

2010: LTL Carrier Accessorial and Special Service Charges

by

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By evaluating a sample of carrier specific accessorial and special service charges, the purpose of this study is to gain insight as to how these charges can fluctuate from one carrier to the next and understand their impact on total transportation charges.





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Purpose of Study

Recently, we researched and published the difference between LTL carrier base rates. We concluded that, on average, base rates vary by 36% between high and low cost carrier. The range was between 9.3% and 123.4%. Our conclusion was that shippers who route freight based on discount percentages will not be able to minimize their costs and need tools to help them make more intelligent decisions.

While base rates represent the largest portion of shipping cost, accessorial and special service charges can be a meaningful portion of total costs. For example, fuel surcharge accounts for approximately 20.5% of shipping costs when diesel fuel averages \$3.00 per gallon. Other accessorial and special service charges aren't universal but depending upon shipment characteristics, might add substantial costs to shipping. Even more, these accessorial and special service charges aren't extremely visible to shippers. These accessorial and special service charges are listed in rules tariffs that are mostly available on the carrier's web-site, though not always visible, can be up to 150 pages long and hard to interpret. And, rules tariffs can change at any time and it is up to the shipper to access the rules tariff to understand potential charges. Carriers have no liability to notify customers of changes to their rules tariff. In fact during this research, 2 of the 20 carriers updated their tariffs and corresponding accessorial and special service charges. Carriers do not necessarily adjust charges when implementing a general rate increase. They may change accessorial and special service charges at any time.

Our hypothesis is that most shippers believe that accessorial and special service charges are relatively the same for every carrier. Further, we believe that the number accessorial and special service charges will increase in the coming years as discounts continue to escalate as such charges are not discounted.

Methodology

We researched the fees associated with 11 of the more frequently used accessorial and special service charges. They are:

- Cross Border Fee
- Fuel Surcharge
- Hazardous Material Fee
- Inside Delivery/Pickup
- Lift Gate Fee
- Limited Access Fee
- Notification Fee
- Residential Service
- Single Shipment Charge
- Weight Correction Fee
- Over Length Item Fee



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Most of these accessorial and special service charges can be chosen in advance of shipping while a few might be assessed after the shipment has been tendered. For example, typically a shipper knows when a lift gate is necessary for pick-up or delivery, or need to notify customer in advance of delivery. However, shippers don't know if and when a weight correction is going to be assessed.

The carriers evaluated were a mix of national, super-regional and regional carriers. They are:

- | | |
|--------------------------|-----------------------------|
| -ABF Freight System | -Old Dominion Freight |
| -Averitt Express | -R&L Carriers |
| -Con-way | -Saia |
| -Dayton Freight Lines | -Southeastern Freight Lines |
| -Dohrn Transfer | -UPS Freight |
| -FedEx Freight | -USF Holland & Reddaway |
| -Lakeville Motor Express | -Vitran |
| -Milan Express | -Wilson Trucking |
| -Nebraska Transport | -YRC |

Results

We found that in most cases, the variance between low cost and high cost carrier for accessorial and special service charges were significant. For example, lift gate services when evaluating the minimum charge, varied from \$35.00 to \$192.25 or 449%. Fuel surcharge ranged from 15.7% to 22.04% or 40% when diesel fuel averages \$3.00 per gallon.

Carriers are not always consistent in applying accessorial and special service charges. For example, all carriers assessed a fee to handle hazardous material shipments, yet only 7 assessed single shipment charges (single shipments less than 500 pounds tendered from a single address in a single day).

We also found inconsistency in the format of accessorial and special service charges. For example, of the 12 carriers who assess a cross border fee, 4 of them charge per hundred pounds and 8 of them charge flat rates. Two of those carriers assess different fees based on the origin or destination province. For over length shipments, carriers use different lengths to trigger and/or set charges and two carriers charge a percentage of the base rate.

The following table summarizes the findings by listing each accessorial or surcharge, listing the number of carriers assessing the charge, the lowest and highest charge amongst the sample carriers, the percentage variance and the average charge amongst the sample group of carriers.



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Surcharge	Occurrence	Low	High	Variance	Average
Cross Border	12	\$11.00	\$61.40	458%	\$21.73
Fuel Surcharge	20	15.70%	22.04%	40%	20.55%
Hazardous Material	20	\$7.00	\$27.50	293%	\$16.59
Inside Delivery - \$/cwt.	19	\$3.50	\$8.20	134%	\$6.27
Inside Delivery Minimum	19	\$35.00	\$82.00	134%	\$60.66
Lift gate - \$/cwt.	18	\$3.00	\$6.50	117%	\$4.41
Lift Gate Minimum	20	\$35.00	\$192.25	449%	\$78.38
Limited Access - \$/cwt.	11	\$2.50	\$8.10	224%	\$4.97
Limited Access Minimum	18	\$25.00	\$90.75	263%	\$66.67
Notification	19	\$8.50	\$41.30	386%	\$25.01
Residential - \$/cwt.	17	\$3.50	\$8.10	131%	\$5.50
Residential Minimum	20	\$35.00	\$90.75	159%	\$67.00
Single Shipment	7	\$16.00	\$35.00	119%	\$24.83
Weight Correction	12	\$12.00	\$23.30	94%	\$18.19
Over Length Shipment:					
12ft	7	\$50.00	\$75.00	50%	\$63.75
13ft	1	\$50.00			\$50.00
14ft	6	\$33.00	\$97.50	195%	\$63.62
15ft	4	\$50.00	\$157.00	214%	\$78.00
16ft	1	\$45.00			\$45.00
20ft	2	\$100.00	\$150.00	50%	\$125.00

