



## Manage your freight transportation expenses by controlling accessorial charges



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**A**ccessorial charges can represent as much as 30% to 40% of freight transportation expenses. Many shippers do not manage these costs as effectively as their freight rates. There is an opportunity to reduce your company's transportation expenses by taking better control of these charges. Accessorial charges consist of additional surcharges assessed by transport companies for providing specific services other than point to point transportation. Fuel surcharges and border crossing fees are the most "high profile" accessorial costs. Charges for deliveries to construction sites or for "driver assist" are more industry specific. There are four lessons I have learned over the years about accessorial charges, based on my experience as a transportation company executive and industry consultant. I would like to share them with you.

### LESSON 1 - THESE COSTS CAN BE MANAGED AND MITIGATED

A number of these costs are directly related to how shippers manage their facilities. For example, carriers offer a designated amount of "free time" for loading and unloading of freight. If appointments are honoured and the flow of trucks in and out of a warehouse is well managed, this free time is often sufficient for many shippers. If a company lacks discipline and good operating procedures, a shipper may exceed its allowable "free time" and be assessed a fee based on the number of hours in-

curred. Any shipper that is assessed these types of charges should be taking a careful look at its dock operations and put procedures in place to control these costs.

**LESSON 2 - MANY OF THESE CHARGES ARE NEGOTIABLE** Carriers will negotiate such items as the amount of "free time" for loading and unloading, the cost per stop-off and the payment interval (i.e. 30 days instead of 15). Fuel surcharges, often the single largest accessorial charge, are negotiable. For most carriers there is a "cost recovery" component and a "profit contribution" component. It is the latter component of the fuel surcharge which many carriers will negotiate.

As a shipper, it is important to identify those specific additional services that you require on an ongoing basis and negotiate them as part of your freight rate discussions. In certain industries (i.e. food), lumper fees or the cost of using a team to unload your freight, are common practice. This cost should be a straight "pass through." You should pay for the

number of hours incurred multiplied by the rate per hour. Be wary of administration fees and minimum charges that can drive up your costs.

### LESSON 3 - ALL CARRIER ACCESSORIAL CHARGES ARE NOT CREATED EQUALLY

In certain segments of the transport industry (i.e. courier), the accessorial charges have a certain degree of standardization. In the truckload sector, there is a wide variance among companies. The message for shippers is that you need to do your homework. Just as you scrutinize freight rates, you need to scrutinize your carriers' accessorial charges with the same vigor. For shippers that are not vigilant, the percentage points you save in freight rate negotiations may be offset by the additional costs incurred in accessorial fees.

### LESSON 4 - YOU CAN ONLY MANAGE WHAT YOU MEASURE

This is an area of weakness in many companies. Some companies can produce data on their accessorial freight costs but the data is not of sufficient detail to help in highlighting those areas of opportunity that need to be addressed. For those companies that maintain scorecards, this is one area that should not be neglected. By measuring your costs over time in specific areas and addressing these areas in a timely fashion, unnecessary additional costs can be reduced or eliminated.



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