



Published on *JOC.com* (<https://www.joc.com>)

[Home](#) > [Usefulness of NMFC system nearing its end](#)

Satish Jindel, president, SJ Consulting Group, Inc. | Jul 07, 2022 10:49AM EDT

For many in the less-than-truckload (LTL) sector, the National Motor Freight Classification (NMFC) system for pricing has long outlived its need and value. While many carriers have made attempts to move away from it, **FedEx Freight's most recent quarterly results and presentations at the June 29 investors' day show the NMFC is nearing its end.**

FedEx Freight improved its operating margin from 16.1 percent in the year-ago quarter in 2021 to 21.8 percent in the quarter that ended May 31, the end of its 2022 fiscal year. A dramatic improvement by 35.4 percent in just one year. What makes it even more remarkable is that it did so while handling fewer and lighter weight shipments. Maybe the huge increase of 30 percent in pricing by hundredweight had something to do with it.

While such a hundredweight price increase could have resulted from a change in the mix of shipments, the investors' day presentation sheds light on at least one factor that must have been a major contributor.

FedEx Freight announced that it is now capturing dimensions on 85 percent of all shipments. With it handling over 112,000 shipments per day, or 17 percent of all LTL shipments, it should boost confidence for other carriers on the practicality of capturing dimensions on all shipments and doing so while still conforming to operational needs of moving shipments across the dock to meet trailer dispatch times.

The credit for such operational ability to capture dimensions on 95,200 shipments per day by FedEx Freight goes to Mettler Toledo, the manufacturer of scales and analytical instruments. It has perfected the technology to capture dimensions of so many variations in shapes and sizes of LTL shipments while those shipments are moving from one dock door to another one.

Until recently, dimensioning machines made by Cubiscan, Freightsnap, and even Mettler Toledo required the forklift operator to carry the shipment to a static machine, place that shipment down, retract the forklift, activate the machine to capture the dimensions, and then pick it up and transport it to another part of the dock. That added considerable time to movement of freight on the dock and reduced the practicality of using those machines for many shipments.

However, now the LTL carriers can do almost the same thing that parcel carriers have been doing for many years, which is to capture the actual weight and cubic size of every unit handled. Clearly, there must have been a huge payoff for FedEx Freight to have deployed so many in-motion dimensional machines in a nationwide network of 390 service centers.

What makes the timing of such news from FedEx Freight even more relevant is that the National Motor Freight Traffic Association (NMFTA) announced changes to the NMFC for several products

effective April 9, 2022. It continues to follow an antiquated approach of assigning a freight class for multitude of products by using their current density attributes.

For example, as of April 9, dry ink or toner, which was class 70, is changed to three classes, 77.5, 100, and 175. Imagine how much money has been lost by the LTL carriers over the past many years that this class remained unchanged.

Other examples include fruits, meats, and dairy products, which have changed from being 70, 110, and 200 to a higher class of 100, 175, and 250, respectively, and filtered cigarettes with integral disposable plastic holders, which changed from class 100 to 200.

If this is not sufficient to make the head hurt for people new to the LTL industry, it makes it worse when they find out that many people within the industry continue to discourage elimination of this archaic density determination system as it serves their interest.

TMSs 'ripe for disruption'

Transportation management systems (TMSs) continue to ignore this development and are ripe for disruption. It is similar to the failure by the big auto companies to embrace electric-powered cars to protect their investment in fossil-fuel driven automobiles. And then came Tesla with its electric car and it saw such a huge demand for its vehicles that for a while its market cap was greater than that of all other automotive companies combined.

While the NMFC establishes a class based on the characteristics of the products, it has no ability to account for the density that results from how those products are then palletized for shipping. A shipment of any product that is shipped in individual boxes can be determined to be class 70 or 100 based on how the multiple boxes are stacked on a pallet.

This is exactly the reason for the LTL carriers to move off the NMFC system of density capture and start using in-motion dimensioning machines.

Even shippers should be pushing for a change from NMFC to dimensional pricing. Under the old class system, those whose product characteristics have not changed for many years are subsidizing the higher cost for shippers whose products have gone through many changes, resulting in much lower density.

While it has been a slow process, the positive results at FedEx Freight with use of in-motion dimensioning machines gives some observers comfort that the end of the NMFC as we have known it is near. Additionally, I would go to the extent of stating that the LTL carriers who continue to protect the role of the NMFC may instead see the end of their profitable business.

Satish Jindel is president of SJ Consulting Group, Inc.

Source URL: https://www.joc.com/usefulness-nmfc-system-nearing-its-end_20220707.html