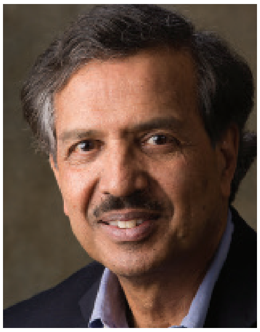
In Perspective



Pricing failure

By Satish Jindel

In August 2023, the US less-than-truckload (LTL) industry received a great gift from Yellow when it closed 19,500 doors at 310-plus terminals across the country. The removal of roughly 14% of overall US LTL terminal capacity brought demand and supply into equilibrium… for a short time.

In spring 2024, LTL carriers collectively bid on these surplus terminals to prevent an oversupply of capacity creeping back with the startup of a new LTL carrier, something that hasn't happened for more than 40 years. However, instead of banking those hundreds and thousands of doors for a future when they would be in demand, many carriers brought that capacity online, creating a huge gap between demand and supply.

The NMFTA can still achieve its goal — and with it the disbanding of the organization.

After achieving high double-digit operating margins in 2023, one of the most profitable years for the LTL industry in decades, carriers are praying for an increase in demand to offset the costs of this excess capacity. While retailers can increase consumer demand by lowering prices, transportation companies cannot do the same by lowering their freight charges for industrial shippers.

After holding on to a grossly outdated pricing model that uses product density to determine charges for upwards of five decades, the National Motor Freight Traffic Association (NMFTA) finally realized it needed to come out of the Stone Age. The association issued new guidelines to promote dimensional pricing as of July 19, 2025, ignoring the fact that the industry was riddled with excess capacity and languishing demand.

Bad timing aside, the NMFTA also erred by only changing the approach for about 4,000 commodities, instead of all 18,000-plus commodities LTL operators haul. It also failed to acknowledge that FedEx Freight, the market leader by huge margin and facing a spinoff in June 2026, was unlikely to embrace such changes.

With such a half-pregnant approach to dimensional pricing, neither the carriers nor the transportation management system providers were ready to support it. And, of course, having dealt with hundreds of LTL shippers, they have the least interest in making a switch for fear of increasing rates.

The decision to do so for just a few commodities and during a freight recession has been a non-event and a wasted opportunity after 50 years of trying to enter the digital age, a change comparable to replacing a rotary dial phone with a cell phone.

The industry reasonably thinks that the NMFTA was more concerned about jobs for its members and delaying the inevitable fate of its being shut down, just like it happened to the ICC and many rate bureaus after deregulation in the 1980s.

And while carriers sought to get shippers' cooperation to declare the dimensions of the handling units on the shipping manifest, they still wanted shippers to list the commodity shipped and its freight class (which would be FAK for many).

It is a gross failure by carriers to not let go of bad practices of the past and then claim that shippers are uncooperative with the change to dimensional pricing.

Neither the NMFTA nor the carriers considered that shippers would have no motivation to add the dimensions of the handling units if it did not add any value to their own shipping operation or help reduce shipping charges.

With the huge emphasis on deploying AI for all business functions, the NMFTA also failed to consider the impact AI could have on LTL pricing and thereby overlooked the opportunities that would unfold with the change to dimensional pricing.

The NMFTA can still achieve its goal to replace current National Motor Freight Classification with dimensional pricing by applying it to all commodities — and with it the disbanding of the organization because it will not be needed, just as the air freight and parcel segments utilize dimensional pricing without a third-party entity to manage it.

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LTL capacity increasing as demand continues steady slide
Total US LTL terminal doors and average shipments per day

Source: SJ Consulting Group