenues and profits and leave the backdoor open for rate cuts. But change is in the air, and it's being driven by so-called dimensionializing machines that precisely calculate the amount of space a shipment will occupy in a trailer. The machines allow the carrier to price its capacity based on the amount of space a shipment takes up, and not rely on a "78-year-old commodity classification formula that, over time, has robbed carriers of billions of dollars of legitimate revenue, often because of the carriers' own missteps." The machines measure a shipment's dimensions – arrived at by multiplying length, width, and height – and provide proof of their calculations. The machines are pricey, about $80,000, but with a payoff said to be as quick as 30 to 60 days, demand from carriers wanting to put shippers on a space-occupied pricing plan is rising. As the equipment gains popularity, the sun appears to be slowly setting on the old formula used to rate LTL shipments in the U.S. The National Motor Freight Classification (NMFC) system, developed during the Great Depression, classifies goods rather "unscientifically," based on four elements – density, stowability, handling, and liability – that reflect a shipment's "transportability" and not derived from the dimensions of the actual shipment. Says the article: "By relying on metrics that don't accurately calibrate their cost of carriage with what they should charge, carriers routinely misclassify their freight and underprice their trailer space." The current classification methodology has also failed to keep up with the times. It was not designed to accommodate the changes in modern-day production methods, where goods tend to be lighter and generally cube out in a trailer before they weigh out. Whatever the case, carriers have also historically acquiesced to the shipper's interpretation of the classification, afraid to lose business. Unsurprisingly, carriers are encountering shipper resistance to changing the status quo. Todd Polen, Old Dominion's vice president of pricing and costing, said the carrier tries to show shippers that moving from class to dimensional rates would eliminate arduous negotiations over commodity classes, end freight payment disputes, and preclude the need to constantly update classification criteria. "The simplicity is the sell," Polen said. However, until 70 to 80 percent of the largest LTL carriers roll them out (and carriers following suit properly understand how to use these tools to rationalize their own costs) don't expect them to go mainstream anytime soon. Read the full article here.

The Elephant in the Drivers' Room

A candid panel discussion earlier this year hosted by Delta Nu Alpha dug into several provocative topics surrounding the driver shortage. The panel was moderated by Mike McCarron, of the Wheels Group and founder of MSM Transportation, and made up of Mark Seymour, president of Kriska Transport and chair of the CTA Driver Shortage Blue Ribbon Task Force, among others. As reported by Truck News, the panel took a "macro approach" to the driver shortage, but also examined certain "elephants in the room," – as McCarron called them – that set the panel apart from others on the same topic. "How motivated are the owners in finding drivers?" McCarron asked. Trucks are full, rates are going up and capacity is good. "Is that demotivating transportation companies from solving this problem?" Answered Seymour: "The situation is preventing people from growing organically," adding that the challenge for most carriers is to fill their unseated trucks and maintaining discipline when it comes to adding capacity. "The reality is if you can't seat the unseated trucks you have, why in the hell would you buy more when they'll just join that unseated group?" Seymour said now is a good time for carriers "to do some much needed repair on rates and balance sheets" but at the same time "leverage the positions we have with our customers to be kinder and gentler and more compassionate to our drivers" – which includes **Elephant #2 -- the pay issue:** Seymour pondered the possible benefits of a hourly-based pay system for certain segments in the future. "What we don't do traditionally, and I hope it happens in my lifetime, is moving (toward) people getting paid for every hour they work and if there time is wasted on the road in an accident or in traffic, they are still getting compensated."

Diesel Prices