Definitions

- Cross Border:** An administrative fee for shipments moving to/from Canada.
- Fuel Surcharge:** A fee added to net freight charges based on the average cost of diesel fuel.
- Hazardous Material:** A fee assessed to transport a hazardous material shipment.
- Inside Delivery:** A fee assessed for moving shipments on behalf of consignor or consignee beyond the area immediately adjacent to unloading positions.
- Lift Gate:** A fee assessed when consignor or consignee requests a lifting or lowering device for loading or unloading purposes.
- Limited Access:** A fee assessed when picking up from locations that have limited access and can include; camps, carnivals, churches, colleges, construction sites, fairs, storage facilities, mines, prisons and schools.
- Notifications:** A fee assessed when the carrier is required to contact the consignee in advance of delivery.
- Residential:** A fee assessed for providing pick-up and/or delivery service to a residence.
- Single Shipment:** A fee assessed by some carriers when a shipper tenders a single shipment from a single address on any given day that weighs less than 500 pounds.
- Weight Correction:** An administrative fee added to inspect and process corrections for weight and /or product description discrepancies provided by the bill of lading.
- Over Length Shipments:** A fee assessed for handling and transporting shipments deemed to be excessive length as defined by the carrier.



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Examples of Differences

- For the most part, accessorial and special service charges vary by carrier. There isn't universal acceptance of specific charges.
- The few accessorials that are universally accepted are: Fuel Surcharge, Hazardous Material, Lift Gate, and Residential.
- Only 7 carriers assess single shipment charges
- 12 carriers charge for weight or description changes
- Dependent upon carrier, cross border fees are assessed per hundred pounds or a flat fee. 2 carriers assess the fee based on the Province being served.
- On average, it takes a 2,092 pound shipment to be charged beyond the minimum for Lift Gate services.
- Lift Gate fees are mostly charged per hundred pounds, but 2 carriers have flat rate charges.
- Limited Access fees are charged per hundred pounds and 7 of the 18 who assess this fee charge a flat rate.
- Residential fees are mostly charged per hundred pounds, but 3 carriers have flat rate charges.
- Over-length shipment fees are typically flat rate fees though 2 carriers charge 150% of the net base rate.

Summary

Rules tariffs where accessorial and special service charges are listed, can be lengthy, confusing and can change at any time. The potential charges within a rules tariff can result in substantial additional costs and surprise many shippers that aren't aware of potential charges or don't do research.

Accessorial and special service charges categories are somewhat consistent, though not at all universal. However, the rates of each surcharge vary dramatically, up to 458% difference between high and low cost carrier and as little as 40%. All too often, accessorial and special service charges are an after-thought as, other than fuel surcharge, aren't a factor in each shipment. However, given the significant variances, it's important that shippers understand what liabilities they potentially face and the cost impact it can have on your shipping budget.

Conclusion

Just as shippers will continue to see base rates increase each year, accessorial and special service charges will also increase, and based on historical patterns, might increase more than once per year. Carriers are not obligated to announce changes to their rules tariff and it is up to the shipper to research and understand additional costs, otherwise you will get surprises on your invoices.



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Given the outrageous discounts that are common in today's LTL industry, carrier's are likely to increase the number and price of added services. Carriers don't typically discount accessorial and special service charges, though they are willing to waive some of them if justified. One of the more important and growing surcharges is known as the "High Cost Delivery" surcharge. These surcharges are assessed based on specific territories or zip codes. For example, carriers often charge additional fees for providing services into/from the boroughs of New York, or Washington, DC. The trend is increasing the number of points that are assessed an extra fee. It hasn't yet come to the delivery area surcharge that UPS employs (all non-metro zip codes are assessed an added fee), but the trend is definitely moving that way.

The very best way of navigating through the myriad of charges a shipper is liable is to utilize technology that provides the fully loaded costs of shipping before tendering to a carrier. You can do that by accessing each carrier's web-site and getting quotes up front or using transportation management software that will display and compare all carrier rates and options conveniently on a single screen.

Jim Bramlett is a 33 year transportation and logistics veteran, and COO of SmartFreightWare, a shipping software and consulting company helping clients optimize and minimize shipping costs through technology and knowledge.



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