

# BALANCING THE SCALES

**EACH SEGMENT OF TRUCKING** has its own approach for capturing the shipment characteristics used to bill customers for the cost of its transportation service. Truckload carriers use their own data on the distance between pickup and delivery locations to establish the charges and to bill shippers. Parcel carriers capture the distance, weight and cubic dimensions of a package and bill using that data. Neither segment leaves establishing the billing attributes to the shipper.

Less-than-truckload carriers, however, still rely on an honor system, using the weight and freight class listed on the shipper's bill of lading. This was understandable in the era before widespread use of computers, but errors by a few pounds in the correct weight and class can add up to 4 percent of a carrier's operating margin. Is it a coincidence that in recent years the publicly owned LTL carriers collectively had operating margins about 5 percent lower than truckload and parcel carriers?

One simple way the LTL industry can increase its operating margin is to change the approach to billing. In recent years, LTL carriers have invested millions of dollars in forklifts with electronic scales to more easily reweigh freight tendered by shippers. Additional investment made in dock automation helps capture and compare those weights with what shippers state on bills of lading. Yet each carrier has a different policy on what shipments are reweighed and what percent of those reweighed shipments are rebilled. Some carriers don't correct the weight on shipments with a difference of up to 25 pounds; some, 50 pounds; and still others, 100 pounds.

The LTL industry has maintained its approach for decades, while parcel carriers charge shippers not only for the actual weight of the parcel, but a little more. For example, when a parcel weighs 13 pounds, 2 ounces, the shipper is billed for a full 14 pounds.

Furthermore, parcel carriers also extend this fractional pound-based pricing practice to their hundredweight services. For a 17-parcel shipment of 20 pounds, one ounce per parcel billed at hundredweight service, the shippers are charged for 342 pounds, even though the total weight is 341 pounds and one ounce. Where an LTL carrier doesn't correct shipment weights with a difference of up to 25 or 50 pounds, the same shipment of 342 pounds could be billed as if it were less than 300 pounds.

LTL carriers should move toward the billing and packaging or crating approach utilized by parcel carriers to support changes to billing policies.

An argument shippers often raise to challenge weight correction is that they should not be billed for the weight of the pallet. First, a normal pallet weighs about 40 pounds. Second, shippers use the pallet in the same manner as a brown box is used to tender packages to parcel carriers.

So, the carriers should overcome such objection by questioning if the shipper is exempt from being billed for weight of the packaging by the parcel carriers. When the shippers get such exemptions from their parcel carriers, then LTL carriers can consider waiving the pallet weight.

Such a change obviously can't be implemented overnight, but LTL carriers certainly could move gradually. They could start with a uniform allowance of 40 pounds on any shipment over, say, 800 pounds and 5 percent on shipments less than 800 pounds. That could be implemented easily with existing computer technology at most companies.

When that practice gains wide acceptance, the industry could reduce the allowance in 10-pound increments until it reaches the level of billing that may allow for deviation by five pounds, which is still more generous than the parcel carriers' approach.

Next, when contracts are up for

renegotiation, LTL carriers should stop exempting shippers from reweighing and bill for weight deviation. LTL carriers need to do a better job of educating shippers that the old practice results in disciplined shippers subsidizing shipping costs for others, including their competitors.

With industry pricing still based on a pre-1980 approach of freight class and deficit rating and discounts up to 90 percent off tariffs, the least LTL carriers could do is bill for the weight actually handled. This is particularly relevant when parcel carriers with their hundredweight services aren't only billing for every ounce but also rounding up the



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ounces to the next pound.

Removing such cross-subsidies in shipping charges among shippers will result in the elimination of bad shipping practices, lower the total cost for handling of LTL freight, reduce rates for shippers and increase margin for carriers. This change would provide additional capital for LTL carriers to investment in services and technology, just as the parcel carriers have done.

When faced with any shipper objection to weight correction, LTL carriers should "just say no!" **JOC**

*This is the second in a monthly series of commentaries on LTL trucking. Satish Jindel is president of SJ Consulting Group.*